C.P.U. No. 296

COMMITTEE ON PUBLIC UNDERTAKINGS (1975-76)

(FIFTH LOK SABHA)

SEVENTY-FIFTH REPORT

ON

NATIONAL COAL DEVELOPMENT CORPORATION LIMITED

(Ministry of Energy—Department of Coal)

LOK SABHA SECRETARIAT
NEW DELHI

October, 1975/Kartika, 1897(S)

Price : Rs. *8.10*

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Sl. No.	Name of Agent

ANDHRA PRADESH

1. Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).

2. G. R. Lakshmipaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.

ASSAM

3. Western Book Depot, Pan Bazar, Gauhati.

BIHAR

4. Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.

5. M/s. Crown Book Depot, Upper Bazar, Ranchi.

GUJARAT

6. Vijay Stores, Station Road, Anand.

7. The New Order Book Company, Ellis Bridge, Ahmedabad-6.

HARYANA

8. M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.

MADHYA PRADESH

9. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

10. M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.

11. The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.

12. The International Book Service, Deccan Gymkhana, Poona-4.

13. Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower Fort, Bombay.

14. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.

15. Deccan Book Stall, Fergusson College Road, Poona-4.

16. M.& J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.

MYSORE

17. People Book House, Opp. Jaganmohan Palace, Mysore.

RAJASTHAN

18. Information Centre, Government of Rajasthan, Tripolia, Jaipur City.

19. M/s. Usha Book Depot, 585/A, Chitra Bazar, Tripolia, Jaipur.

UTTAR PRADESH

20. Law Book Company, Sardar Patel Marg, Allahabad-1.

SEVENTY-FIFTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON NATIONAL COAL DEVELOPMENT CORPORATION LTD. (FIFTH LOK SABHA)

PAGE	PARA	LINE	FOR	READ
(vii)	-	-	Delete last three lines	
7	1.20	9	After 'planned' read 'is'	
24	-	2	won	own
29	3.3 (in Col. 5 of the Table)		Plant and more machinery	Plant and machinery
33	3.15	3	them	then
35	3.22	12	opposed	proposed
39	3.41	2	characteristicks	characteristics
40	3.45	14	arrears	areas
43	3.53	1	After 'Page' read '28'	
63	3.130	3	look-up	lock-up
67	3.144	1	delayed	delays
72	4.3	[illegible]	selved	solved
79	4.15	4	is	[illegible]
82	4.19	8	hardle	handle
84	-	1	to	the
89	4.50	5	on July, 1971	in July, 1971
93	-	1	since(taken	(since taken
93	4.64	3 from below	After projects read has	
94	4.66	2	insisted	insisting
105	4.100	4	After 'such' read 'as'	
119	5.14	2	After 'means' delete 'of'	
125	-	10	datc	data
140	6.[illegible]7	4	joined	opined
203	9.1	2	After '1973-74' read 'is'	
210	9.26	9	fierecely	fierce
247	10.47	2	O&AG	C&AG
248	10.52	9	amounts	accounts

P.T.O.

289	Column 2	1.27 to 1.32	1.29 to 1.34
296	10 from below	CFA	CMA
305	Column 2	3.73	3.73 to 3.79
312	"	3.125 to 3.134	3.125 to 3.130
316	"	3.144 to 3.145	3.144 to 3.146
327	"	4.69 to 4.72	4.69 to 4.73
337	-	imoprt	import
348	6 from below	reconilia-tion	reconcilia-tion
351	23	afixed	fixed
353	19	fillers	filters
353	21	to	the
356	13	then	than
356	14	as	and
361	column 2	delete 7.75	
370	26	same	some
370	28	n	in

CONTENTS

COMMITTEE ON PUBLIC UNDERTAKINGS
(1975-76)

CHAIRMAN

Shri Nawal Kishore Sharma

MEMBERS

2. Shri Dinen Bhattacharya
3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
5. Shri V. Mayavan
6. Shri Surendra Mohanty
7. Shri Damodar Pandey
8. Shri Paokai Haokip
9. Shri Natwarlal Patel
10. Shri Ram Surat Prasad
11. Shri K. Narayana Rao
12. Shri Vasant Sathe
13. Shri C. K. Jaffer Sharief
14. Shri Atal Bihari Vajpayee
15. Shri Amarnath Vidyalankar
16. Shri Sriman Profulla Goswami
17. Shri Harsh Deo Malaviya
18. Shri Jagdish Prasad Mathur
19. Shri Bhola Prasad
20. Shri Veerendra Patil
21. Shri Sultan Singh
22. Pandit Bhawani Prasad Tiwary

SECRETARIAT

1. Shri Avtar Singh Rikhy—*Additional Secretary*
2. Shri M. A. Soundararajan—*Chief Financial Committee Officer*
3. Shri K. S. Bhalla—*Senior Financial Committee Officer*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorisd by the Committee to present the Report, on their behalf, present this Seventy-fifth Report on National Coal Development Corporation Ltd.

2. This Report of the Committee is based on the comprehensive appraisal of the working of the National Coal Development Corporation Ltd., as contained in the Report of the Comptroller and Auditor General of India for the year 1973—Union Government (Commercial)—Part II and also of an examination in depth of the working of National Coal Development Corporation upto the year ending 31st March, 1974.

3. The National Coal Development Corporation Ltd., was examined by the Committee on Public Undertakings (1974-75). The Committee took the evidence of the representatives of National Coal Development Corporation Ltd., on the 4th and 5th February, 1975 and of the Ministry of Energy (Department of Coal) on the 2nd April, 1975.

4. The Committee on Public Undertakings (1975-76) considered and finalised the Report at their sittings held on the 19th and 20th August, 1975.

5. The Committee wish to express their thanks to the Ministry of Energy (Department of Coal) and the National Coal Development Corporation Ltd., for placing before them the material and information they wanted in connection with the examination of the National Coal Development Corporatoin Ltd. They wish to thank in particular the representatives of the Ministry and the Undertaking who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India in connection with the examination of National Coal Development Corporation Ltd.

NAWAL KISHORE SHARMA,
Chairman
Committee on Public Undertakings.

October 28, 1975
Kartik 6, 1897 (*Saka*).

NAWAL KISHORE SHARMA,
Chairman
Committee on Public Undertakings.

I

INTRODUCTORY

A. Historical Background

The National Coal Development Corporation Limited (NCDC) was incorporated on 5th September, 1956 as a Company under the Companies Act to take over the 11 existing State Collieries and to open new mines, specially in out-lying areas, so as to augment the coal production to the requisite level.

1.2. As on 31-3-1974 the Corporation had a total number of 36 collieries on revenue account, including 5 collieries (*viz.*, Pipradih, Dhori Khas, Selected Dhori, Dhori and Tarmi) taken over in November, 1972 which were initially with the Bharat Coking Coal Limited under the Coking Coal Nationalisation Act and were transferred to the NCDC for administrative convenience. The total production from the collieries during 1973-74 was 16.90 million tonnes (including Dhori Group 0.54 million tonnes) as against the built-in-capacity of 20.02 million tonnes (includng 0.72 million tonnes of the Dhori Group). In addition it has 11 mines at various stages of development.

1.3. As on that date, the Corporation had also three washeries (Kargali, Kathara and Sawang in Bihar) on commercial production. These Washeries produced 22.49 lakh tonnes of washed coal during the year 1973-74. The fourth Washery at Gidi (also in Bihar) could not be commercially operated due to lack of market for the washed products from coal in the Karanpura Mines of the Corporation. With the take-over of private sector mines in the neighbouring areas, this washery is now being run on trial basis since October, 1973. Production in March, 1974 was 3,700 tonnes.

1.4. The Company became a subsidiary of Coal Mines Authority Ltd., (CMA) with effect from 14th June, 1973.

B. Examination of the working of the Corporation by Parliamentary Committees

1.5. The working of the Company was reviewed in the past by the Estimates Committee, the Public Accounts Committee, the Committee on Public Undertakings as indicated below:—

(i) 32nd Report (3rd Lok Sabha—March, 1963) of the Estimates Committee.

(ii) 23rd Report (3rd Lok Sabha—March, 1964) of the Public Accounts Committee based on Audit Report (Commercial), 1963.

(iii) 10th Report (4th Lok Sabha—April, 1968) based on Audit Report (Commercial), 1967.

1.6. The Action taken by Government on the recommendations contained in the above reports is available in 7th Report (3rd Lok Sabha—April, 1965), 40th Report (4th Lok Sabha—March, 1969) and 61st Report (4th Lok Sabha—February, 1970) of the Committee on Public Undertakings respectively.

C. Statement of Objectives

1.7. At the time of incorporation of the Company, the objectives of the Company were not spelt out. The clause relating to "objects" in the Memorandum of Association merely contains the list of activities which the Company will be competent to undertake, and is designed to avoid the situation of any act of the Company connected with coal mining and ancillary activities being held *ultra vires* the Memorandum. The recommendation of the Administrative Reforms Commission that the Government should make a comprehensive and clear statement on the objectives and obligations of public sector undertakings was accepted by the Government, and the Bureau of Public Enterprises, in their letter No. 9(156)-70-BPE (GMI) dated 3rd November, 1970, asked all Government Companies to formulate statement of their objectives/obligations clearly, if not already done, and communicate the same to the Government. However, the objectives of this Company have not been set out so far.

1.8. During evidence, the Secretary of the Ministry stated as follows:—

"The objectives of NCDC were finalised and just as they were about to make a declaration to that effect, nationalisation of the coal industry took place and NCDC became a subsidiary of CMA. These objectives which were to be mentioned for the NCDC have been incorporated in the Memorandum and Articles of Association of the CMA in which they have mentioned including the policy formulations and advisory functions."

1.9. The Committee enquired if CMA's objectives would also cover all the objectives of NCDC and whether it would not be desirable for NCDC to have its own objectives. The witness said "certainly the objectives of the Coal Mines Authority and those of National Coal Development Corporation cannot be identical because one is a national body and the other is a subsidiary body. In view of the changed position, the objectives of the NCDC have to be formulated under a new direction now."

1.10. In a subsequent written reply (15th April, 1975), the Ministry stated that instructions are now being issued to CMA to quickly finalise its draft statement of objectives which would cover NCDC also and send the same for Government approval.

1.11. The Committee are surprised to note that since the formation of the National Coal Development Corporation in 1956 the objectives/obligations of the Corporation have not been spelt out so far. The Committee note that the Bureau of Public Enterprises asked all Government Companies in November, 1970 to formulate the statement of their objectives/obligations clearly, if not already done, and communicate the same to the Government. The Committee are informed that when the objectives of NCDC were finalised, nationalisation of coal industry took place and NCDC became a subsidiary of Coal Mines Authority (CMA). The objectives which were to be mentioned for NCDC were incorporated in the Memorandum and Articles of Association of the CMA. The Secretary of the Ministry, however, admitted that the objectives of the Coal Mines Authority and National Coal Development Corporation could not be identical. The Committee find that instructions, are being issued only now to CMA to quickly finalise its draft statement of objectives which would cover NCDC also. The Committee are concerned at the delay in finalising the statement of objectives of the Corporation.

1.12. The Committee need hardly stress that keeping in view the increasing importance of coal due to energy crisis, which has posed new challenges to the public sector undertakings dealing with coal, Government should finalise the statement of objectives/obligations of CMA/NCDC without any further delay and bring them to the

notice of the Parliament. The Committee would like to be informed about the action taken by Government in this regard.

D. Reorganisation of NCDC

1.13. During the course of evidence, the Chairman, CMA expressed the opinion that "there is no need to retain NCDC as a subsidiary Company of the CMA. It could be merged with CMA." asked about the views of Government in this regard the Secretary of the Ministry stated during evidence as follows:—

> "The National Coal Development Corporation obtained its legacy from the eleven collieries which were earlier owned by the Railways. Subsequently, it started as being the sole public undertaking under the Central Government. Till the nationalisation, it started developing the coal mines in Madhya Pradesh, Maharashtra, etc. With the formation of the Coal Mines Authority, the organisation at Ranchi which is the headquarters of the NCDC got identified with the Central Division of the Coal Mines Authority. But somehow or other some of the mines in Madhya Pradesh and Maharashtra which come under the Western Division of the coal Mines Authority are *de jure* the property of the NCDC who are *de facto* managing some of the taken over mines in Bihar but they do not have *de jure* authority because they happen to be the coal mines under the CMA. This is being sorted out. I expect within the course of another two months, we will be able to take a decision as to what will be CMA's authority and what will be the NCDC's authority."

1.14. The Committee note that the National Coal Development Corporation, which was set up in 1956 to take over the then existing 11 state collieries of the Railway and to open new mines, became a subsidiary of the Coal Mines Authority Limited which was set up in 1973 consequent upon the nationalisation of the coal mines. They were informed by the Chairman, CMA, during evidence that "there is no need to retain NCDC as a subsidiary company of the CMA. It could be merged with CMA". The Secretary of the Ministry informed the Committee during evidence (February, 1975) that within the course of two months Government would be able to take a decision as to what could be the respective role of NCDC and

CMA. It appears that no decision has been taken so far in this regard. They recommend that the Government should take an early decision about the future role of NCDC vis-a-vis the Coal Mines Authority Ltd., so that they can concentrate their energies on achieving the objectives laid down for them. They would like to be informed of the decision taken by Government in regard to reorganisation of CMA/NCDC.

E. Ancillary Activities

1.15. According to the Memorandum of the Company, the objects of the Company are to own and operate coal mines, coke plants including plants or recovery of by-products and to do all other ancillary work.

1.16. In para 11 of their 32nd Report (3rd Lok Sabha—March, 1963) the Estimates Committee considered that the activities of the Corporation which were mainly limited to the production of coal might not prove to be very profitable. They, therefore, felt that to make the Corporation a permanently viable unit, it was necessary that it should not remain a "hewer" of coal merely but should also undertake low temperature carbonisation plants and other ancillary activities like coking coal, gasification of coal, production of smokeless fuel, manufacture of bricks etc. They recommended that the whole matter might be examined by an expert Committee which might suggest suitable lines of ancillary activities such as indicated above to be undertaken by the Corporation after consideration of all relevant factors.

1.17. In their reply dated 18th November, 1963 the Ministry stated as follows:—

"As already provided under the Memorandum and Articles of Association of the NCDC, the Corporation has no hesitation in expanding its activities beyond mere production and preparation of coal. Such ancillary activities of the Corporation would require adequate resources both internal and foreign. Since the foreign exchange has been a very serious limiting factor, no head-way could be made so far. There is, however a proposal to set up a coke oven plant of 2000/2500 tonnes per day capacity in the Ramgarh-Bokaro area by the NCDC in the 4th Plan. The over-all expansion of hard coke production during the fourth Plan period is engaging the attention of a Sub-Committee and, in the light of their report, the Corporation may have to examine the feasibility of setting up of one or more other cokeries during the Fourth Plan period. Similarly, the setting up of "Low Temperature Carbonisation" plant in the Corporation's coal mines like Talcher in Orissa and Karanpura in Bihar, has been examined but on account of lack of resources for the purpose, no concrete step can be taken.

The Corporation is prepared to undertake such ancillary activities provided adequate resources are made available to it for the purpose, in addition to what is being provided for the coal production in the public sector. In the circumstances the setting up of any expert Committee, as suggested, is not considered necessary."

1.18. In their 7th Report (3rd Lok Sabha—April, 1965) on Action Taken by Government on the recommendations contained in the 32nd Report, the Committee on Public Undertakings did not consider the above reply of Government to be convincing. They noted from the Report (1964) of the Committee on utilisation of External Assistance (V. K. R. V. Rao Committee) that the actual utilisation of foreign assistance during the first and second Plans was less than the amounts available and the same was likely to be the position in the Third Plan. The inadequacy of resources, pointed out by the Government, could not, therefore, be accepted as a valid plea for not undertaking ancillary activities by the Corporation. In the Committee's view the taking up of suitable ancillary activities by the Corporation, as had been done by its counterparts in foreign countries, would go a long way in improving its financial position. They, therefore, urged that an expert Committee should immediately be appointed to go into the whole matter and suggest suitable ancillary lines, including among others, coal distillation and underground gasification for the Corporation. The Committee also recommended that the desirability of having a separate organisation for the purpose might also be considered.

1.19. The Committee enquired about the action taken by Government on the above recommendation of the Committee. In a note (dated 16-4-1975) the Ministry have stated as follows:—

"This matter was once again carefully considered by the Department. It was noted that by that time certain proposals for setting up ancillary units were already under consideration. These included the establishment of a Bye-product coke oven Plant and a low temperature carbonisation Plant. The views earlier formulated in this matter were still considered to hold good. Though the recommendation has always been considered to be very important, financial constraints, as pointed out in the earlier reply still existed. Therefore, the proposal to appoint the Expert Committee was not pursued after due consideration by the then Secretary of the Department."

1.20. About the setting up of ancillary unit the Management stated (March, 1974) as follows:—

"As Coal is a basic commodity, it is felt that the maximum endeavour should be for increasing the production to meet the demand with all available resources. In the present day context, when the demand for coal is rising at a very fast rate, this aspect of the matter has become even more important than hithertofore and the requirements of resources for the activities presently planned by itself very large. At the same time, consideration is also being made by CMA (of which National Coal Development Corporation is now a subsidiary) to installation of Low Temperature Carbonisation plants. National Coal Development Corporation is also going ahead with the installation of a Form-Coke Project in Talcher and a Bee-Hive Coke Oven Plant. Manufacture of spares and other essential ancillary services required in the form of inputs for the coal mining industry are also being carried out in the two large Central Work-Shops one at Barkakana and the other at Korba. It is felt that in the present context, large scale expansion of activity in the field of ancillaries will not be helpful in achieving the pressing national requirements and demands for producing coal and coke."

1.21. Asked about the progress made in the installation of Low Temperature Carbonisation Plants, Formed Coke Project and Bee-Hive Coke oven plant it was stated that a project in the Singareni Collieries for the construction of Low Temperature Carbonisation Plant had been approved. Steps were being taken to set up another plant at Raniganj. Ground work had already been done for the Formed Coke Plant at Talcher. It would go into production in the course of another 3 years or so. The Project Report for the installation of Bee-Hive Coke Oven Plant in the Kuju Area prepared by the CMPDI had been approved by the Board of Directors of CMAL in July, 1974 and the Board of Directors of NCDC in October, 1974. Tenders were invited and negotiations were going on with the tenderers.

1.22. In their 143rd meeting dated 30-5-1975 the Board of Directors of NCDC, however, decided that the proposal for the setting up of the plant should be dropped and the project need not be taken up at this stage.

1.23. During evidence, the Committee enquired as to why an expert Committee was not appointed as recommended by the Committee on Public Undertakings in April, 1965 and the Estimates Committee in March, 1963 to go into the question of suitable ancillary activities to be undertaken by the Corporation. The Chairman, CMAL stated that "at that point of time there was a downward trend in coal demand and the NCDC had to suspend a number of projects which had been taken up at that time. On that account the Company did not go in for ancillary activities."

1.24. Asked whether the matter regarding the setting up of an expert Committee was considered by the Board of Directors, the Chairman, CMAL stated that "according to the information available it was not evidently considered by the Board of Directors." He further said "it is desirable that the Board of Directors should have considered and come to some conclusion and I also would further submit Government itself could have considered this matter and come to a decision."

1.25. In regard to the advisability of setting up of ancillary units, the Secretary of the Ministry stated during evidence as follows:—

> "We recognise that ancillaries should be set up and that by this profitability will increase. Unfortunately, I should submit that finances have definitely stood in the way of taking up these ancillaries."

1.26. About the setting up of an expert Committee he stated:

> "I personally feel that as soon as Parliamentary Committee suggested it, it should have been appointed. They might have come to some conclusions. But unfortunately, it has not been done."

1.27. He further said "so far as the past thing is concerned, I offer my apologies. It is not that the NCDC was not cognisant of the importance of the recommendations. There seems to have been a mistake in NCDC not going ahead with at least setting up a Committee and making positive recommendations. They should have apprised the Parliamentary Committee as to the circumstances under which they were not able to take up ancillaries." He however, added "we are making amends this way. I now say that a Committee will forthwith be appointed."

1.28. In a subsequent note submitted to the Committee the Ministry have stated that the Expert Committee was set up on 17-7-75.

1.29. In their 32nd Report (3rd Lok Sabha—March, 1963) the Estimates Committee considered that the activities of the National Coal Development Corporation which were mainly limited to the production of coal might not prove to be very profitable. They, therefore, felt that to make the Corporation a permanently viable unit, it was necessary that it should not remain a 'hewer' of coal merely but should also undertake low temperature carbonisation plants and other ancillary activities like gasification of coal, production of smokeless-fuel, etc. They recommended that the whole matter might be examined by an expert committee which might suggest suitable lines of ancillary activities to be undertaken by the Corporation. The recommendation of the Estimates Committee was reiterated by the Committee on Public Undertakings in their 7th Report (April, 1965).

1.30. The Committee deplore the serious lapse on the part of the Government|Corporation in not appointing an Expert Committee as recommended by the Estimates Committee in 1963 and by the Committee on Public Undertakings in 1965 to go into the question of suitable ancillary activities to be undertaken by the National Coal Development Corporation Ltd. The Chairman, CMAL informed the Committee that the Corporation did not go in for ancillary activities as at that point of time there was downward trend in coal demand. The Committee are constrained to note that in spite of the repeated recommendations of the Parliamentary Committees the matter was not taken serious note of by the Board of Directors of the Corporation. It has been admitted by the Chairman, CMAL that "it is desirable that the Board of Directors should have considered and come to some conclusion and I also would further submit Govmernment itself could have considered this matter and come to a decision." The Secretary of the Ministry stated that "I personally feel that as soon as Parliamentary Committee suggested it, it should have been appointed. They might have come to some conclusions. But unfortunately, it has not been done."

1.31. The Committee cannot too strongly deprecate the cavalier attitude shown by the Company towards the recommendations of the Parliamentary Committees and would like that the reasons for not considering these recommendations and for not setting up an Expert Committee may be investigated in order to fix responsibility for the lapse. The Committee would like to be informed of the action taken within 3 months of the Report.

1.32. The Committee would also strongly recommend that all the public undertakings should be advised that the recommendations made by Parliamentary Committees should be given the most serious and urgent consideration at the highest level and the accepted recommendations implemented with expedition unless there are compelling reasons coming in the way of their implementation, in which case they should place the matter before the Committee for latter's reconsideration. They would like administrative ministries also to keep a careful watch on the implementation of the Committee's recommendations and follow up the matter with the undertakings under their respective control and ensure that such a lapse, as has occurred in this case, does not recur.

1.33. The Committee find that an Expert Committee to go into the question of ancillary activities to be undertaken by NCDC has now been appointed by Government on the 17th July, 1975. The Expert Committee is expected to submit its report to Government in the middle of October, 1975. The Committee would like to be informed about the findings of the Committee and the action taken by Government thereon.

1.34. The Committee note that the NCDC is going ahead with the installation of Formed Coke Project in Talcher and the installation of Low Temperature Carbonisation Plant is under consideration. They hope that the proposed units would be completed and commissioned expeditiously. They would like to be informed about the dates of commissioning of these units and about the results achieved. The Committee recommend that the programme of further development should be regulated in the light of experience gained in the setting up of these projects.

II

DEMAND PROJECTIONS AND PRODUCTION PERFORMANCE

A. Third Five Year Plan

The Company planned to develop 27 new collieries to attain its share of 31 million tonnes of raw coal per annum out of country's overall target of 98.5 million tonnes during the Third Five Year Plan. It, however, developed only 16 collieries upto the end of 1965-66 at a capital cost of Rs. 2,094.57 lakhs but had to close down temporarily|finally 7 collieries as a result of mid-term appraisal made in the middle of 1963 which indicated that the effective demand for coal in the country would be much less than the above target. Consequently the Company's target was scaled down to about 23 million tonnes to be attained by 1965-66. Actual expenditure incurred on the 7 closed projects upto 1965-66 was about Rs. 447 lakhs.

2.2. The actual production during 1965-66 from 22 revenue collieries in operation (11 inherited collieries and 11 newly developed collieries) was 9.40 million tonnes against the built-in-capacity of 12.08 million tonnes and estimated capacity (as per project reports) of 18.75 million tonnes.

2.3. During the course of the examination of National Coal Development Corporation by the Committee on Public Undertakings in 1967-68 the representatives of the Ministry informed the Committee that the development of 27 collieries was phased on the basis of an anticipated demand of 90 million tonnes which was fixed in consultation with various Ministries, Planning Commission and other major and smaller consumers. N.C.D.C. itself did not make any examination of the demand estimates communicated to it by the Central Government but they were probing into the matter periodically. It was also stated that the development of 16 collieries instead of 27 was due to the reason that the industrial development did not come up to expectation and as the demand for coal was a derived demand the actual production had to be limited to the effective demand.

2.4. The Committee on Public Undertakings in Paragraph 11 of their Tenth Report (Fourth Lok Sabha—April, 1968) expressed their regret that initially N.C.D.C. did not make any independent assessment of the country's demand for coal. They noted that N.C.D.C.

had started reviewing the estimates periodically. The Committee recommended that in order to avoid losses and in the interest of efficient and smooth working, the Corporation should itself independently estimate the demand for coal and try to reconcile it with the targets fixed by the Government.

2.5. In their reply dated 10th October, 1968 to the above recommendation the Ministry stated as follows:—

> "The demand for coal is a derived demand. Assessment of coal demand for the country as a whole, on a long term basis, is possible only on the basis of Plan targets in respect of the various coal consuming sectors. The Ministry, in consultation with the Planning Commission and all the concerned agencies, however, reviewed this assessment from time to time. The Corporation do not do so, as there are limitations on their making such assessment, but they do estimate periodically the demand for coal produced in their own collieries, which they would continue to do. They also make estimates of the probable level of demand for their coal for one or two years ahead on the basis of information regarding expected increase| decrease in demand by their present and prospective customers. The Committee's recommendation that the Corporation should itself independently estimate the demand has been noted and will be complied with to the extent possible."

2.6. During evidence the Committee enquired if N.C.D.C., had conducted any detailed survey to assess the total demand of the different categories of customers. The Secretary of the Ministry said, "no demand survey was made by the N.C.D.C. and they were taking the targets handed down to them by the Government". He added that "Government made an overall assessment of the demand and let loose everybody to fight among themselves."

B. Production performance during 1966-67 to 1968-69

2.7. During the years 1966-67, 1967-68 and 1968-69, when development plans for the country were prepared by the Government on yearly basis, the Company was required to attain a production of 10.94 million tonnes (1966-67), 12.32 million tonnes (1967-68) and 13.08 million tonnes (1968-69). The actual production of coal during these years was, however, of the order of 9.49 million tonnes, 10.35 million tonnes and 12.61 million tonnes respectively.

2.8. The production programme for these years was fixed on the basis of the demand, availability of transport and other facilities. The main reasons for shortfall in production during these years were stated to be as follows:—

1966-67

(i) delays in commissioning of new power units (ii) inadequate slack order, particularly in out-lying coalfield in Madhya Pradesh and in South Balanda in Orissa, (iii) in some of Madhya Pradesh Collieries and to some extent also in Bihar areas production suffered due to inadequacies of transport.

1967-68

(i) Demand for coal remained stagnant.

(ii) Prolonged labour agitation and widespread economic and social unrest in many of the areas affected production adversely.

(iii) There were also persistent difficulties in transportation of coal, which to a certain extent, kept down the despatch and production.

1968-69

Stagnancy in the demand, specially slack coal, which had to be marketed against stiff competition from the private sector collieries, which restricted production to a great extent.

C. Fourth Five Year Plan

2.9. During Fourth Five Year Plan (1969—74) the country's requirement of coal was estimated at 93.5 million tonnes, comprising 25.4 million tonnes of coking coal and 68.1 million tonnes of non-coking and blendable coal against the existing production capacity of about 17 million tonnes and 65.2 million tonnes respectively. The Company's share was fixed at 26 million tonnes (9 millions tonnes of coking coal and 17 million tonnes—both coking and non-coking coal for which separate details are not available) in mid-term appraisal made in August, 1971. This required the attainment of an additional production capacity of 5.52 million tonnes over the built up capacity of 15.48 million tonnes of 28 revenue collieries working at the end of March, 1969, *i.e.*, before the commencement ot the Fourth Five Year Plan.

2.10. The Fourth Five Year Plan programme of the Company included expansion of the Patherkhera Colliery in Madhya Pradesh from 0.45 million tonnes to 0.90 million tonnes per annum and the Silewara Colliery in Maharashtra from 0.45 million tonnes to 0.85 million tonnes, re-opening of the Jagannath open-cast project (with a target production of 1 million tonnes per annum) in Orissa and the development of a new open-cast mine at Gorbi in the Singrauli Coal Field of Madhya Pradesh with a rated capacity of 1 million tonnes per annum; in all the Company proposed to develop a total additional production capacity of 2.85 million tonnes during the Fourth Five Year Plan. The balance production of 2.67 million tonnes (5.52 million tonnes minus 2.85 million tonnes) was expected to be achieved from the projects which were under development during the Third Five Year Plan but were likely to be completed during the Fourth Five Year Plan as also by accelerating the production from collieries already on revenue account. The capital cost for the expansion programme of 2.85 million tonnes was estimated at Rs. 21.74 crores against which an expenditure of Rs. 15 crores has been incurred upto 1973-74.

2.11. Present position of the four projects *i.e.* Patherkhera, Silewara, Jagannath and Gorbi is stated to be as follows:—

Patherkhera	This project produced 0·63 million tonnes against 0·9 million tonnes per annum.
Silewara	The production was 0·15 million tonnes in 1973-74 against planned production of 0·85 million tonnes.
Jagannath	Coal production has already started and against the target of 1 million tonnes, the present rate of production is 0·24 million tonnes per year.
Gorbi	This project has been brought under Revenue account and production for 1973-74 was 2·4 lakh tonnes against the target of one million tonnes.

2.12. In addition to the 7 collieries temporarily|finally closed during the Third Five Year Plan, 3 more collieries were suspended| closed down during 1966-67 to 1972-73 on the development of which a capital expenditure of Rs. 155.11 lakhs had been incurred upto 1973-74.

2.13. The year-wise actual production achieved by the Corporation during the Fourth Five Year Plan is given below:—

Year	Actual production
1969-70	13·75 million tonnes
1970-71	13·77 ,, ,,
1971-72	14.37 ,, ,,
1972-73	16·19 ,, ,,
1973-74	17.44 ,, ,,

2.14. Explaning the variations between the Demand assumption and actual achievement, the Secretary of the Ministry stated during evidence as follows:—

"The targets are derived from the demand for coal by the important consuming sectors like steel, power, railways, cement etc. Normally, they come at the beginning of the Plan with what they would need especially with reference to the targets. Ultimately, what we find is that these targets are not being reached by the consuming industries. We projected a growth rate of 7.7 per cent for industries in the Fourth Plan but actually what happened was; in 1969-70 the growth rate was hardly 5 per cent, in 1970-71 it was 1.8 per cent, in 1971-72 it was 2.9 per cent, in 1972-73—4.2 per cent; and in 1973-74 as low as 0.5 per cent. Therefore, the slow industrial growth and the lull in the building activities after the Pakistani aggression which also affected the industry's growth forced the N.C.D.C. to go slow with regard to the increasing the production."

Then there were the important consuming industries including steel taking much less coal than estimated in the Fourth Plan. Production of hot metal was estimated to require about 27.8 million tonnes of coal whereas the actual consumption in 1973-74 was only about 13.8 million tonnes. So a decision was taken that we should try to cut down the production and the production was regulated to the demand. At the end of 1973-74 the pithead stock was as much as 6.65 million tonnes.

But the all India production during that period was much less than the target, being only 77.87 million tonnes. Therefore, if we had produced at the full rate, we would have been carrying stocks. Today that is exactly what we are finding in certain sectors of our economy, where they give a particular demand, indents are placed on us, but when we start supplying coal according to their demand, they say they do not want it."

2.15. The Committee enquired if any comprehensive plan had been drawn for meeting the requirements of key sectors like Railways, Steel Plants and Power Plants and whether any steps had been taken to achieve co-ordination between production of coal demand of key sectors. The Secretary of the Ministry explained the position as follows:—

"There is much greater coordination now. My Joint Secretary, Mr. Lal, is the Chairman of the Linkage Committee which meets every month. We have a Control Cell in Railway Board and so far as the power houses are concerned the stock position is known day-to-day. If any morning it is seen that stock of coal at any power station gets depleted immediately some of the rakes which are on the way for some other consumers are diverted to that power station and the demand is met. So far as steel is concerned, as it is an important sector, I have taken over the responsibility of heading a Committee in which there are representatives of the Steel Department and various other people to go critically into each year's requirements; what quality of coal is required; wherefrom it would come, etc. I expect that the report of the Committee would be made available in about a month's time. Similarly, Mr. Lal is the Chairman of the Linkage Committee with regard to Cement. I am happy to tell you that I have a letter before me written by the Railways saying that the coal demands of some of the cement plants have been met to such an extent that now some of these plants do not want the coal which they had originally asked for."

2.16. The Committee note that there had been a wide gap between projections and performance in respect of demand and production of coal during the Third and Fourth Five Year Plan periods. As against the original target of 31 million tonnes to be attained by 1965-66 the actual production of coal by NCDC during that year was only 9.40 million tonnes. As against the planned development of 27 collieries during the Third Five Year Plan, the Corporation developed only 16 collieries out of which 7 collieries, on which an expenditure of about Rs. 447 lakhs was incurred upto 1965-66 had to be temporarily/finally closed down. NCDC's original target of 26 million tonnes to be attained by the end of Fourth Five Year Plan had to be scaled down to 21 million tonnes. The actual production during the year 1973-74 was, however, only 17.44 million tonnes. In addition to 7 collieries closed during the Third Five Year Plan, 3 more collieries were closed down during 1966-67 to 1972-73 on the development of which a capital expenditure of Rs. 155.11 lakhs had been incurred.

2.17. According to the Secretary of the Ministry, the production of Coal had to be limited to the effective demand which was far less than the expectation due to slow pace of industrial growth. The Committee find that this is not wholly true in respect of all sectors of economy. In this connection they would like to draw attention to paras 2.20 to 2.23 of the 68th Report (1974-75) of the Estimates Committee on 'Availability and Distribution of coal which show that there was shortage of coal in the domestic sector and lack of adequate supply of coal to the cement industry and the railways also had to discontinue temporarily some of the branch train services due to the shortage of steam coal. The Committee are therefore of the opinion that this wide variation between assessed demand and actual consumption was also due to absence of a rational and scientific system to realistically assess the demand of different categories of consumers of coal.

2.18. The Committee feel that if the Government had made an accurate and realistic assessment of demand and reviewed it periodically in order to give clear directions to the producing organisations such as NCDC about the targets to be achieved by them, the huge expenditure incurred on the development of mines, which had to be subsequently closed down could have been avoided. Instead of mechanically relying on the data furnished by the Planning Commission the Corporation should have also kept itself constantly in touch with the consumers to whom it was supplying coal so as to make a realistic assessment of the demand in order to adjust its development programmes in time.

2.19. The Committee note that the Government have set up Linkage Committee for each of the key sectors like Steel, cement and power plants in order to assess their demands and corelate the production programmes of collieries with the requirements of these sectors. The Committee hope that the Government would now be able to evolve a scientific system of assessment and review of demand of coal, not only in the steel, cement and power sectors, but also in each other major sector of economy so as to ensure timely and adequate supply of coal to them. They also hope that on the basis of scientific assessment of demand in each sector thus arrived at, the respective shares of the producing organisations would be clearly determined in order to enable them to organise their development programmes on a more accurate basis.

D. Shortfall in meeting the Requirements in certain sectors

2.20. During the course of evidence the Committee pointed out the difficulties of the people with regard to availability of coal after nationalisation of coal industry. The Chairman, CMAL informed the Committee that increase in production after nationalisation of the coal mines so far as non-coking coal was concerned was in the neighbourhood of 2.46 million tonnes in the first year. Increase in production in the first nine months of the current financial year (1974-75) from April to December compared to April to December of last year (1973-74) was 4.7 million tonnes, and with the production in January, the increase was in the neighbourhood of 5.56 million tonnes over the 10 months of the current financial year compared to the corresponding 10 months of the last year. He, however, added that "there is some difficulty with regard to distribution of coal and soft coke with reference to domestic sector and the small scale sector. Normally despatches of coal for these two sectors are done on sponsorship by the State Governments and allotments made by the Railways. The transport situation today can meet the requirements of the principal priority consumers but still there is difficulty felt in meeting the requirements of the domestic sector and the small scale sector."

2.21. The secretary of the Ministry also informed the Committee that:—

> "It is not that all the sectors of our economy today are flushed with coal. There is plenty of coal available at pithead. Certain sectors of our industries are also getting their full requirements of coal, but there are others who are starving for want of coal. That is what is happening. However, the shortage of coal in the country compared to the demand would be marginal, being 2 to 3 million tonnes but that shortage unfortunately is in the sector of the common man. Lakhs of people are suffering from want of soft coke today. The industries by and large are getting adequate quantities of coal."

2.22. The Committee enquired as to why attention was not paid in the direction of meeting the demand when the shortfall existed and when the resources were available. It was stated that the difficulty had been mainly of transport. Asked if the shortage faced by the consuming public was not because of lack of production but due entirely to transport shortage, the witness stated as follows:—

> "The all India stock position in March, 1969 was approximately 6 million tonnes. In 1969-70 it was 7.08 million tonnes and in 1970-71 it reached an all-time high of 9.58 million tonnes. During that year our coal production

had to be curtailed deliberately from the figure of 75.72 million tonnes in order to liquidate stocks to some extent because carrying of stocks, apart from the fact that it locks up money, involves danger of coal going on fire and it serves no purpose. This slashing down of production took place even in the private sector, rather most of it was in the private sector. In the public sector we were asked to go slow on investments on some of the projects. Some of the projects had been closed and suspended. It was a deliberate attempt and it has imposed a severe burden on the NCDC. There were a number of mines half way through which were suspended. They are now being reopened. We were not able to pick up production till 1972 when we brought down the stock position to 6 million tonnes and this production improved to 78.17 million tonnes. In 1973-74, it came to 77.87 million tonnes, when the stock was 6.65 million tonnes. Today's stock is almost at the same level of 6 million tonnes. I have been making the proposition that coal stock at the pithead does nobody any good except that of course to some extent it is required for regulating wagon loading etc. but if this stock is transferred to the consuming end, any strike or dislocation in the mines would not affect the consumer. I want the coal that is produced in the mines to be sent to the consumer straightway. This is the only way in which we can improve our position."

E. Transportation of coal

2.23. The Estimates Committee in their 32nd Report (Third Lok Sabha—March, 1963) expressed the view that the transport bottleneck in the second plan arose primarily due to lack of coordination at different levels. The Committee expressed the hope that there would be no lack of coordination in regard to transport in the Third Plan and sustained efforts would be made by all concerned to remove in time difficulties, if any. The representatives of the Ministry assured the Committee that whatever might have happened in the Second Plan, the coal programme in Third Plan had been completely integrated with transport and that the Railways had undertaken to supply the required number of wagons.

2.24. The Committee on Public Undertakings in their Tenth Report (Fourth Lok Sabha—April, 1968) however, expressed their regret to note that in spite of an assurance given to the Estimates Committee there was lack of coordination in regard to supply of wagons for transport of coal during the Third Five Year Plan. They expressed the hope that efforts would be made by the Corporation and the Ministry of Railways to overcome such transport bottlenecks which hamper production. In reply to this observation, the Ministry informed the Committee in October, 1968 that NCDC was maintaining close liaison with the Railway Administration at all levels in order to remove difficulties in the supply of wagons.

2.25. In a note submitted to the Committee the Ministry have now stated that since nearly 75|80 per cent of the coal despatches are made by rail, production of coal is dependent to a great extent on matching availability of rail transport.

2.26. The production of coal, and pithead stocks since 1969-70 had been as follows:—

(in million tonnes)

Year	Production	Pithead stocks
969-70	75·72	7·08
1970-71	72·95	9·58
1971-72	72·42	7·82
1972-73	77·22	6·22
1973-74	77·87	6·65
1974-75 (Prov.)	88·41	7·58

2.27. After September, 1971 wagon supplies particularly in Bengal-Bihar fields dwindled sharply due to disturbed law and order conditions on the Railways. As a result, the coal mines had to cut back production to minimise accumulated pithead stocks.

2.28. Daily average indent, allotment and loading of wagons during the year 1969-70, 1970-71, 1971-72, 1972-73, 1973-74 and during each month of 1974-75 are as follows:—

Year	Indent	Allotment	Loading
1969-70	N.A.	N.A.	8176
1970-71	13560	7690	7474
1971-72	13838	7876	7738
1972-73	12222	8210	7983
1973-74	10611	8154	7455
1974-75			
April, 1974	10743	8107	7416
May	9341	7200	7566
June	10178	8501	8061
July	10159	8435	8102
August	10272	8673	8224
September	10724	9177	8480
October	10488	8985	8293
November	10545	9225	8516
December	10625	9115	8654
January '75	11326	9285	8912
February	12247	9888	9287
March (Prov.)	N.A.	N.A.	9135

2.29. It would be seen from the above statement that the position of supply of wagons was much below the demand.

2.30. During evidence the Committee pointed out that on the one hand it has been stated that due to the transport bottleneck, proper movement of coal was not there, on the other hand the railways were blaming that coal was not available at the pit-heads and that is why they were not carrying coal. The Chairman, CMAL explained the position as follows:—

> "It is a fact that we used to complain, when we say so, of non-availability of wagons. The railways in turn did complain that we were leaving behind wagons and therefore they were unable to load wagons within the specified time and coal was not available in adequate quantity.

at any pit-heads. After nationalisation there is better co-ordination between the Railways and ourselves and we are in fact transporting large quantities of coal by road to various points, particularly in the Eastern Division so that we can carry coal through railways in rake loads to other points. I think today the position has improved."

2.31. The Committee are informed that although there is plenty of coal available at pitheads certain sectors are still starving for want of coal. The difficulty in meeting the full requirements of certain sectors particularly the domestic and small scale sectors is stated to be mainly of transport.

2.32. The Committee find that the difficulty in regard to movement of coal has persisted during the Second, Third and Fourth Five Year Plan periods. The Estimates Committee in their 32nd Report (3rd Lok Sabha) felt that the transport bottlenecks during the Second Five Year Plan arose mainly due to lack of coordination at different levels. The Committee on Public Undertakings in their Tenth Report (4th Lok Sabha—April, 1968) expressed their regret that there was lack of coordination in regard to supply of wagons for transport of coal even during Third Five Year Plan. In spite of an assurance given by the Ministry in October, 1968 that NCDC was maintaining close liaison with the Railway Administration at all levels in order to remove difficulty in the supply of wagons, the lower availability of wagons continued to be cited as one of the main reasons for shortfall in production and for inadequate supply of coal to certain sectors. The Committee also find that the daily allotment of wagons during each of the years 1970-71 to 1973-74 has always been less than the average indent. The Committee feel that if the Government/Corporation had paid serious attention to the recommendations of the Parliamentary Committees in order to draw up a coordinated transport plan for the movement of coal the bottlenecks in the distribution of coal would have been avoided and industries dependent on coal would not have suffered serious losses in production.

2.33. The Committee feel that no plan of coal production can succeed unless adequate capacity is available to transport it to the required consuming centres. The Committee would, therefore, like to stress that adequate vigil is necessary for breaking the bottleneck in movement of coal.

2.34. The Committee also find that on the one hand it had been stated that due to the transport bottlenecks, proper movement of coal was not there, on the other hand the Railways were blaming that coal was not available at the pit-heads and that was why they were not carrying coal. Both the Railways and the Corporation had been complaining against each other.

2.35. In this connection, the Committee would like to refer to Paragraphs 5.53 and 5.54 of 68th Report of the Estimates Committee (5th Lok Sabha) on 'Availability and Distribution of Coal' wherein that Committee have observed that linkage of major consuming sectors with coal-fields is imperative for an efficient transport system. That Committee have emphasized that the linkage should be firm and effective and should be reviewed from time to time to remove the bottlenecks in the way of smooth and efficient movement of coal to consuming centres. The Committee have also stressed that the plans for increased production of coal should be fully tied up with the railways to make sure that coal is moved from the pit-heads to the users in adequate quantities and in time. Attention may also be invited to paragraph 4.13 of the above report wherein it has been stated that a High Level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal and that a number of important decisions have been taken by that Committee. The Estimates Committee have recommended that concerted action should be taken to see that an analysis is made in depth of the transport and distribution arrangements and concrete measures taken to ensure that the mining capacity and the rail transport facilities are developed hand in hand in order to meet rationally and satisfactorily the requirements of users. The Committee would like to reiterate the above observations/recommendations of the Estimates Committee.

2.36. The Committee are perturbed to note that the requirements of domestic consumers and small scale sector of industry are not being met in full even after the nationalisation of coal mines. They strongly feel that in no circumstances the requirements of common man should be ignored or given low priority. The Committee recommend that Government/Corporation should make special efforts to meet the total requirements of domestic consumers at all times. They hope that with the reported improvement in the transport situation the needs of the small scale sector and the domestic consumers would be met in full. The Committee would like the CMA/NCDC to streamline the procedure with regard to sale of coal to domestic consumers who should be given all possible facilities and priorities so that they do not face any hardship in getting coal

for their domestic requirements. They would also like that CMA/ NCDC should examine the possibility of opening their won depots at various coal consuming centres in the country in order to cater to the demands of domestic consumers. The Committee also recommend that loading of trucks should be done departmentally and transportation charges which are not levied on coal supplies to other consumers should not be imposed on coal transported through trucks for domestic consumers?

F. Programme for the Fifth Five Year Plan

2.37. The Fuel Policy Committee appointed by Government assessed (May, 1972) that the consumption of coal in the country would be 164.5 million tonnes per annum by 1978-79 by which time the National Coal Development Corporation would raise its production capacity to 56 million tonnes. The National Coal Development Corporation was, however, planning for a production capacity of 39.17 million tonnes per annum by 1978-79 from its existing and new mines. This target was increased to 45.07 million tonnes in July, 1972 after discussions in the Ministry.

2.38. The Task Force set up by the Planning Commission, after examination of the programmes of Development of the coal consuming industries, estimated (January, 1973) the coal demand in 1978-79 to be 143 million tonnes of which National Coal Development Corporation was to account for 45.07 million tonnes comprising 13.65 million tonnes of coking coal and 31.42 million tonnes of non-coking coal.

2.39. Against the estimated demand of 143 million tonnes by the Task Force during the Fifth Plan, the figure indicated in the Draft Plan, is, however, 135 million tonnes. The target for coal for NCDC had been fixed at 37.89 million tonnes.

2.40. During evidence the Secretary of the Ministry informed the Committee that no final decision had been taken by the Planning Commission with regard to targets during the Fifth Five Year Plan.

2.41. He further stated as follows:—

"If Government decides we should produce more, we should have to go in for a very quick exercise as to what is to be done to be able to produce more. Considering that the time available within the plan period is not much and exploration work and other things are not adequate, it will spill over into the first and second year of 6th Plan unless we are able to get the revised target very quickly."

2.42. The Committee pointed out that during the Fourth Five Year Plan the target was fixed by the Government. They enquired whether for the Fifth Plan also the targets would be fixed by Government or if any demand survey would be made. The Secretary of the Ministry stated as follows:—

"A number of sub-groups have been set-up with reference to each and every industry. There is power group which goes into the question of as to how many power stations have been sanctioned; when they are likely to come up and how much will be their demand. Likewise we have group for cement and steel plants. Now, we want to have a constant review and we have suggested that every year we should have a further review. We want to review every year keeping perspective of five years in mind."

2.43. **The Committee find that no final decision with regard to coal production targets during the Fifth Five Plan has been taken by Government so far and the various assessments made so far by different bodies widely vary from one another. The Fuel Policy Committee earlier put the country's demand for coal by 1978-79 at 165 million tonnes while the Task Force of Planning Commission revised it to 143 million tonnes. The Draft Fifth Five Year Plan has, however, tentatively projected a coal demand of 135 million tonnes by 1978-79 out of which NCDC's share is expected to be 37.89 million tonnes. The fluctuations in the assessment of demand only show that a sound system for collection and evaluation of data has not so far been evolved. The Committee have already observed that our coal production programme in the past has always been a victim of faulty system of assessment of demand resulting in wide variations between projections and performance. They would therefore like to stress that at a time when we are passing through an oil crisis the need to draw up a realistic coal production programme based on scientific assessment of demand is all the more important. The Committee, therefore, recommend that Government should exercise great care in drawing up the coal production programme during the Fifth Five Year Plan after reassessing realistically on a rational and scientific basis the demand for coal of the various sectors.**

2.44. The Committee also recommend that the Government should draw up a comprehensive production programme by various coal producing organisations including NCDC, so that they might be able to synchronise the development of mines with the demand pattern.

2.45. The Committee need, hardly stress that any slippage in the implementation of coal production programme will very adversely affect the overall growth of the economy. They, therefore, recommend that adequate steps should be taken right from now in order to ensure the implementation of various schemes for achieving coal production targets during the Fifth Five Year Plan.

III

DEVELOPMENT OF COLLIERIES

The National Coal Development Corporation took over the then existing eleven State Collieries with effect from 1st October, 1956 and developed 11 new mines during the Second Five Year Plan. During the third Five Year Plan the Corporation planned to develop 27 new collieries. It however, developed only 16 collieries upto the end of 1965-66 but had to close down temporarily/finally 7 collieries as a result of mid-term appraisal in 1963 which indicated that the effective demand for coal in the country would be much less than the target. The Fourth Five Year Plan programme of the Company included expansion of the Patherkhera Colliery in Madhya Pradesh and Silewara Colliery in Maharashtra, reopening of Jagannath open cast project in Orissa and development of a new open cast mine at Gorbi in the Singrauli coal field of Madhya Pradesh.

A. Closed/Suspended Projects

3.2. Ten collieries had been closed/suspended during the year 1964 to 1968 due to slump in coal market. The expenditure incurred on closed/suspended collieries (having a planned production capacity of 10.67 million tonnes per annum) prior to their closure/suspension, the further capital expenditure incurred on these collieries after closure/suspension, the recoveries on capital account subsequently made mainly on account of transfer/disposal of plant and machinery and the expenditure of revenue nature capitalised on account of care and maintenance after suspension/closure is indicated in the following table:—

(Rs. in lakhs)

Colliery	Region	Year of suspension/ closure	Capital exp. upto 31-3-74	Further capital Exp. upto 31-3-74	Total capital Exp. upto 31-3-74	Capital Recoveries upto 31-3-74	Net Exp. upto 31-3-74	Maintenance Exp. 1967-68 to 1973-74 and capitalised
1	2	3	4	5	6	7	8	9
1. Bijuri	Baikunthpur (M. P.)	1964	67·32	6·36	73·68	10·81	62·87	11·66
2. Sonawani . . .	Do.	1965	85·55	7·90	93·45	93·45	..	13·40
3. Katkona . . .	Do.	1964	47·59	9·92	57·51	31·75	25·76	5·74
4. Bhaskarpara . . .	Do.	1964	9.09	0·77	9·86	7·30	2·56	2·12
5. Singrauli . . .	Singrauli (M. P.)	1965	174·21	62·22	236·43	144·74	91·69	55·10
6. Nandira . . .	Orissa	1964	21·31	26·28	47·59	17·83	29·76	0·30
7. Jagannath . . .	Do.	1964	41.95	160·78	202·73	2·36	200·37	8·55
8. Ramgarh . . .	Karanpura (Bihar)	1968	98·44	0·55	98·99	20·06	78·93	17·64
9. Pundi	Do.	1966	33·16	24·15	57·31	20·38	36·93	7·28
10. Asnapani . . .	B & K (Bihar)	1967	33·04	11·03	44·07	4·82	39·25	6·41
			611·66	309·96	921·62	353·50	568·12	128·20

NOTES :— 1. Katkona and Nadira were closed while their collieries were suspended.

2. Care and maintenance expenditure for the year 1966-67 was debited to the Profit and Loss account.

B. Further Capital Expenditure

3.3. From the above table it is seen that further capital expenditure amounting to Rs. 309.96 lakhs has been incurred after the closure/suspension of the projects. The following table shows asset-wise and unit-wise further capital expenditure after suspension upto 31-3-74 for closed/suspended mines:—

S. No.	Colliery	Land	Building	Plant and more Machinery	Ply siding	Vehicles	Prospecting & Boring	Development	Total
1.	Bijauri	0·17	..	1·90	0·03	0·67	3·59	..	6·36
2.	Sonawani	..	0·86	6·22	..	..	..	0·82	7·90
3.	Katkona	..	0·28	3·55	..	..	6·09	..	9·92
4.	Bhaskarpara	..	..	..	..	..	..	0·77	0·77
5.	Singrauli	..	..	31·18	..	..	4.93	26·11	62·22
6.	Nandira	..	..	..	..	..	10·29	15·99	26·28
7.	Jagannath	0·01	..	145·67	..	0·45	12·98	11·67	160·78
8.	Ramgarh	0·27	..	..	..	..	..	0·28	0·55
9.	Pundi	..	..	..	..	..	24·14	0·01	24·15
10.	Asnapani	..	..	..	..	..	11·00	0·03	11.03
	TOTAL	0·45	1·14	188·52	0·03	1·12	63·02	55·68	309·96

3.4. In a note submitted to the Committee the Management have explained that major expenditure after suspension is under the head Plant & Machinery and Prospecting & Boring. Expenditure under other heads is minor and is in nature of payment against the expenditure incurred prior to suspension. As regards expenditure under the head Plant & Machinery, it is in respect of balance requirements for supplies of Plant & Machinery against the orders for supply placed prior to suspension of the projects. These Plant & Machineries after receipt in the project after suspension have been transferred to other projects where these were required. As regards expenditure shown under the head prospecting and boring, in fact, there was no further expenditure, as such, but the expenditure incurred on geological prospecting and boring prior to suspension of the Projects was re-allocated on the basis of the information regarding metrage drilled in different projects supplied by the Geology Division.

C. Care and Maintenance Expenditure

3.5. The care and maintenance expenditure on suspended/closed mines amounted to Rs. 128.20 lakhs upto 31st March, 1974. The Committee enquired about the justification for capitalising the care and maintenance expenditure incurred on these mines which had not added to the revenue yielding capacity of these Mines. The Management have explained the position as follows:—

> "In the mines which had been temporarily suspended the Corporation has already incurred certain expenditure towards development. Due to the lack of demand or otherwise further development work in respect of these mines had been temporarily suspended. Accordingly, whatever care and maintenance expenditure are being incurred till these mines are reopened are being kept under deferred revenue expenditure. These amounts, lying under deferred expenditure, will be written off within 10 years as soon as the mine comes into revenue. On the other hand to write-off them at this stage when these transactions are not related to current commercial operations of the Company would also not be justified. The appropriate procedure would be to charge them off over a reasonable period of time after these projects come into commercial operation."

D. Depreciation Charges

3.6. On Government's refusal to reimburse the depreciation charges amounting to Rs. 2.29 crores provided for in respect of the suspended/closed mines during 1967-68 to 1971-72 the Corporation wrote back the amount in the accounts for 1972-73. The Committee enquired about the justification for writing back of such charges already provided for in the account of earlier years. The Management have stated as follows:—

> "The Expenditure incurred on suspended/closed mine has not been proved to be infructuous. The earlier investments on these mines will facilitate early re-opening/development of these mines. If this is to be done afresh the Corporation would have to incur much larger expenditure than was initially required. In these circumstances charging of depreciation on the value of the assets of these suspended and closed mines would not be justified. Moreover, since the assets in these suspended/closed mines have not been utilised and expenditure has been incurred on maintenance, by and large, the value of assets remain intact in the original value. In special cases some erosion might have taken place in original book value and depreciation has been charged only to the extent. Accordingly a sum of Rs. 5.07 lakhs was charged on profits and loss Account in 1971-72. The balance of depreciation had been written back, to restore the value of the assets with original book value, for use at the time of revival or merger of the suspended/closed mines. This expenditure will be taken into account when the revised Project reports for these mines are prepared."

E. Re-opening of collieries which were closed/suspended during Third Five Year Plan.

3.7. The present position regarding the reopening of the collieries closed during the Third Five Year Plan period is stated to be as follows:—

Name of the Colliery	Present Position
Katkona	Work has been resumed in the year 1973-74
Bijuri	,,
Sonawani	Action is in hand to merge this mine with the Kurasia colliery.
Bhaskarpare	Planning for starting this mine is in hand. It is likely to be started in 1975-76.

Name of the Colliery	Present Position
Singrauli	A much bigger mine for production of 10 M/tonnes per annum (against the earlier target of 3 M/tonnes) is now planned with Soviet assistance. Meanwhile work is in hand for the first stage for a production of 3 million tonnes, as per the revised feasibility report approved by Government.
Nandira	Coal has been touched and Developmental work is in progress.
Jagannath	The revised Project Report envisaging an outlay of Rs. 5·78 crores was approved by Govt. in August, 1973. Development work is in Progress.

3.8. In regard to the Projects closed/suspended during the Third Five Year Plan the Committee on Public Undertakings in their Tenth Report (Fourth Lok Sabha—April, 1968) on National Coal Development Corporation Ltd. observed that it was unfortunate that a huge sum of Rs. 6 crores had been blocked in these collieries and would result in a loss by way of deterioration of plant and machinery and unremunerative investment of money for quite a long period. They recommended that all efforts should be made to find market for the output of these collieries as early as possible.

3.9. In their reply dated 10th October, 1968 to the above recommendation the Ministry stated as follows:—

"The plant and machinery obtained for these closed collieries have already been shifted either to other productive units or the stores. Losses due to deterioration of plant and machinery removed to stores may not be substantial but the investment on immovable assets remains idle and therefore depreciation and interest on this part of capital investment accrue from year to year.

NCDC are continually exploring the possibility of finding market for the temporarily closed collieries. There are some indications now that it might be found feasible to reopen Katkona and Jagannath collieries by the end of 1969-70. The position is expected to crystallise in about a year's time. Efforts will continue to find market for the production from temporarily closed mines and these will be opened as and when market is available."

3.10. The reasons for delay in the reopening of the Katkona and Jagannath collieries and the present position regarding their development are discussed below:—

Katkona Colliery

3.11. Working of Katkona—I mine was stopped in November, 1964 due to lack of market. In view of the Madhya Pradesh Industrial Development Corporation's proposal during 1968-69 for setting up LIC plant at Katkona based on Katkona coals for the production of LTC Coke for chemical industries, for which tests were also conducted by Madhya Pradesh Government at Central Fuel Research Institute, Dhanbad and N.M.L. Jamshedpur, it was expected by NCDC that Katkona—I coal could find market for that Project and that the mine re-opening work might have to be taken in 1969-70.

3.12. The re-opening of Katkona—I mine was, however, not taken up then as the proposal of Madhya Pradesh Government did not materialise.

3.13. Development work was resumed only in the year 1973-74.

Jagannath Project

3.14. The Project Report for Jagannath Colliery envisaging an investment of Rs. 3.40 crores and an annual production of 1 million tonnes was prepared in December, 1961 and was approved by Government in September, 1962. The project was planned to supply inferior coal to specially designed boilers of Talcher Thermal Power Station in Orissa. When it was observed that the off-take from South Balanda Colliery was poor and there was already a heavy accumulation of stock and the commissioning of the Talcher Thermal Power Station was getting delayed due to various reasons, the development of the project was suspended in November, 1964 by which time an expenditure of Rs. 41.95 lakhs had been incurred. NCDC in the meantime opened South Balanda mine with a view to supply coal mainly to the proposed complex of Industrial Development Corporation of Orissa. As the proposal of Industrial Development Corporation did not come up subsequently, a decision was taken not to open Jagannath mine and make coal supplies available to Talcher Thermal Power Station from South Balanda, as there was no other market excepting loco for this type of coal.

3.15. The complex proposal of IDC, Orissa fell through the second time also and hence re-opening of Jagannath could not also be taken them.

3.16. With the coming up of coal based fertilizer plant at Talcher (near South Balanda Colliery) the Management decided to re-open Jagannath Colliery in order to meet the requirements of Talcher Thermal Power Station from this Colliery and that of the fertilizer Plant from South Balanda Colliery. The revised Project Report envisaging an outlay of Rs. 6.03 crores was approved by the Board of Directors in July, 1971 and sent to Government for approval in December, 1971; the approval (for Rs. 5.78 crores) of Government was received in August, 1973. The actual expenditure incurred upto 1973-74 was Rs. 2.39 crores.

3.17. While approving the re-opening of this colliery the Board of Directors decided that the colliery would be brought on revenue account with effect from 1st April, 1973. The colliery has, however, not been brought on revenue account so far. Coal production at the project was started from May, 1971. It has been stated that the present level of off-take by the Talcher Thermal Power Station is 0.24 million tonnes per annum against the target production of 1 million tonnes. This mine can be brought on the revenue when off-take increases sufficiently.

3.18. The Committee note that the Corporation planed to develop 27 collieries during the Third Five Year Plan. It, however, developed 16 collieries upto the end of 1965-66 but had to close down temporarily/finally 7 collieries as a result of mid term appraisal made in the middle of 1963 which indicated that the effective demand for coal in the country would be much less than the target. Three collieries were closed/suspended during Fourth Five Year Plan period due to slump in the coal market. An expenditure of about Rs. 9.22 crores has been incurred on the development of the closed/ suspended projects upto 31st March, 1974. Care and maintenance expenditure which has also been capitalised amounted to Rs. 1.28 crores. Depreciation charges amounting to Rs. 2.29 crores, not having been reimbursed by Government, have been written back, to be taken into account when the revised project Reports for these mines are prepared.

3.19. The Committee have already observed that realistic assessment of the demand of different categories of consumers of coal had not been made. A number of projects, on the development of which huge expenditure had been incurred, had to be abandoned when it was found that the demand was not coming upto the expected level.

3.20. The Committee also find that the reopening of the closed/ suspended projects has been very much delayed. In their Tenth Report (Fourth Lok Sabha—April, 1968) on NCDC the Committee

had observed that a huge sum had been blocked in these collieries which would result in loss by way of deterioration of plant and machinery and investment of money for quite a long period. The Committee had recommended that all efforts should be made to find market for the output of these collieries as early as possible.

3.21. In October, 1968 the Committee were informed that it might be found feasible to reopen Katkona and Jagannath Collieries by the end of 1969-70. The Committee, however, find that the development work in the Katkona colliery was resumed only in 1973-74. Although production in the Jagannath colliery started in May, 1971 the revised Project Report in respect of this Project was approved only in August, 1973.

3.22. The Committee further note that the development work on these projects was taken up on the presumption that the coal based industries, which were expected to take coal from these collieries, would come up as per schedule failing which the development work in the collieries had either to be suspended or delayed. Madhya Pradesh Industrial Development Corporation's proposal during 1968-69 for the setting up of LTC plant at Katkona did not materialise on account of which the development work on the Katkona Project had to be postponed. Work on the Jagannath Colliery had to be suspended because of delay in the commissioning of Talcher Power Station in Orissa. The decision to reopen the colliery had to be revised as the opposed complex of Industrial Development Corporation of Orissa did not come up subsequently. The present level of off-take by the Talcher Thermal Power Station is only 0.24 million tonnes against the target production of 1 million tonnes per annum. The level of production had to be restricted to the level of off-take of Talcher Power Station.

3.23. The Committee, therefore, recommend that besides making a realistic assessment of the demand it is also necessary to ensure that the development work is undertaken on the basis of firm agreements regarding the off-take of coal from a particular project and the development work should not in any case proceed on the basis of mere assumptions.

3.24. The Committee reiterate that Government/Corporation should find markets for the closed/suspended projects so as to ensure full utilisation of the mines where huge capital expenditure has already been incurred. The development of new collieries should be taken up only after fully utilising the existing capacity and on the basis of realistic assessment of demand for coal and the economics of the project.

F. Collieries closed/suspended during Fourth Five Year Plan

Salient features regarding projects closed/suspended during the Fourth Five Year Plan are discussed below:—

(i) *Ramgarh Project*

3.25 The Project comprises two mines known as Ramgarh I & II. The Project Report for Rargarh I mining-*cum*-washery complex, planned to meet the requirements of Bokaro Steel Plant, was approved by Government in August, 1963. Deferment of further development work on this Project had arisen because of delay in the setting up of Bokaro Steel Plant. Later on, a combined feasibility report for Ramgarh I & II mines was prepared in February, 1966 linking them with a coke-oven project proposed to be taken up by the Company; the requirement of Bokaro Steel Plant was linked with Kargali and Dugda II Washeries.

3.26 In March, 1967 the Ramgarh Coke Oven Project was not considered to be economically viable and it was, therefore, decided (March, 1968) to defer further development work on these mines. A sum of Rs. 1 crore approximately (Rs. 98.44 lakhs before suspension and Rs. 0.55 lakh after suspension) has been incurred on these mines till 31.3.1974.

2.27. During evidence the Chairman, CMAL stated that this project had again been revived and it was specifically linked to the Bokaro Steel Plant and revised project report had now been prepared covering both I & II to give a production of 3.5 million tonnes of washed coal for Bokaro Steel Plant.

3.28 The Committee find that originally the Ramgarh Project was taken up with a view to meet the growing requirements of Bokaro Steel Plant. But owing to the delay in the setting up of the Bokaro Steel Plant, the Project was linked with a Coke Oven Project proposed to be taken up by the Government and the requirement of Bokaro Steel Plant was linked with Kargali and Dugda II washeries, The Coke Oven Project was later not considered to be economically viable and therefore further development work on the mines was deferred in 1968 by which time a sum of Rs. 98.44 lakhs had been spent on their development.

3.29. The Committee fail to understand as to why the Project was initially linked with Bokaro Steel Plant when the requirements of the Steel Plant could be met from the Kargali and Dugda II washeries. The Committee are also surprised to note that the economic

viability of the Coke Oven Project was not assessed initially when the Ramgarh I & II mines were proposed to be linked with this Project. The Project had to be deferred when it was noticed that Coke Oven Project would not be economically viable.

3.30 The Committee are informed that the Project is again being revived and is being specifically linked to the Bokaro Steel Plant. The Committee hope the Government/Corporation would at least now realistically assess the future requirements of Bokaro Steel Plant in order to synchronise the development of the Ramgarh Project with the Projected demand and to re-examine the economic viability of the coke oven plant now when the Coal/Coke from Ramgarh Colliery is proposed to be consumed by the Bokaro Steel Plant.

(ii) *Pundi Project*

3.31 The preliminary report for the project, intended to meet the requirements of coking and medium coking coal for steel mills, foundry forge plants, etc. during the Fourth Five Year Plan was approved by the Company in December, 1963. However, investigations and studies made by the Central Fuel Research Institute, Dhanbad indicated (September, 1965) that the coking characteristics of coal were poor and its suitability for metallurgical purposes was doubtful. Accordingly, the project was withdrawn in September, 1966 from the purview of Soviet assistance.

3.32 During evidence the Committee enquired as to how one year's gap in suspending the work on this project was justified after the completion of the studies by Central Fuel Research Institute in September, 1965. The Managing Director, Western Division, CMAL stated as follows:—

> "I was the Technical Director at that point of time in NCDC. Initially, with a view to finding out the characteristics of the coal from this block a few bore-holes were done for the purpose of sampling and analysing them at CFRI. It was found that there was variation in the characteristics of the coal found in the various bore-holes. Therefore, it was decided before embarging on it to have trial pit-heads of 8″ dia for getting samples. They showed unless washing was done they could not be used. No expenditure was incurred after the trial pit-heads were made."

3.33. Asked whether one year's time as justified for coming to a conclusion, the witness stated that *prima facie* it would appear to be unjustified.

3.34. The witness also admitted that the characteristics of coal should be studied before undertaking the development of a project. He stated that to study the characteristics of coal certain quantities of coal have to be prospected and a reasonable quantity has to be mined. In this particular case development stopped at the stage where bulk supplies were actually to be made for determining its suitability or otherwise for steel plants. Asked whether an expenditure of Rs. 57.31 lakhs incurred on this project could have been avoided, it was stated that "looking from hind-sight it seems it could have been avoided."

3.35. The Committee enquired from the Ministry if it was not their responsibility to find out as to why NCDC went ahead with the Project without assessing the quality of coal. The Secretary of the Ministry stated as follows:—

> "This is not the only case where the geological reports have proved to be wrong. When you try to find out about the quality of coal which exists down below the surface, you put down the bore hole of 2″ or 2½″ diameter. You get the core out and so testing is done of those cores. Then you take the bulk samples of the seems in a nearby mine and put that to test. We have done that in the case of Sudamidih, Pundi etc. If we go through all the processes as meticulously to know about washability etc. by that time three years will elapse and the construction will get delayed."

3.36. The Committee enquired about the remedial measures taken and if there had been improvement in technology, the witness stated that the extent of exploration work is always a matter on which a decision has to be taken depending upon the type of mining that was going to be undertaken. If anything was done which was more than proper for the occasion, it would be wasteful, only that much of drilling should be done which was absolutely required for the project.

3.37. As regards the reopening of this Project, the Management have stated that this project has both inferior coal for Open cast working and superior coal for underground working.

3.38. There is presently no demand for the inferior quality of coal.

3.39. Based on the increased demand for medium coking coal, it is proposed to take up the underground portion of the Project and a feasibility report will be prepared as soon as possible.

3.40. During evidence the Chairman, CMAL stated that "today it may not be worthwhile to wash coal of 33 per cent ash but considering the general shortage, a time may come when we may have to wash coal with such high percentage of ash to bring it down to 17 or 18 per cent ash content."

3.41. The Committee find that development of the Pundi Project was taken up without initially checking up the coking characteristicks of coal to be used in the steel mills and foundry forge plants. The Project had to be abandoned when the studies made by the Central Fuel Research Institute, Dhanbad indicated that the coking characteristics of coal were poor and its suitability for metallurgical purpose was doubtful. An expenditure of Rs. 33.16 lakhs had already been incurred when the work on the Project was suspended. Further capital expenditure of Rs. 24.15 lakhs was incurred upto 31st March, 1974. The representative of CMA admitted during evidence that the characteristics of coal should be studied before undertaking the development of a project. The Committee feel that an expenditure of Rs. 57.31 lakhs incurred on development of the project besides Rs. 7.28 lakhs incurred on care and maintenance could have been avoided with a little foresight.

3.42. The Secretary of the Ministry has stated that this is not the only case where the geological reports have proved to be wrong. If that be the case it is all the more necessary to devise concrete measures and bring about improvement in technology so as to ensure that such miscalculations are reduced to the minimum as they result in infructuous expenditure to the tune of crores of rupees. The Committee would like Government/Corporation to seriously go into this aspect and take concrete remedial measures in the light of past experience and the advances made in geological and metallurgical sciences both within and outside the country so as to ensure that large investments on development of mines are not made without making sure of the quality, nature and extent of reserves and their suitability to meet the known requirements.

3.43 The Committee are informed that based on the increased demand for medium coking coal, it is now proposed to take up the underground portion of the Project. The Committee stress that the feasibility and the economics of the project including the possibility of developing open cast mine on which expenditure has already been incurred should be fully gone into and the possibility of using

the coal from this project after beneficiation to meet the increasing demand of Coking/Medium Coking Coal may be critically examined in order to ensure that the proposed project is an economically viable unit.

(iii) *Asnapani Project*

3.44. Under the Colombo Plan, the National Coal Board of the U.K. prepared in May 1964, a project report for the development of Asnapani for the production of coking coal. This project was envisaged as a "replacement" project to maintain the supply of coal to Kathara Washery as the coal from the Kathara II Mine was nearing exhaustion. It was designed for an output of 0.75 million tonnes and the project cost was estimated at Rs. 7.37 crores with a foreign exchange element of Rs. 2.24 crores. It was approved by the NCDC Board on 30-1-65 and by the Expenditure Finance Committee on 7-8-1965. The latter approved it subject to the credit facilities from U.K. being available.

3.45. Immediately after the approval of the project report the question of availability of UK credit was posed before the Department of Economic Affairs. The Department of Economic Affairs indicated (December, 1965) that the entire U.K. credit available at that time had already been earmarked for other projects. As such it was not possible for the E.A. Department to make available U.K. credit for the Asnapani Project. Efforts were made to obtain additional credit for the project. In fact, Joint Secretary, Department of Mines and Metals, also visited U.K. and had detailed discussions with Lord Robens, Chairman, National Coal Board, U.K. with a view to arranging U.K. credit for this project, but the efforts were not successful. Subsequently, the requirements of foreign exchange for this project were recalculated and the Department of Economic Affairs considered release of foreign exchange from free foreign exchange resources or from rupee payment arrears. However, consequent upon the slump in the coal market during 1966, it was decided in a meeting taken by Secretary, Department of Mines and Metals, on 4-3-1967, that the development work of this project should be deferred by 2 years. At the same time the Company also felt that the coal requirements of Kathara Washery, which were to be partly met by this project could be met from Kathara mines themselves.

3.46. During evidence the Secretary of the Ministry stated that "going ahead with the project without adequate demand would have meant that the resources would not have been utilised." He further stated as follows:—

"The system prevailing in those days was that a major portion of coking coal production was in the private sector and the public sector was dealing with only a certain amount of coking coal production. Now, when certain projects were cut down because the demand came down, the axe first fell on projects for which investment was required ....because a coking coal was coming up from the private sector mines which were already in production. Therefore, what happens is that when the demand comes down, we cut out projects where new investment are to take place and that is why this decision was taken. We are now getting over the problem in a slightly different way and that is by having a very frequent review of the coal requirements by a constant dialogue with the Planning Commission and the Steel Department which was not there earlier. It used to be once in five years, but now we are having it very frequently so as to adjust out plans.

3.47. Asked if it could be inferred from what has been said that the demand was not realistic, the Secretary of the Ministry stated that:

"The assessment of demand was not realistic."

3.48. About the reopening of this project it has been stated that "presently there is no change on this project."

Construction of Houses for British Experts

3.49. Even before the source for foreign exchange for the Asnapani Project could be settled, 8 bungalows were constructed at a cost of Rs. 4.07 lakhs for British Mining Experts. In this connection the Ministry have stated as follows:—

"Lord Robens, Chairman, National Coal Board, U.K. visiting India in November-December, 1964, paid a visit to Jarangdih on 29-11-1964. As advised by him, the construction of the houses was taken up even before starting the project with a view to keep them ready by the time the British experts arrived. Government sanctioned on 26-3-1965 Construction of eight houses at a cost of Rs. 6.4 lakhs.

The houses were to be utilised by senior officers after the British experts, left. The sanction was issued in consultation with the Ministry of Finance."

3.50. During evidence the Committee enquired about the justification for the construction of bungalows for British experts even before a decision was taken to go ahead with the Project. The Chairman, CMAL stated that "it is very difficult to justify the construction of these bungalows." He, however, added that "there was considerable optimism that this project would come up and the British people in their initial feasibility report asked for these bungalows."

3.51. The Committee find that the Project Report for the development of the Asnapani Project for the production of coking coal was approved by the Government subject to the tying up of foreign exchange requirements with UK Credit. In December, 1965, Government, however, informed the company that it was not possible to tie up this project with U.K. credit. Subsequently, however, the Department of Economic Affairs considered release of foreign exchange from free foreign exchange resources or from rupee payment areas. The project was, however, deferred due to slump in the coal market during 1966. At the same time it was felt that the coal requirements of Kathara Washery, which were to be partly met by this project could be met from Kathara mines themselves. The Committee fail to understand the basis on which it was earlier concluded that supply of coal from Kathara II mine was nearly exhausted and Asnapani Project would be needed to supplement the supply of coal to Kathara Washery. Asnapani Project had to be deferred due to shortfall in the demand for coal. It has been admitted by the Secretary of the Ministry that, "the assessment of demand was not realistic."

3.52 The Committee find that there is no concrete proposal at present to develop the project. Capital expenditure amounting to Rs. 46 lakhs incurred on the Project including the expenditure incurred on care and maintenance upto 31st March, 1974 has therefore proved to be infructuous. The Committee are further surprised to note that 8 bungalows were constructed at a cost of Rs. 4 lakhs for British mining experts even before the source for foreign exchange for the Asnapani Project could be settled. It is evident that the construction of bungalows should not have been started with such an undue haste without taking firm decision about the development of the Project. The Committee would like Government to investigate as to what extent this expenditure could have been avoided with proper planning and foresight. The Committee would

like responsibility to be fixed and deterrent action taken against officers found responsible for the lapse and remedial measures taken to see that such costly lapses do not recur.

G. **Transfer of Plant and Machinery**

3.53. It would be seen from the Table at page—that capital recoveries amounting to Rs. 353.50 lakhs upto 1973-74 in respect of closed/suspended projects represent mainly transfer/sale of Plant and Machinery. But full particulars of plant and machinery transferred, the units to which transferred and the value of each plant and machinery so transferred (at book value) are not available.

3.54. In respect of suspended|closed mines which are now proposed to be reopened, the plant and machinery previously transferred to other collieries have either been brought back or purchased afresh. But the information regarding value of plant and machinery previously transferred and now brought back to these projects, the amount of freight incurred on the transportation of such plant and machinery is, however, not available.

3.55. The Committee enquired if the Plant and Machinery was transferred from closed/suspended projects after assessing the requirements of the units to which they were transferred and if so, how the same plant and machinery was brought back to the projects from which it was transferred initially when the decision to reopen them was taken. The Management have stated as follows:—

> "Plant and Machineries are transferred between projects after assessing the requirements/urgencies with the approval of competent authority. In the closed/suspended projects which are being taken up now new machineries are brought in but it will be difficult to say that nothing was brought back although proper documentation would be there. It would be appreciated that such decision would have been taken by the concerned competent authorities after taking into account, all relevant factors such as comparative benefit of an equipment relating to which it was transferred or its transfer back to the suspended mine to which it was originally located."

3.56. During evidence the Committee pointed out that full particulars of the plant and machinery transferred, the unit to which transferred and the value of each plant and machinery so transferred were not available with the Company. They enquired that in the absence of these particulars how control was exercised on the transfer of Plant and Machinery from one unit and its receipt and accountal on the other unit. The Chairman, CMA stated as follows:—

"It is a fact that full particulars of the plant and machinery transferred have not been properly documented and therefore, could not be shown to the audit authorities. We have a complete verification of plant and machinery which has been mentioned in the Report of the Annual Accounts for 1973-74 and we hope now it would be possible to tie up the particulars and render necessary information to audit."

3.57. Asked as to why proper entry had not been made after transferring the plant and machinery, it was stated:—

"It is to be admitted as a failure that appropriate documentation of transfer of plant and machinery was not made at the material point of time."

3.58. The Secretary of the Ministry also admitted that without proper records the equipment and machinery could not be accounted for. He added that this particular observation which had been made by Audit was only for the year 1973. Reconciliation of accounts for this year, except for one area, had been completed and the Management had given him the assurance that from 1974-75 they would not allow any lapse to occur. In the earlier years there had been a number of lapses and they had been remedied. Asked whether any responsibility had been fixed for these serious lapses, it was stated that it had come to the notice of the Ministry just then and the matter had been taken up with the Corporation.

3.59. The Committee take a serious note of the fact that particulars of plant and machinery transferred from the closed/suspended projects the units to which transferred and the value of each plant and machinery so transferred were not available with the Corporation. In respect of closed|suspended mines which are now proposed to be reopened, the plant and machinery previously transferred to other collieries have either been brought back or purchased afresh. But the information regarding value of the plant and machinery previously transferred and now brought back to these projects, the amount of freight incurred on the transportation to and fro of such plant and machinery is also not available. The Committee fail to understand as to how proper control was exercised on the transfer of plant and machinery from one unit and

its receipt and accountal at the other unit in the absence of this vital information. The Chairman, CMA admitted it as a failure that the appropriate documentation of transfer of plant and machinery was not made at the material point of time. The Secretary of the Ministry admitted that without proper records the equipment and machinery could not be accounted for.

3.60. The Committee recommend that this serious lapse on the part of the Management should be thoroughly investigated by Government in order to fix responsibility. Reconciliation of accounts now done should also be verified in order to ensure that reconciliation is complete and accurate in all respects. They hope that suitable procedure would now be laid down in this regard and no such lapse would occur in the future. They would like that general guidelines in this regard should be issued by BPE to all the public undertakings in order to obviate recurrence of such cases.

COLLIERIES UNDER DEVELOPMENT

3.61. Salient features of some of the projects which were taken up during the Third Five Year Plan and which are still under development are discussed below.

H. Sudamdih Project

Progress of development:

3.62. The Project Report was prepared in 1962 under an agreement with M/s. Cekop of Poland and was approved by Government in 1963. The colliery comprises two units viz. a deep shaft mine (1.80 million tonnes) and an incline (0.36 million tonnes).

3.63. The development of the mine has not proceeded according to the original schedule as a result, the period for the development of the project has been extended to the extent noted below:—

	As per original Project Report (1962)	As per Revised Project Report (March, 1968)	As per reappraisal Report (August, 1970)	As per latest Revised Project Report (March, 1973)
Year of commencement of production .	1966-67	1969-70	1970-71	1970-71
Year of full production	1971-72	1974-75	1976-77	1978-79

3.64. The project which was to achieve full production in 1971-72 is now expected to achieve the same in 1978-79.

3.65. The delay in the development of the Project is stated to be due to following reasons:—

(1) heavily disturbed geological conditions and ground water at high temperature due to high geothermic gradient.

(2) Lack of organisation experience in the construction of such mine.

(3) Inordinate delay in the supply of essential equipments by MAMC e.g. fans, locomotive, sand pumps, pontoons, etc. and

(4) Shortage of iron and steel.

3.66. The Committee enquired about the extent to which the delay in the development of project was attributable to each of the above factors. The Management stated that it was difficult to quantify the delay under each of the items.

3.67. About the disturbed geological conditions in Sudamdih the Management informed the Committee that the difficult geological conditions arising out of the occurrence of low angle faults could not be foreseen at the time of the preparation of the geological report either by the Polish experts or by NCDC as the occurrence of such faults was unknown to the Indian Coal fields then.

3.68. During evidence the Secretary of the Ministry explained the position as follows:—

"This is a very bad project. A number of examinations have been made by so many experts. This is one of the worst affected areas in the geological field. A thrust zone comes up there. There were fire and collapses at the top. They went into this project knowing that the geology will be bad, but not as bad as it has come out. But the quality of coal is very good. It is prime coking coal and a part of it does not need washing. The latest technology has been made use of there. The world mining experts from Poland have gone into it.

I must confess that this has been a very bad project. I only hope that even by 1978-79 it would come up. The experience has been valuable to us."

3.69. Asked if all these could not be visualised before selecting the project, the witness stated as under:—

"In this area, no amount of geological investigation would have been able to establish it. Today, for instance, we have gone 1400 ft. underground and we have developed all the horizons. Even after reaching this level, when we started connecting up through coal in the known area, what we would have expected would have been a straight drive through. But it is not so and we find it difficult to put a straight gallery even in the coal seam itself. The type of mining which we had thought of earlier could not be introduced. Actually, much more investigation was carried out here than what is done for other projects."

3.70. The Committee enquired about the extent to which the delay in supply of equipment by MAMC was responsible for the delay in the development of Sudamdih Project. It was stated that:—

"It was the geological disturbances mainly, but had this equipment been available earlier it would have cut down a year."

Supply of Plant and Equipment by MAMC

3.71. In May, 1972, the Company informed the MAMC Ltd. that it had suffered a loss of Rs. 104.48 lakhs on account of delay in the supply of equipments and claimed compensation of Rs. 8.48 lakhs being 10 per cent of the value of total order (*i.e.* Rs. 84.8 lakhs). No reply had been received from MAMC. Pending a decision in regard to imposition of penalty on MAMC, bills worth Rs. 38 lakhs have been withheld. The penalty for delayed supplies is proposed to be limited to a maximum of 10 per cent of the value of total orders. The final decision regarding this has not yet been taken.

3.72. The Committee enquired if the Ministry had taken up the question of such delays with MAMC. In a note submitted to the Committee the Ministry stated as follows:—

"A letter of intent indicating the phased supply of plant and equipment for development of the Sudamdih and Monidih Projects was placed on the MAMC by the NCDC on 13th March, 1967. There were items which should have been supplied as early as 1967 or 1968 but have not been supplied till date. In September, 1971 at the intervention of the Ministry of Steel and Mines the delivery schedule was revised. Even the revised delivery schedule has not been adhered to. The Ministry has all along kept itself informed about the position regarding supply of plant and equipment to the Sudamdih and Monidih mines. The progress of these projects has been constantly reviewed in the Ministry, particularly because these are being constructed with Polish assistance. The latest reviews have been done at the time of the meetings of the working Group of Mining Industry of the Indo-Polish Joint Commission held in October, 1973, February, 1974 and January, 1975. The question of supplies by MAMC has been taken up with the Ministry of Heavy Industry in various meetings convened by that Ministry to review the performance of the MAMC as well as separately. The latest meeting in this regard was taken in March, 1975 by the Secretary, Department of Coal."

3.73. The Committee regret to note the inordinate delay in the development of the Sudamdih Project. The Project which was to achieve full production in 1971-72 as per original Project Report is now expected to achieve the same in 1978-79. Disturbed geological conditions, lack of organisation experience in the construction of such a mine, delay in supply of equipment by MAMC and shortage of iron and steel have been cited as the main reasons for delay in the development of the Project.

3.74. The Committee are informed that the difficult geological conditions arising out of the occurrence of the low angle faults at Sudamdih could not be foreseen at the time of the preparation of the geological report either by the Polish experts or by NCDC as the occurrence of such faults was unknown to the Indian Coal fields then.

3.75. The Committee would like to invite attention to their recommendation in para 3.42 of this Report and stress that Government|Corporation should seriously go into this aspect in depth so as to take suitable remedial measures in order to overcome the difficulties posed by such disturbed geological conditions and to avoid possibilities of such wide variations in geological structure.

3.76. The Committee are surprised to find that there were items of essential plant and machinery which should have been supplied to NCDC by the Mining and Allied Machinery Corporation as early as 1967 and 1968 but have not been supplied by them till date. The Corporation suffered a loss of Rs. 104.48 lakhs on account of delay in the supply of equipments in so far as Sudamdih Project is concerned. In their 65th Report (Fourth Lok Sabha, April, 1970) on Mining and Allied Machinery Corporation the Committee had expressed their unhappiness about the delay in execution of orders by MAMC and observed that production performance of some undertakings (e.g., NCDC, Bokaro, PPCL) was held up due to delay in adhering to the delivery schedule by MAMC.

3.77. The Committee regret to note that inspite of the recommendation of the Committee delays on the part of MAMC continue to upset the development and production programme of NCDC. The Committee recommend that the Ministry of Heavy Industry should thoroughly investigate all cases of delays on the part of MAMC in supplying essential items of plant and equipment to NCDC in order to fix responsibility for the lapses and take suitable remedial measures to avoid such costly delays in future. They also recommend that the question of compensation claimed by NCDC on account of such delays should be settled expeditiously.

3.78. The Committee also recommend that Government should render all possible assistance to NCDC in the matter of procurement of materials like Iron and Steel so that the progress in regard to development of projects is not hampered due to non-availability of such materials.

3.79. The Committee hope that the development of the Project would now proceed according to schedule and full production will commence in 1978-79 as per latest revised project report.

I. Capital Cost of Sudamdih Project

3.80. The development of the Sudamdih project was originally estimated to cost Rs. 17.57 crores and was revised in March, 1973 to Rs. 37.93 crores. The revised estimates which was sent to Gov-

-ernment in April, 1973 was sanctioned in March, 1974. The reasons for the increase are given below:—

(Rs. in crores)

Heads	As per Original Project Report	As per Revised Project Report	Increase	Reasons for increase
Plant & Equipment	7·25	12·37	5·12	1. Devaluation of Rupee 1·21
				2. Increase in customs duty, inland freight loading & clearance, etc. 1·20
				3. Increase in the price of indigenous equipment due to escalation. 1·53
				4. Additionl provisin for coal handling plart. 0·93
Development Expenditure	6·40	21·25	14·85	1. Increase in Polish Collaboraion due to devaluation. 0·97
				2. Increase in wages and salaries. 4.85
				3. Increase in interest, head quarters charges and salaries & wages due to longer gestation period. 6·71
				4. Higher interest due to rise in capital cost and interest rate. 2·32

3.81. An expenditure of Rs. 33.83 crores (including expenditure of revenue nature amounting to Rs. 11.24 crores incurred during 1966-67 to 1972-73 and temporarily capitalised) was incurred on the project upto 1973-74 against the revised cost of Rs. 37.93 crores.

J. Profitability

3.82. The estimated cost of production as per revised Project Report (1973) is stated to be Rs. 42.21 per tonne and the average selling price is Rs. 41.42 per tonne. According to the revised Project Report the Project would be losing Rs. 17.06 lakhs per annum.

3.83. During evidence the Committee enquired about the justification for undertaking the development of the project when it would be a losing proposition. The Chairman, CMAL explained that:—

"By the time the revised project report for Sudamdih was prepared indicating that it might be a losing proposition —though I think that under the new system of pricing, it may not be so—we had already incurred substantial capital expenditure on this project and, therefore, Government took the decision that, having incurred this capital expenditure already, there was really no alternative but to go ahead with the project."

3.84. In this connection the Secretary of the Ministry stated during evidence as follows:—

"Sudamdih Project is going to be a losing proposition, because the gestation period is very long. MAMC who are one of the bodies on whom orders had been placed, have not been able to give the equipments in time. The MAMC have now geared up its working and the performance is far better. The mine itself is making progress and producing 2,000 tonnes per day, i.e. about 33 per cent of the target. The mine is well set to attain the target by the end of the Plan period."

Asked as to when the break-even point would be reached, it was stated that, coking coal prices were comparatively higher now, and they were going up. The prices in the world market were extraordinarily high. The spot price for coking coal was $ 140 a tonne. The output per manshift was comparatively higher here. By the time the mine went into operation, the prices would have become adjusted and there would not be a loss; even if it was there, it would not be much."

3.85. The Committee note that as against the original estimate of Rs. 17.57 crores the Sudamdih Project is now expected to cost Rs. 37.93 crores out of which an expenditure of Rs. 33.83 crores has already been incurred upto the end of 1973-74. Out of the excess of Rs. 20 crores about Rs. 9 crores is on account of increase in interest, headquarters charges and salaries and wages, higher interest due to rise in capital cost and interest rate. This expenditure is due to delay in the completion of the Project. The Committee would like Government/Corporation to find out as to what extent this extra

expenditure could have been avoided by taking timely action for the procurement of iron and steel material, timely supply of equipment by MAMC, setting up of proper organisation with the help of Polish Collaboration etc.

3.86. The Committee also note that according to the revised Project Report the Project was expected to be a losing proposition. The Committee are now informed that according to the new system of pricing and in view of higher output per manshift obtaining in this mine the project might break-even although the Secretary of the Ministry has admitted during evidence that even if the loss is there it would not be much because of the prices. The Committee are not happy that the Management have not been able to correctly assess the profitability of the project but are mostly dependent on the high prices. The Committee therefore recommend that Government/Corporation should re-examine critically the profitability of the project, analyse the reasons for the loss and take suitable remedial action to reduce gestation period, improve production and effect economies in overheads so that the project may be in a position to break even soon.

K. Construction of temporary coal handling plant

3.87. Pending construction of a permanent coal handling plant, the Management decided in April, 1965 to have a temporary coal handling plant for the loading of coal from shaft mine. The work order was, however, issued in June, 1970 and the plant was completed in June, 1972 (against the stipulated date of September, 1970) at a cost of Rs. 0.97 lakhs (exclusive of mechanical portion the cost of which has not been furnished by the Management). Although the corresponding railway siding was ready by January, 1972, the Railways did not commence the supply of wagons till March, 1973 on account of non installation of signalling and telecommunication system. As a result, the temporary coal handling plant could also be used from March, 1973 only. No action could be taken against the Railways as the agreement did not provide for the reimbursement of loss arising from such delays.

3.88. During evidence, the Committee enquired about the reasons for taking 5 years in placing the order for the construction of temporary coal handling plant after Management's decision of April, 1965. The Chairman, CMAL stated that the delay was because of a number of geological disturbances which could not be anticipated when the Project was approved. Despite the very intensive drilling and prospecting done at this particular project, the conditions discovered underground showed a number of pores which could not be anticipated earlier. It was added that as the production from this mine did not develop to the extent anticipated in April, 1965, the delay in setting up this plant has not really affected very seriously the position in regard to the movement of coal from this plant.

3.89. As regards the non-installation of signalling and telecommunication system the Management stated as follows:—

> "Had the Railways envisaged the necessity of signalling arrangement earlier and had provided the same, the loading from the temporary coal handling plant, would have started from January, 1972 itself."

3.90. During evidence, the Committee enquired if it was not possible to sound the Railways in time for the installation of signalling equipment so as to ensure the use of temporary coal handling plant soon after its completion. The Chairman, CMAL stated as follows:—

> "I admit that there was delay in the installation of signalling equipment despite our best efforts."

L. Construction of Permanent Coal Handling Plant

3.91. The construction of permanent coal handling plant was taken up in February, 1971 at an estimated cost of Rs. 30 lakhs (excluding mechanical portion) and was scheduled to be completed by February, 1972. This plant was designed for two parallel flows. One of the flows had been completed and was commissioned in November, 1974. The second flow is under construction and is expected to be completed by July, 1975. The delay in completion of the plant is stated to be due to delay in supply of matching equipment ordered on indigenous manufacturers as also delay in completion of Railway siding. Due to delay in completion of the temporary coal handling plant and its use (even after completion) for want of corresponding railway siding facilities, the expenditure incurred on the construction of this plant is likely to prove infructuous.

3.92. During the period from September, 1970 to March 1974, 2.60 lakh tonnes of coal raised from shaft mine was transported to the loading point with the help of departmental dumpers and loaded manually at a cost of Rs. 4.48 lakhs (cost of departmental transportation is not known).

3.93. The Committee enquired if the temporary coal handling plant could be put to any use after completion of the permanent coal handling plant. The Management stated that the temporary coal handling plant was organised out of items of equipment like Belt Conveyors, Scraper Chain Conveyors, etc. meant for the underground mine. With completion of the first flow of the Permanent Coal Handling Plant, these items have been diverted for use in the mines.

3.94. The Committee note that the Management decided as far back as April, 1965 to have a temporary coal handling plant for loading of coal from shaft mine in the Sudamdih Project. The work order was, however, issued in June, 1970 i.e. after 5 years. Against the stipulated date of September, 1970 the plant was completed in June, 1972. The Railways, however, did not commence the supply of wagons till March, 1973 on account of non-installation of signalling and telecommunication system. The construction of the permanent coal handling plant was taken up in February, 1971. at an estimated cost of Rs. 30 lakhs. Against the stipulated date of February, 1972, the plant is expected to be completed in July, 1975.

3.95. Due to delay in completion of the temporary coal handling plant and its non-operation even after completion for want of corresponding railway siding facilities the expenditure incurred on the construction of the temporary coal handling plant is not likely to be gainfully utilised after the completion of the permanent coal handling plant. Moreover a sum of Rs. 4.48 lakhs has been incurred on the transportation of coal to the loading point with the help of departmental dumpers and loading it manually. The Committee feel that NCDC should have also placed firm orders in time on Railways to provide the requisite siding facilities.

3.96. The Committee would like the Ministry of Railways to investigate the reasons for delay in installation of signalling equipment despite the best efforts of NCDC in order to fix responsibility for the lapses.

M. Purchase of airconditioning equipment

3.97. On the advice of Polish experts the Company ordered 2 sets of airconditioning equipment at a cost of Rs. 4.74 lakhs from Poland in connection with the shaft-sinking programme. The equipment was received in July/August, 1965 by which time shaft-sinking had been completed. The equipment was declared surplus in May, 1966 and has since been utilised in the Company's new Sales/Purchase Office at Calcutta.

3.98. The Committee enquired if there was any specific provision in the estimates of the sales/purchase office at Calcutta for the installation of the airconditioning equipment. The Management replied in negative. Asked if the late receipt of airconditioning equipment was due to late placement of orders, or due to delay in supply by the foreign suppliers, it has been stated that "this is a very old matter and it has not been possible to locate the relevant files."

3.99. The Committee note that the Corporation imported 2 sets of airconditioning equipment at a cost of Rs. 4.74 lakhs from Poland in connection with the shaft sinking programme. The equipment was, however, received when the shaft sinking had already been completed. The Committee are informed that the equipment is now being utilised in the company's new Sales/Purchase Office at Calcutta even though there is no provision for the equipment in their office at Calcutta. The Committee are doubtful whether the airconditioning equpments were at all essential or it was merely ordered on the advice of Polish Experts without going into the merit whether or not its import was absolutely essential. They are surprised that the Management have not been able to locate the relevant files in this regard. The Committee would like that this matter be investigated and the Committee informed of the results. The Committee would also like to be informed if the late receipt of airconditioning equipment was due to late placement of orders or due to delay in supply by the foreign suppliers.

N. Monidih Project

3.100. The project is designed to have two deep shaft mines. It was taken up with the collaboration of M/s. Centrozap of Poland who prepared a feasibility report in 1963. According to the Project Report approved by Government in 1965, the project was expected to start production in 1969-70 and reach full production in 1973-74 but this schedule was revised first in 1968 and then in 1970 and the project is now scheduled to start production in 1973-74 and attain full production in 1979-80. The delay in completion of the project has been attributed to the following reasons:—

1. Adverse hydrological conditions met at the commencement of shaft sinking.

work from different horizons.

2. Delay in construction of shaft tower and the winders resulting in delay in the commencement of development

3. Slowing down of development work to suit the projected demand of coal.

3.101. Had the Project commenced production as per original schedule, the Management could have avoided capitalisation of revenue expenditure to the extent of Rs. 7.16 crores which was incurred during 1969-70 to 1973-74.

3.102. The Committee regret to note the delay of about 4 years in the development of the Monidih Project. According to the Project Report approved by Government in 1965, Monidih Project was expected to start production in 1969-70 and reach full production in 1973-74. The Project, is, however, now scheduled to attain full production in 1979-80. The period of attaining the rated capacity has thus been extended by 6 years. The Committee also find that if the Project had commenced production as per original schedule, the management would have avoided capitalisation of revenue expenditure to the extent of Rs. 7.16 crores which was incurred during 1969-70 to 1973-74.

3.103. Delay in the development of the work has been attributed to adverse hydrological conditions met at the commencement of shaft sinking, delay in reconstruction of shaft tower and slowing down of development work to suit the projected demand of coal. The Committee recommend that the various reasons for delay may be gone into by an expert Committee in order to find out the extent to which each of the factors contributed to the delay and the extent to which the delay could have been avoided with proper planning and foresight.

O. Surakachar Project

3.104. The project Report prepared by the Russians was approved by Government in March, 1962 and the development work started in 1963. Owing to shortage of funds and possible lack of demand, the desirability of suspending the development work or slowing it down was considered by the Company in 1966-67 and it was ultimately decided by Government in September, 1967 that the project should be developed for a production of 6.4 lakh tonnes per annum (which was also considered to be the break-even point) instead of

11 lakh tonnes originally envisaged. An exercise made by the Company in July, 1968, however, revealed that the project could break-even at a production level of 7.5 lakh tonnes. A revised estimate of Rs. 13.44 crores was prepared in July, 1972 for a production level of 11 lakh tonnes per annum according to which the break-even point (10.56 lakh tonnes per annum) is expected to be achieved in 1977-78. It is, however, doubtful if the Project will be able to break-even at this level of production as the average production is not expected to exceed 85 per cent of the rated capacity whereas the break-even point assumes production at 96 per cent of full capacity. Moreover, the grade of coal actually produced has been found to be inferior to that indicated in the Project Report.

3.105. The Management have stated (March, 1974) that they expected to produce at 85 per cent of the capacity by 1978-79.

3.106. In a note submitted to the Committee, the Ministry have stated as follows:—

> "Coal from this project belongs to the Grade I category for which the price in the 1972 estimates was taken as Rs. 34.58 per tonne. The price for this grade of coal was revised once on 31-3-73 and again on 1-4-74 to Rs. 54.00 for Steam Coal and Rs. 52.75 for Slack Coal. Assuming 60:40 ratio, the average price after 1-4-74 works out to Rs. 53.50. As the new price structure is based on the useful heat value of various grades, the projects producing higher grades of coal are becoming more profitable.
>
> It had now been estimated that the break-even point in the Surakachar project would be reached on attaining a production of 70—75,000 tonnes per month, *i.e.*, at about 80 per cent of the production capacity. The break-even point is likely to be further reduced if coal prices go up to higher levels."

Lack of Market

3.107. The development of the Project was practically complete in 1969-70 but due to lack of market, the production had been restricted to 20,000 tonnes per month.

3.108. During evidence the Committee enquired if demand survey was made before undertaking the project. The Chairman, CMAL stated as follows:—

> "No demand study was undertaken by the NCDC; a decision was taken on the basis of the assessment made by the

Government including the Planning Commission who fixed targets. But with hind sight it may well be said that the NCDC should have gone into the question of marketability before accepting the targets imposed on the NCDC by Government."

3.109. Asked about the steps taken to avoid such a situation in respect of project to be taken up in future, it was stated as under:—

"Now-a-days, we take up two types of projects, what is known as linked project, mainly with reference to power stations or steel plants; we take it up with the consumer. If it is not a linked project a survey is done to satisfy ourselves that there will be adequate demand for that coal. The survey is done by the marketing division.

3.110. According to Management (May, 1972) the project was developed to meet the requirements of a proposed coal based fertilizer plant at Korba which has been delayed. It may, however, be mentioned that the original Project Report did not contemplate the sale of coal from the colliery to the coal based fertilizer plant at Korba but indicated the possibility of its use for blending for supply to steel plants at Bhilai and Rourkela or its movement to Western India.

3.111. During evidence the Chairman, CMAL clarified the position as follows:—

"Originally, I do not think, this project was taken up with the Soviet Collaboration as such to link it with the Fertilizer Plant at Korba. Subsequently, the production was to be linked with this plant. The decision to have a fertilizer plant at Korba was taken up after we had taken up this Plant. The Coal based fertilizer plant was abondoned. Last year, they again revived it and even very recently, they decided to give it up."

3.112. In this connection the Secretary of the Ministry stated as follows:—

"When the Surakachar Project in Gorba area was started with Russian help, there was a discussion in the Government of India whether NCDC should go slow on several projects because there was lack of market or whether they should hold up one or two. A decision was taken that the Banki Project, which had already made some progress should be continued. As far as this project was concerned, since the investment was not complete, it should be subjected to go slow. This was one of the projects affected by mid-term recession. Subsequently, there was an idea that the fertilizer project, would come up. Now we understand even that is not coming up, nevertheless, even if it is not coming up the coal, project will go on. The project is already giving 60,000 tonnes per month. In the course of the next 2 or 3 years, it should be able to give upto 90,000 or 95,000 tonnes—which amount is near the target."

3.113. The Committee find that the development work in the Surakachar Project which was started in 1963 was completed only in 1969-70. During this period the Project reports and estimates were revised several times. Owing to shortage of funds and possible lack of demand, the desirability of suspending the development work or slowing it down was considered by the Corporation in 1966-67 and it was ultimately decided by September, 1967 that the Project should be developed for a production of 6.4 lakh tonnes per annum (which was also considered break-even point) instead of 11 lakh tonnes originally envisaged. A revised estimate of Rs. 13.44 crores was, however, prepared in July, 1972 for a production level of 11 lakh tonnes per annum according to which the break-even point was expected to be achieved in 1977-78 at 96 per cent of full capacity.

3.114. The Committee, however, find that conflicting statements have been made with regard to the quality of coal found from Surakachar Project. It was earlier stated that the grade of coal actually produced has been found to be inferior to that indicated in the Project Report. However, it has now been stated that this project belongs to the grade I category and as the new price structure is based on useful heat value of various grades, the break-even point would be reached on attaining a production of 70—75,000 tonnes per month i.e., at about 80 per cent of the production capacity. The break-even point would be further reduced if coal price goes up to higher levels. The present production of the colliery is about 60,000 tonnes per month. The Committee would like Government/Corporation to reconcile the conflicting statements about the quality of coal so that the estimates of cost and break-even points might be realised.

3.115. The Committee also find that though originally the Project was envisaged for meeting the requirements of Bhilai and Rourkela

Steel Plant and movement to Western India, the Management has been attributing the slow pace of production to the delay in setting up the coal based fertilizer Plant at Korba. The Committee are surprised at the statement of Management that the decision to have a fertilizer plant at Korba was taken only after the Project was taken up. The Secretary of the Ministry had admitted during evidence that a conscious decision was taken to slow down this project. The Fertilizer Plant at Korba was later abandoned. Although the development of the Project was practically complete in 1969-70, the production had to be restricted to 20,000 tonnes per month due to lack of market. It has been stated that no demand study was undertaken by NCDC before undertaking the Project. A decision was taken on the basis of the assessment made by Government.

3.116. The Committee take a very serious note of the fact that the question of marketability of coal from Surakachar Project had not been thoroughly examined by NCDC before going in for the project. The Committee have already stressed more than once the desirability of taking up the Projects on the basis of realistic and scientific assessment of demand. The Committee would like to reiterate that Projects on which huge investment has to be made should be taken only on the basis of firm demand.

3.117. The Committee are informed that care is now being taken to accurately assess the demand for coal before taking up any project. In case of linked projects the matter regarding expected demand is taken up with the respective consumers and in case of projects not linked to any specific plant a demand survey is made by the marketing division. The Committee hope that this procedure would be rigidly followed so as to ensure a firm demand for the supplies.

3.118. The Committee also recommend that concerted steps should now be taken to accelerate the paee of development of mines and thereby increase the output so as to attain the break-even level as early as possible.

P. Sand Gathering Arrangements

3.119. The development of Surakacher project also envisaged the setting up of a sand gathering plant at an estimated cost of Rs. 1.78 crores (in addition to the capital cost of the development of this project) which would have met the requirements of Banki Colliery also. The work started in 1963 but due to change in the method of mining, the proposal for sand stowing at Banki Colliery was abandoned and the cost of the plant for Surakachar Colliery, with a capacity of 84,000 tonnes per annum as against 1,94,000 tonnes for both the collieries as originally envisaged, was estimated at Rs. 1.84 crores. The arrangements for sand stowing are now expected to be completed by 1976-77 although the development of the colliery was already completed in 1969-70 (the Project Report did not indicate the scheduled date of completion for sand gathering arrangements). The delay has been attributed to delay in the supply of machinery and equipment by the Mining and Allied Machinery Corporation Ltd. another Government of India Undertaking. Some of the equipments supplied by the Mining and Allied Machinery Corporation Limited at a cost of Rs. 6,83,595 and installed in January/March, 1970 completely failed during trial runs.

The Management have now informed the Committee that two scrappers have been modified and installed. The modification cost will be recovered from the bills of MAMC. It has been added that the question of delay in the supply of equipment has been taken up with MAMC.

3.120. In the meantime, sand is being collected partly manually through contractors and partly with the help of equipments purchased from Garden Reach Workshops Ltd.

3.121. As part of the joint arrangements of sand gathering for Banki and Surakachar collieries, the Company purchased 100 sand wagons in 1966 at a cost of Rs. 19.98 lakhs for the transportation of sand. With the abandonment of sand gathering arrangements for Banki Colliery, 40 wagons valued at Rs. 7.99 lakhs have become surplus and more are likely to be surplus with reduction in the production of coal from Surakchar Colliery.

3.122. The Management stated in March, 1974 that 'the surplus 40 wagons from central sand gathering plant will be gainfully utilised at Silowara colliery for sand gathering and transport.'

3.123. It has now been stated that 40 surplus wagons are being gainfully utilised at Surakachar with the commissioning of sand stowing arrangements.

3.124. The Committee enquired about the justification for the purchase of sand wagons long before the completion of sand gathering arrangements. The Management have stated as follows:—

"The 100 wagons were received in a phased manner and the order was completed by the firm in April, 1966. Orders for scrappers was placed on 28th October 1965. As per the delivery period the scrappers were to be supplied in June, 1966 and June, 1967 (two sets in June 1966 and 3 sets in June, 1967). Thus it would be seen that the delivery period for wagons and scrappers were near about the same, but there has been delay in supply of scrappers for want of which wagons could not be utilised.

Advance action was taken for orders of wagons because it involved manufacture of sample wagons which was to be inspected and approved by us and based on that the suppliers had to take action for arranging raw materials from Steel Controller, which also involved time. Considering these aspects, the wagon indent was placed in advance."

3.125. The Committee find that although the development of Surakacher Colliery was completed in 1969-70 the sand gathering plant would be completed only by 1976-77. The Committee are surprised to note that the Project Report approved in 1963 did not indicate the schedule of completion for sand gathering arrangements. The delay has been attributed to delay in the supply of machinery and equipment by MAMC. The Committee have already adversely commented about the delays on the part of MAMC in supplying the requisite Plant and Machinery to NCDC with the result that many of the Projects of NCDC got delayed. As a result of delay in the completion of sand gathering arrangements sand was being collected partly manually through contractors and partly with the help of equipments purchased from Garden Reach Workshops Ltd.

3.126. The Committee would like that the Management should assess the total loss incurred by NCDC as a result of delay in the completion of sand gathering arrangements and the extra expenditure on account of the collection of sand manually.

3.127. The Committee also note that some of the equipments supplied by Mining and Allied Machinery Corporation Ltd., at a cost of Rs. 6.83 lakhs and installed in January/March, 1970 completely failed during trial runs and the cost of modifications borne by NCDC is still to be recovered from MAMC. The Committee would like to be informed about the recovery of the amount.

3.128. The Committee also find that as part of the joint arrangements of sand gathering for Banki and Surakacher Collieries, the Company purchased 100 sand wagons in 1966 at a cost of Rs. 19.98

lakhs out of which 40 wagons valued at Rs. 7.99 lakhs became surplus with the abandonment of sand gathering arrangements at Banki Colliery. It was stated in March, 1974 that these would be utilised at Silewara Colliery.

3.129. The Committee fail to understand as to why the surplus wagons could not have been utilised in Silewara Project earlier when it was started even as early as 1967. The Committee are informed that these are now being utilised at Surakacher Colliery itself.

3.130. The Committee recommend that the reasons for the purchase of the wagons in excess and non-utilisation of surplus wagons resulting in unnecessary look-up of capital should by investigated in order to fix responsibility for the lapses, if any.

Q. Excessive Manpower (Surakacher Project)

3.131. The Project Report of Surakacher Project envisaged the employment of 1959 workers for the production of 1.1 million tonnes of coal per annum. In a study made by the Head Quarters Planning Department in April, 1970 it was noticed that the colliery was employing about 1400 workers as against the strength of 900 workers which was considered reasonable for the current level of work. The extra expenditure due to excess employment of workers worked out to Rs. 1.64 lakhs per month.

3.132. Asked about the reasons for employment of excessive labour in the Surakacher Project, the Committee were informed during evidence that excessive manpower was primarily due to recruitment of manpower with the initial development works and the difficulty of dispensing with their services subsequently when production had to be restricted for lack of market.

3.133. It was added that the production had since gone up from 20,000 to 60,000 tonnes and all the men were usefully employed now.

3.134. The Committee regret to note that although a study made by the Headquarters, Planning Department in April, 1970 revealed that Surakacher Colliery had an excess staff strength of 500 workers on the basis of current level of work nothing was done to reduce the strength to the desired level. The extra expenditure due to excess employment of workers worked out to about Rs. 20 lakhs

per year. The Committee are informed that the excessive manpower was primarily due to recruitment of manpower with initial development works and the difficulty of dispensing with their services subsequently when production had to be restricted for lack of market. The Committee see no reason why recruitment of staff should not be restricted to the requirement at each stage of development. The Committee have been repeatedly pointing out that recruitment of excessive staff is one of the maladies of production and has to be avoided. The Committee recommend that this serious lapse should be thoroughly investigated in order to fix responsibility for the huge loss suffered as a result of employment of excess staff.

R. Silewara Project

3.135. The project was taken up in March, 1964 to meet the requirements of Khaperkheda and Khoradih (under construction) power houses of the Maharashtra State Electricity Board. The Project Report was approved by the Board of Directors in August, 1965 and by Government in 1970; the project was expected to commence production in 1967-68.

3.136. On account of difficult roof conditions and provision for additional equipment, the project estimates were revised from Rs. 1.71 crores to Rs. 2.20 crores in March, 1968 (approved by Government in April, 1970). The production commenced in October, 1967 and against the rated capacity of 4.5 lakh tonnes per annum the actual production attained during 1968-69, 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 was only 63,028 tonnes, 96,175 tonnes, 98,940 tonnes, 1,08,918 tonnes, 1,03,914 tonnes and 1,50,000 tonnes respectively. Because of the delay in the completion of the project, revenue expenditure to the extent of Rs. 2.72 crores was temporarily capitalised during 1967-68 to 1973-74. The total amount of capital invested upto 1973-74 was Rs. 4.97 crores. The Project continues to be under development.

3.137. In terms of an agreement reached with the Maharashtra State Electricity Board in June, 1966 the Company had to supply 1,11,368 tonnes of coal from Umrer Colliery during 1968-69 to 1971-72 (upto October, 1971) to Khaperkheda Power House to meet the shortfall in supplies from Silewara Colliery involving extra transportation charges of Rs. 4.29 lakhs.

3.138. In order to meet the increasing demand of the Maharashtra State Electricity Board a feasibility report for the expansion of this project raising its production capacity to 8.5 lakh tonnes per annum by 1976-77 was approved by the Board of Directors in April, 1971 and by Government in August, 1973.

3.139. The Committee regret to note that though the Silewara Project was taken up in March, 1964, the Project report was approved by Board after over a year and by Government after 6 years. The Committee do not see any reason for such delays and why the project should not have been taken up for development after approval of the Project estimate so that the estimate may really serve the purpose of instrument of financial control.

3.140. The Committee find that as a result of delay in the completion of the Silewara Project, revenue expenditure to the extent of Rs. 2.72 crores was temporarily capitalised during 1967-68 to 1973-74. The total amount of capital invested upto 1973-74 was Rs. 4.97 crores as against the revised project estimates of Rs. 2.20 crores approved in April, 1970. Due to shortfall in production from this colliery, coal had to be supplied to the Maharashtra State Electricity Board as per agreement from the Umrer Colliery at an extra transportation charge of Rs. 4.29 lakhs.

3.141. The Committee recommend that the reasons for delay in the development of the colliery and shortfall in production should be investigated in order to find out the extent to which this loss could have been avoided with proper planning and foresight.

3.142. The Committee note that against the rated capacity of 4.5 lakh tonnes per annum the actual production attained so far was a maximum of 1.5 lakh tonnes only in 1973-74. It has been stated that a feasibility report for the expansion of the project to 8.5 lakhs tonnes per annum was approved by Government in August, 1973 to meet the increasing demand of the MSEB. The Committee are not clear about the justification for the expansion of the project when the project has not so far attained its rated capacity. The Committee recommend that the Corporation should enter into a firm commitment with the MSEB so that off-take of coal from the projects is ensured after expansion.

S. Delay in completion of development work

3.143. The following table indicates the extent of delay in the completion of some of the projects taken up for development during the Third Five Year Plan. The delay ranged between 4 years and 10 years:—

Project	Year of commencement of development work	Year of completion as per Project Report	Anticipated/actual year of completion	Delay (Years)	Remarks
1	2	3	4	5	6
Chalkari	1961-62	1970-71	1974-75	4	As the project was situated between Kargali and Bokaro Collieries, proving of reserves, and coal strata was not done with the same amount of prospecting and drilling as is generally done in a virgin area. However, serious faults and disturbed geological conditions were noticed.
Jamuna	1961-62	1966-67	1971-72	5	Development was delayed due to lack of market. Open cast portion of the project was closed down in June, 1964. Underground mine has already been commissioned.
Surakacher	1962-63	1966-67	1975-76 (As per Revised Project Report)	9	Please see pp. 56 to 60 of this chapter
Sand gathering project for Banki-Surakacher	1963-64	**	1976-77	10	Please see pp. 60 to 63 of this Chapter
Sudamdih	1962-63	1972-73	1977-78	5	Please see pp. 45 to 49 of this Chapter

NOTE: **As per capital budget proposals (R.E. for 1970-71 & B.E., 1971-72) the sand gathering project was taken up in 1963-64 & was to be completed in a period of three years.

1	2	3	4	5	6
Umrer	1962-63	1967-68	1973-74 (Revised)	6	On account of lack of demand full production could not be attained till date. The colliery is producing about 8 lakh tonnes per annum against the full capacity of 1·02 million tonnes.
Patherkhera	1963-64	1967-68	1971-72	4	The project is tied to Satpura Power Station of MPEB the commissioning of which was delayed. This caused delay in the development of the project by about 3 years. The project has already been commissioned in October, 1968.
Jhingurda	1964-65	1968-69	1972-73	4	The colliery is primarily intended for Renukot Power station of Hindustan Aluminium Company and Obra Power Station of UPSEB both of which were commissioned late. Moreover, Renukot Power Station took much less coal than the contracted quantities in the initial period while Obra Power Station gave firm commitment only in August, 1969.
Silewara	1963-64	1968-69	1973-74	5	Please see pp. to of this Chapter.

3.144. The Committee find that there have been delayed ranging from 4 to 10 years in the development of some of the Projects taken up by NCDC during the Third Five Year Plan. The delays were mainly on account of the following two factors:—

(i) lack of demand for coal due to slow pace of industrial growth and due to delay in the construction and commissioning of Projects to which coal was to be supplied by NCDC projects. Suspension/closure of some of the projects was also due to this factor.

(ii) disturbed geological conditions noticed after the approval of Project Reports.

In the case of Jamuna, Surakacher, Umrer, Patherkhera and Jhingurda collieries development was delayed on account of lack of demand. Surakacher Project was developed to meet the requirements of a coal based fertilizer plant at Korba which had been delayed. Patherkhera Project was tied to Satpura Power House Station of Madhya Pradesh Electricity Board the Commissioning of which was delayed. Jhingurda colliery was primarily intended for Renukot Power Station of Hindustan Aluminium Company and Obra Power Station of Uttar Pradesh State Electricity Board both of which were commissioned late.

3.145. Serious faults and disturbed geological conditions delayed the Progress of work in the Sudamdih Project. Proving of reserves and coal strata was not done with the same amount of prospecting and drilling as is generally done in a virgin area in the case of Chalkari Colliery.

The Committee find that the reasons quoted above were not entirely beyond the control of NCDC. Suspension/closure of projects on which huge amounts had been incurred and the undue delay in case of others could have been avoided with proper planning and foresight and by taking adequate precautions. The Committee have already stressed the need for making a realistic assessment of demand before undertaking a project. They have also stressed the need for entering into firm agreements with bulk consumers such as State Electricity Boards, Steel Plants etc. The agreements should include a penalty clause to be enforced when the consumers fail to take off the requisite quantity of coal as per agreement. The Committee further recommend that Government/Corporation should safeguard the interest of the Corporation and ensure that the amount invested on the development of collieries does not remain blocked or prove to be infructuous merely because the parties to whom coal is proposed to be supplied fail to lift the coal for one reason or the other.

3.146. The matter regarding disturbed geological conditions is being dealt with in the next section.

T. Variation in the Geological Structure

3.147. At the time of its formation, the Company took over 11 existing state collieries from Government. Upto 31st March, 1972, it took up for development 34 new collieries out of which 19 have been developed and put into commercial operation. Of the remaining, the development of 10 collieries had been closed either temporarily or permanently and others are still being developed.

3.148. It has been noticed that in the case of 13 collieries out of 34 taken up for development, there were wide variations in the quantity of coal (in 2 collieries) quality of coal (in 9 collieries) and geological structure (in 2 collieries) as indicated in the project reports and as actually found. In pursuance of the recommendation of the Kamat Committee, a Departmental Enquiry Committee constituted by the Management in October, 1968 attributed (in August, 1969) the wide variations in the geological conditions to the following reasons:—

(i) Project reports were based on limited data;

(ii) The analysis was done on the air-dry basis instead of on equilibrated basis;

(iii) Absence of prior tests for strength characteristics because of limited knowledge available with the Company;

(iv) Existence of certain faults unknown to Indian coal fields.

3.149. On the basis of the findings of the Departmental Enquiry Committee, the Management concluded in August, 1969 that there was hardly any justification for fixing the responsibility for defects and deficiencies on any of the executing agencies. It was, however, stressed that greater care should be taken in drawing the future feasibility and detailed projects reports.

3.150. The Committee enquired about the concrete steps taken to avoid such possibilities of variations in respect of future projects. The Management stated that the following steps had been taken in this direction:—

1. Now the project reports are being prepared on maximum possible data as available so that, as far as possible, a complete geological picture is available.

2. The quality of the coal is assessed on equilibrated basis. The geological report indicates the coal quality on this basis and gives the quality of "in situ" coal. There is, however, some deterioration in the quality of coal produced on account of the method of mining used.

3. The physical and mechanical properties of rocks from the roof and floor of the coal seams are studied and the results of such tests are incorporated in the geological reports.

4. Additional drilling is undertaken, subject to availability of drilling resources, to prove the faults precisely for assessing the coal reserves properly.

3.151. The Committee note that in the case of 13 collieries out of 34 taken up for development, there were wide variations in the quantity of coal (in 2 collieries), quality of coal (in 9 collieries) and geological structure on 2 collieries as indicated in the Project Reports and as actually found. The Departmental Enquiry Committee constituted by the Management in October, 1968 attributed the wide variations in the geological conditions to: (a) Project reports having been based on a limited data; (b) Analysis having been done on dry basis instead of on equilibrated basis; (c) absence of prior tests for strength characteristics due to lack of adequate knowledge and (d) existence of certain faults unknown to Indian coal fields. Due to these reasons the Management did not find any justification for fixing the responsibility for defects and deficiencies on any of the executing agencies. The Committee are informed that the Management had already taken suitable remedial measures to avoid such possibilities in respect of future projects.

3.152. The Committee would like to invite attention to their recommendation in para 3.42 of this Report and stress that Government/Corporation should go into the various aspects of geological survey so as to take suitable measures to accurately assess the quality, quantity and structure of coal in a particular project to be undertaken by the Corporation so that the development of project is not hampered due to variations noticed later.

IV

PERFORMANCE ANALYSIS

A. Actual Production vis-a-vis Targets

The following table indicates the built-up capacity, the targets of production and the actual production of the Company from the collieries under revenue account during 1969-70 to 1973-74:—

(In Million Tonnes)

	1969-70	1970-71	1971-72	1972-73	1973-74
1. No. of collieries under production	29	29	29	29	36
2. Built-up capacity	16·34	16·44	17·18	19·63	20·02
3. Target of production	14·65	14·65	15·20	15·59	17·60
4. Actual production . .	13·43	13·32	13·80	15·12	16·90
5. Shortfall in production (3-4)	1·22	1·33	1·40	0·47	0·70
6. Percentage of short-fall to targeted production .	8·32	9·08	9·21	3·00	3·97

NOTES: 1. Built-up capacity represents the maximum quantity of coal that the Company can produce annually and is fixed by the Management after taking into account the present stage of development of mines, availability of equipment, working conditions, despatch arrangements and the carrier capacity for conveying coal.

2. The Company does not fix separate targets for coking coal and non-coking coal. However, the consolidated targets for each colliery are compared with the actual production and reasons for shortfall indicated in the monthly progress report.

4.2. The targets of production were fixed lower than the built-up capacity on account of lack of demand for coal and transport difficulties. The actual production, however, fell short of the targets mainly due to the following reasons:—

1960-70 (i) A steep decline in the off-take of washed coking coal by the steel plants during the last five months of the year.

(ii) Fall in market demand for slack coal on collieries in Korea-Rewa coal fields (Madhya Pradesh).

1970-71 (i) Heavy shortfall in wagon supplies by the Railways, particularly in Bengal, Bihar and Madhya Pradesh areas.

(ii) Successive break-downs of two draglines in a large opencast mine in Orissa field.

(iii) Fall in demand of coking coal from steel plants during early months of the year because of break-down of some of the coke ovens and labour trouble.

1971-72 Non-availability of wagons, abnormally heavy and incessant rains from May, 1971 causing flooding of opencast mines and hampering movement of HEM equipment due to slushy condition with consequent drop in overburden removal and coal raising in such mines and major strike in Karanpura coal fields in the month of October, 1971 for 14 days resulting in the loss of 1.04 lakh tonnes of production.

1972-73 Transport difficulties, heavy rains, frequent power interruption in the Bihar coal fields, etc.

1973-74 frequent power interruptions, unprecedented heavy rains in September/October, 1973 and shortage of wagons in view of the various difficulties in the Railway net-work arising from staff unrest amongst Railway employees. The production loss on account of lower availability of wagons and frequent power sheddings can be roughly estimated at about a million tonnes.

4.3. The Committee enquired about the steps taken to overcome the various difficulties and constraints faced by NCDC during the past years. The Management have stated as follows:—

"The difficulties and constraints relating to increase in production can be classified broadly into internal constraints and external constraints. Internal constraints which can be selved by the efforts of the CMA and NCDC, relate to the arrangement for inputs both for underground and opencast mines, preparation and implementation of project reports and creating various other necessary facilities.

In order to overcome the constraints relating to inputs, action has already been taken by CMA to place orders for plant and equipment in advance, so that they are available in time and in required quantities. The approval of the Government of India has been obtained for an overall programme for purchase of plant and equipment for a total outlay of Rs. 225 crores. On this basis, orders have already been placed for plant and equipment for a value of more than Rs. 150 crores. The equipment ordered includes, shovels, dumpers, scrapers, dozers etc. for opencast mines and coal cutting machines, drills, conveyors, etc. for underground mines.

In order to speed up the implementation of the projects, a larger delegation of powers has been introduced. The Managing Directors of the Divisions have been empowered to approve projects, the total cost of which does not exceed Rs. 1 crore. Similarly, the Chairman, has been empowered to approve projects upto a value of Rs. 2 crores. The Board of Directors of Coal Mines Authority (CMA) have been invested with powers to sanction projects upto a value of Rs. 5 crores.

Action has also been taken to increase the availability of rails by persuading the Steel Plants, such as IISCO to roll a larger quantity of rails needed for the coal industry. Arrangements have also been made for an immediate rolling of 1000 tonnes of 30 lb. rails by a private sector firm, Kumardhubi Engineering Works (KEW) for a period of one year from billets to be supplied by ISCO.

The external constraints relate mainly to power availability and rail capacity. In order to bring about improvements in power availability coordination is being maintained with the power generating agencies such as D.V.C. and the State Electricity Boards. The requirements of power for the mines from each system have been assessed and on this basis the power generating authorities are being requested to augment their capacity.

A close co-ordination is being maintained with the railways, in order to coordinate the day to day availability and utilisation of wagons. The possibility of modification of sidings and rationalisation of loading points, have been studied in detail both by the railways and by the CMA and detailed proposals in this respect are in various stages of formulation and implementation. The need for opening new branch lines have also been assessed and detailed information has been sent to the Government of India for further necessary action."

4.4. The Management added that "all the difficulties and problems in this respect are being constantly brought to the notice of the Government of India. The approval of the Government has been secured for advance action being taken for purchase of plant and euipment with an overall limit of Rs. 225 crores for the CMA as a whole for the years 1974-75 and 1975-76. The problems relating to power and wagon availability are also being discussed with the Government including the Department of Mines and the Ministry of Railways from time to time."

B. 12-Point Action Programme

4.5. The Minister of Energy announced in the Lok Sabha on the 1st August, 1975 that the Government was considering a reorganisation of the coal industry and a 12-point action programme to increase efficiency was being mooted. In a note (dated 11-8-75) submitted to the Committee, the Ministry have furnished the following details regarding the 12-Point action programme:—

"In the Economic Programme announced by the Prime Minister after the proclamation of the Emergency, emphasis has been laid on increasing production, productivity and efficiency in all sectors of the economy. Coal industry is a basic industry. On its efficient performance depends the growth of the other important sectors of the economy. For quite some time discussions have been held with the Trade Union leaders and the officers in the Department of Coal and the coal producing organisations with a view to so re-organising the coal industry and taking further steps so as to enable it to achieve the high targets of coal production fixed for the Fifth Plan.

The Department of Coal have already evolved and put into operation a 12-point action programme for increasing further, production and productivity in the coal industry so that the growing needs of the economy for energy and metallurgical coal are fully met and a substantial quantity of coal may be exported to the neighbouring countries as well as to the European and Far Eastern countries for earning precious foreign exchange. This programme is as follows:—

(1) Enforcement of discipline for ensuring full-time work by all employees by:

(a) strict enforcement of punctuality in attendance;

(b) completely banning utilisation of workers for private work of officers;

(c) discontinuance of the system of overtime allowance;

(d) reduction in time allowed for tea-break by providing tea at the place of work; and

(e) introduction of incentive bonus scheme.

(2) Imposition of complete ban on the recruitment of workers except with the approval of the Managing Director, in view of the fact that coal industry in the Eastern sector has been carrying a substantial number of unemployed workers.

(3) Re-deployment of surplus manpower by identification of the surplus in different areas and mines and transferring the same to existing mines and new and expansion projects where new jobs are created.

(4) Working of mines in four over-lapping shifts of 8 hours each so that no time is wasted at the coal face.

(5) Seven-day working of mines with staggered holidays for workers without payment of extra wages so that the mines work continuously on all days of the work while each worker has to work only for six days.

(6) Better utilisation of machinery and other equipment by reducing idle time by preventive maintenance and adequate supply of spares, both indigenous and imported.

(7) Complete elimination of the payment of fall-back wages to the workers by the provision of adequate inputs.

(8) Weeding out of 'dead wood' among officers, staff and workers.

(9) Strict enforcement of security measures and vigilance by:

(a) fuller utilisation of security staff and transfer of surplus security staff for productive work;

(b) stoppage of pilferage of coal;

(c) enforcement of strict watch over despatches of coal; and

(d) strict and deterrent punishment in all cases of corruption.

(10) Provision of welfare measures for workers by:

(a) expediting the construction of houses and townships for workers;

(b) construction of water supply schemes;

(c) better distribution of essential commodities to workers through cooperative societies;

(d) provision of credit facilities, opening of workers' Bank Accounts and other steps to eradicate usury; and

(e) provision of medical, educational and other facilities.

(11) Measures to ensure law and order and control illegal mining in collaboration with the State Government authorities concerned.

(12) Participation of workers at various levels in the implementation of the action programme.

It is hoped that with the active cooperation of the trade union, workers and the officers of the coal industry, it will be possible for the Government to implement this action programme successfully."

4.6. **The Committee find that the year-wise targets of production during the Fourth Five Year Plan were fixed lower than the built-up capacity on account of lack of demand for coal and transport difficulties. They also note that the actual production fell short of targets mainly on account of these very reasons. The shortfall in production during 1972-73 and 1973-74 was also due to frequent power interruptions. The production loss during 1973-74 on account of lower availability of wagons and frequent power shedding has been estimated at about a million tonnes. The Committee are informed that in order to bring about improvements in power availability, continues coordination is being maintained with the power generating agencies such as DVC and State Electricity Boards. The requirements of power for the mines from each system are stated to have been assessed and on this basis the power generating authorities are being requested to augment their capacity. In the opinion of the Committee, it is not enough to assess only the present requirement of power for mines. They would like the NCDC to assess the power requirements of the mines (year-wise) for the next**

5 to 10 years and give sufficient advance notice to the power generating authorities to augment their capacity. The NCDC should not also rest content with merely requesting the power generating authorities in this regard, but pursue the matter with the respective authorities regularly and if necessary, take up the matter with them through the Coal Mines Authority and the Central Government to make sure that the required amount of power becomes available in time. The Committee feel that now when power and coal are under the same Ministry, it should not at all be difficult to bring about effective coordination between power generating authorities and the NCDC mines and the Ministry should play an active role to ensure that not only the existing coal mines are supplied power without interruption but the future development of mines is synchronised with the availability of power.

4.7. The Committee are also informed that a closed coordination is also being maintained with the Railways in order to coordinate the day-to-day availability and utilisation of wagons. The detailed proposals for modifications of sidings and rationalisation of loading points are stated to be at various stages of formulation and implementation and the question of opening of new branch lines is also stated to have been taken up with the Government. The Committee would like to draw attention to paragraphs 2.31 to 2.36 of this Report in which they have dealt with the question of transporation of coal in detail. The Committee have already noted that a high level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal and have already reiterated that as recommended by the Estimates Committee in their 68th Report (5th Lok Sabha), concerted action should be taken to see that an analysis is made in depth of the transport and distribution arrangements and concrete measures taken to ensure that the mining capacity and the rail transport facilities are developed hand in hand in order to meet rationally and satisfactorily the requirements of the users.

4.8. They would also like the NCDC and Railways to finalise early the detailed proposals for the modifications of sidings, rationalisation of loading points and opening of branch lines and take concrete steps well in time to avoid any bottle-necks later on this account in the movement of coal from the mines to the consuming areas.

4.9. The Committee hope that as a result of a number of steps now being taken up Government/Corporation, such as, procurement of plant and equipment in order to bring about mechanisation, large delegation of powers to the Managing Directors of different divisions and Chairman of the CMA/NCDC/Corporation for approval of the Projects, procurements of rails from Steel Plants, improving availability of wagons and of power etc., the Corporation should be able to achieve the year-wise targets fixed for the Fifth Five Year Plan.

4.10. The Committee also hope that, as observed by the Estimates Committee in their 68th Report (5th Lok Sabha) since the coal mining, power generation, coal mining machinery manufacturing organisations and transport organisations as well as the major consumers like steel plants, thermal power stations etc., are in the public sector it would be easier to forge effective coordination among all the concerned organisations so as to develop the requisite facilities to ensure the attainment of coal production targets for each year of the Fifth Five Year Plan.

4.11. The Committee are glad to note that consequent upon the announcement of the Economic Programme by the Prime Minister after the proclamation of Emergency, the Department of Coal of the Ministry of Energy (Department of Coal) has evolved and put into operation a '12-point Action Programme' for further increasing production and productivity in the coal industry. The action programme includes enforcement of discipline for ensuring full time work by all employees, imposition of ban on recruitment of workers redeployment of surplus manpower, working of mines in 4 overlapping shifts, seven day working of mines with staggering holidays for workers, better utilisation of machinery and equipment, elimination of payment of fall back wages to the workers, weeding out of 'dead wood' among officers, staff and workers, enforcement of security measures for workers, measures to ensure law and order and control of illegal mining, welfare measures for workers and participation of workers at various levels.

4.12. The Committee strongly stress that the Government/Corporation should spare no efforts to implement in letter and spirit the '12-Point Action Programme' in order to improve production, productivity and efficiency. They would like that the implementation of the programme should be regularly monitered, fully coordinated at various levels and results watched through periodical progress reports and reviewed. They would also like that senior officers at various levels should be assigned well-defined responsibility and accountability for the successful implementation of the pro-

gramme and Government/Corporation should render all possible assistance to them in overcoming the various constraints that they might encounter in translating the programme into action. The Committee would like to be informed of the progress made in this regard.

C. Accumulation of Stock at Pitheads

4.13. Although the actual production fell short of the targets fixed by the Company from year to year, the pit-head stocks have been fairly substantial as shown below:—

(in million tonnes)

Year	Total production (including production from collieries under development)	Closing stock at the end of the year	Percentage of Col. 3 to Col. 2
(1)	(2)	(3)	(4)
1969-70 .	13·75	1·32	9·6
1970-71 .	13·77	1·61	12·0
1971-72	14·37	1·61	11·2
1972-73 . . .	15·96	1·34	8·4
1973-74	17·44	1·56	9

4.14. According to the Management the disposal of coal from accumulated stock may lead to financial loss to the extent of about Rs. 7 per tonne per annum (Rs. 0.75 for stacking, Rs. 1.50 for deterioration, Rs. 1.50 for rehandling, Rs. 2.50 for interest on blocked capital and Re. 0.75 as increased cost of production consequent on restriction on despatches).

4.15. The Management decided in December, 1970 as a general policy, to regulate production in relation to despatches. They are however, of the opinion that stopping the production or reducing is suddenly with the object of regulating the stock would, in many cases, be less favourable in view of heavy fixed charges at all levels of production; moreover, in order to maintain despatches of steam coal to Railways some accumulation of slack coal is unavoidable.

4.16. The Board of Directors decided in July, 1971 that coal stocks should not exceed 3 weeks production. Some of the collieries where the pithead stocks on 31st March, 1972, 31st March, 1973 and 31st

March 1974 were more than 21 days production are mentioned below :—

	Closing stock ('000 tonnes)			No. of days production		
	As on 31-3-74	As on 31-3-73	As on 31-3-72	As on 31-3-74	As on 31-3-73	As on 31-3-72
1. Kathara . .	..	230	364	..	57	130
2. Gidi 'A' . .	196	147	232	64	49	120
3. Bokaro . .	..	134	186	..	34	61
4. Giridih .	23	45	99	30	53	132
5. Deulbera .	18	22		22	25	
6. South Balanda .	61	55	..	47	37	
7. Manikpur	193	158	..	55	59	
8. Bisrampur	175	96	..	60	36	..
9. Jamuna .		13	37	..	29	96
10. Duman Hill	..		57	..		126
11. Jarangdih	20		65	29		100
12. Churcha .	28		67	23		83
13. Bhurkunda	46		116	20		55
14. Surakachar	61			36		
15. Banki .	56			32		
16. Bachra .	19			22		
17. Gidi 'C' .	53			28	..	..
18. Gorbi .	115	..	..	147		
19. Jagannath	89			181		
20. Sileware .	13			26		..

4.17. The Committe enquired as to why some of the collieries could not regulate their production despite Board of Directors decision of July, 1971. The Management in a note submitted to the Committee stated as follows:—

"Limiting the coal stocks to 3 week's production is only a norm and this norm is always kept in view and production restricted with reference to the stocks on a particular date. It may be added here that adequate transport facilities have been one of the major constraints and the level of daily average loading achieved in 1969-70 generally came down. Further while we have to fulfil the steam coal order of Railways and others, because of lack of matching order for slack, coal stock also increased. In certain collieries because of the existence of old stocks for quite sometime there is an excess in 3 weeks' stocks. Strictly enforcing the production to the level of stocks will lead to lay-off of workers also. However, production in some of the collieries is controlled with reference to this norm. It may also be stated that against a production of 17.44 million tonnes in 1973-74 the stock was 1.56 million tonnes or 9 per cent or about 3 weeks production approximately."

4.18. The Committee note that although the actual production fell short of the targets fixed by the Corporation from year to year, the pithead stocks in many collieries were more than the norm fixed by the Management (i.e. 21 days' production). Non-availability of adequate transport facilities was stated to be one of the major constraints in the speedy movement of coal. While on the one hand certain sectors of industry including Railways were reported to be suffering for want of adequate supply of coal, on the other hand there were large accumulation of stocks at pit heads causing financial loss to the Corporation. The Committee cannot but express their concern at this paradox of scarcity amidst plenty. The Committee do not think that restriction of production is the right step to deal with such a situation if there is unfulfilled demand for coal from these mines. They would like the Corporation to pay special attention to these mines where accumulated stocks of coal have remained very much higher than the norms and find out practical solution to the problem of movement of coal from there to the consuming centres in close coordination with the Ministry of Railways on a top priority basis. As the transportation position is now stated to have improved even according to the Management and all the coal mines have since been nationalised the Committee feel that it should be possible for the Corporation to coordinate the distributions and movement of Coal from all the Collieries to ensure that the pithead stocks are reduced and kept within the norms stipulated.

D. Delay in the Installation of Coal Handling Plant in Kurasia Colliery

4.19. The present bunker storage capacity at the loading point i.e. 1500 tonnes of steam coal and 500 tonnes of slack coal in the Kurasia colliery was constructed in 1960—62 and was considered adequate at that time to load mixed rakes of steam, slack and dust wagons being provided by the Railways. However, the Railways started supplying rakes of 20 box wagons each to be loaded within 10 hours and consequently the bunker storage capacity became inadeqquate even to hardle the production of 60,000 tonnes per month against the rated capacity of about 1 lakh tonnes. As a result, the production is being restricted.

4.20. Difficulty is also being experienced in screening the coal and removing the rejects and fines since 1963. Till 1968-69, the transportation of rejects and fines was being done through contractor on payment of Rs. 3.16 per tonne. The transportation of rejects and fines is now done departmentally at a cost of Rs. 4 per tonne (Approx.) the annual expenditure being about Rs. 2 lakhs.

4.21. The construction of coal handling plant was sanctioned in February, 1972 at a cost of Rs. 9.43 lakhs, which on completion is expected to result in an annual saving of Rs. 3.40 lakhs.

4.22. As all the machinery required for the plant had not arrived, the completion of the work was delayed. The Plant was completed only in September, 1974.

4.23. The Committee regret to note that ever since the Railways have started supplying rakes of 20 box wagons each, the production at Kurasia Colliery has been restricted since the bunker storage capacity there has been inadequate even to handle the production of 60,000 tonnes per month against the rated capacity of about 1 lakh tonnes. They feel that instead of restricting production, the Corporation should have augmented the bunker storage capacity as soon as this problem arose. They hope that at least now, the Corporation would take concrete steps to augment the storage capacity and ensure that the production is not allowed to suffer any longer on this account.

4.24. The Committee were informed that till 1968-69 the transportation of rejects and fines was being done through contractors on payment of Rs. 3.16 per ton and subsequently this work was

done departmentally at a cost of Rs. 4 per ton approximately, the annual expenditure being about Rs. 2 lakhs. The Committee note that it was only in September, 1974 that a coal handling plant at a cost of Rs. 9.43 lakhs which was expected to result in an annual saving of Rs. 3.40 lakhs, has been installed. They would like the Corporation to inform the Committee as to whether the plant has actually resulted in an annual saving of Rs. 3.40 lakhs as expected and also ensure that the working of the plant is done economically so that it may not be an unnecessary burden on the cost of coal.

E. Delay in the Installation of Coal Handling Plant in Jhingurda Colliery

4.25. Jhingurda Colliery was brought under commercial production in October, 1968. Although the demand for coal from the Power Houses in Uttar Pradesh has been gradually increasing and the Project Report, sanctioned in November, 1963, also envisaged a production of 0.70 million tonnes during 1965-66 to be raised to 1.80 million tonnes in the early part of Fourth Five Year Plan, the construction of the coal handling plant was sanctioned only in January, 1968 and was completed in November, 1971 (trial runs were conducted in December, 1971). The plant however, did not function properly due to operational difficulties.

4.26. It was estimated by the Management (September, 1970) that in the absence of coal handling plant, manual handling of coal involved an extra cost of Rs. 3.50 per tonnes *i.e.* about Rs. 47.94 lakhs on 13.70 lakh tonnes of coal supplied during September, 1969 to March, 1972.

4.27. Even after the commissioning of the coal handling plant, a large quantity of coal was handed manually. During the period from April, 1972 to December, 1973 6.98 lakh tonnes of coal was handled manually which resulted in an extra expenditure of Rs. 24.43 lakhs.

4.28. During the calendar year 1974, *viz.* January 1974 to December 1974, approximately 1 lakh tonnes of coal was manually handled and despatched by road from Jhingurda Project. This coal was despatched to Renusagar Power Co. The Coal manually handled and subsequently road transported was not due to inadequacy of the Coal Handling Plant as such, but the necessity arose due to the bottlenecks and constraints arising out of the transport capacity of the Aerial Ropeway of the Renusagar Power Co. which is to normal mode of transport of coal from Jhingurda to Renusagar Power co.

4.29. The Committee enquired about the nature of operational difficulties because of which the plant did not function properly. The Management have stated as follows:—

> "One of the main constraints in operation of the plant arose out of unsatisfactory functioning of the two crushers provided in the design. Specifications of the crushers as provided in the design were based on the crushing strength of coal and size of coal as would be normally expected from the mine based on geological data. However, under actual working conditions, it was found that the hardness of coal, number of interband structures and maximum size of coal interband with shale was on the higher side than any indigenous crusher could cope. This resulted in bottleneck at the crushing plant and consequent constraint of operation in the associated plant."

4.30. During evidence, the Chairman, CMAL stated as follows:—

> "we would have to admit that the designing of this plant by us was, to some extent defective, presumably because we did not have the expertise in designing such a coal-handling plant at that point of time, and partly also the equipment supplied has not come up to the specifications as originally assumed."

4.31. In a note submitted to the Committee the Management have stated that by experience of blasting operations in the open cast working and limiting the size of coal, it has now been possible to minimise the operational difficulties faced at the time when the Coal Handling Plant was commissioned, and it could be said the capacity has now been optimised. An average of 1.5 lakh tonnes (1.8 million annually) of coal has been handled by the Coal Handling Plant which is the designed capacity of the Plant. Road transport has on occasions become necessary on account of unsatisfactory functioning of the Aerial Ropeway of M/s. Renusagar to the designed capacity.

4.32. The Committee regret to note that although commercial production in the Jhingurda Colliery started in October, 1968 the coal handling plant was completed only in November, 1971 after

a lapse of three years. Even then the plant did not function properly due to operational difficulties. Manual handling of coal involved an expenditure of Rs. 72.37 lakhs during September, 1969 to December, 1973. During 1974 also about 1 lakh tonnes of coal was manually handled and despatched by road from Jhingurda Project due to bettlenecks and constraints arising out of the transport capacity of the aerial ropeway. It has been admitted by Chairman, CMAL that designing of this plant was to some extent defective partly because the Corporation did not have the expertise in designing such a coal handling plant at that point of time and partly because the equipment supplied had not come up to the specifications as originally assumed.

4.33. The Committee are informed that it has now been possible to minimise the operational difficulties faced earlier and the coal handling plant is now working to the designed capacity though road transport has on occasions become necessary not due to the inadequacy of the coal handling as such but on account of unsatisfactory functioning of the aerial ropeway of Messers Renusagar Power Co. The Committee hope that no efforts will now be spared to keep the coal handling plant working to the designed capacity which has since been achieved.

F. Non utilisation of Civil Works Connected with a Coal Handling Plant.

4.34. In 1963, the construction of a coal handling plant to handle the anticipated annual production of 5 lakh tonnes of coal (as per Project Report of 1960) from Kumda incline of Bisrampur Colliery was taken up and the contract for civil work including bunkers was awarded in October, 1963 at a cost of Rs. 4.82 lakhs.

4.35. The Management became aware of the difficult geological conditions of the incline during April, 1962 and June, 1963 when two major faults were encounted. A special committee constituted to review the production programme of the Company in the context of demand for coal during the Third Five Year Plan also recommended in April, 1964 that while the development of main headings of some of the underground mines might continue, the equipment required therefor (including Kumda mine) should not be purchased for the present. As orders for the equipment had already been placed and as the production of coal from the mine was expected to be 15,000 tonnes per month gradually increasing to 25,000 tonnes per month, the Management decided in June, 1964 to continue the work and asked the contractor to take up the civil construction work at the revised cost of Rs. 5.17 lakhs.

4.36. The production of coal from the incline ranged between 6,000 tonnes and 8,000 tonnes per month partly on account of lack of demand and partly due to unfavourable geological conditions. As per the Revised Project Report of 1966 the production was expected to be 80,000 tonnes per annum upto 1973-74 and 1.5 lakh tonnes thereafter (since revised to 1.8 lakh tonnes).

4.37. The civil construction work on the coal handling plant was completed in April, 1966 at a cost of Rs. 4.49 lakhs but further work on structural portion of the plant was stopped in September, 1968.

4.38. The equipment procured for this plant has been transferred to Jhingurda, Churcha and Bisrampur (Jainagar) coal handling plants.

4.39. During evidence, the Committee enquired as to why contract for Civil work was awarded in October, 1963 without first reviewing the production programme of the mine in the light of geological conditions already encountered during April, 1962 and June, 1963.

4.40. The Chairman, CMAL stated as follows:—

> "I am told that, although they did come across difficult geological conditions some time in April, 1962 and again in June, 1963 when two major faults were encountered, at that point of time the thinking was that we would be able to attain the full production from Kumda and overcome the faults which were encountered. Subsequently it was established that, because of these faults and also additional faults which were subsequently encountered, it would not be possible to attain full production."

4.41. **The Committee are surprised to note that although the Management became aware of the difficult geological conditions of the Kumda incline in Bisrampur colliery during April, 1962 and June, 1963 when two major faults were encountered and although a special committee recommended in April, 1964 that the equipment required for the coal handling plant should not be purchased, the Management having awarded the contract for civil work in October, 1963, decided in June 1964 to go ahead with the civil construction work of the plant which was completed in April, 1966 at a cost of Rs. 4.49 lakhs. Further work on structural portion of the plant was, however, stopped in September, 1968. The expenditure already incurred on the project has thus proved to be infructuous.**

4.42. The Committee recommend that the construction of the coal handling plant without carefully reviewing the production programme of the mine in the light of geological conditions already encountered should be investigated in order to fix responsibility for the infructuous expenditure of Rs. 4.49 lakhs incurred on the aforesaid civil works.

G. Supply of coal to Satpura Power House

4.43. The Patherkhera Colliery was developed to meet the coal requirement of Satpura Power House of the M.P. Electricity Board. It was brought on to revenue account in October, 1968. In the meantime, supplies were being made to the power House according to its requirements. In the absence of any firm decision on the quantity of coal required from year to year by the Satpura Power House, the development of the colliery was suspended from 1966. As the Satpura Power House was not operating according to its rated capacity, the demands of the Power House were met in full upto April, 1969 by the N.C.D.C. With the operation of more generating sets, the requirements of the Power House increased, and from 1969-70 there was a gap between the requirement of coal to be supplied to the Power House and the coal actually supplied, as will be seen from the following table:—

(In million tonnes)

Year	Requirement	Actual production	Despatches
1969-70	0·63	0·35	0·35
1970-71 .	0·70	0·42	0·41
1971-72 .	0·87	0·46	0·46
1972-73 . .	0·90	0·54	0·53
1973-74	0·90*	0·63	0·62

4.44. The requirement indicated above was intimated by the Power House in September, 1964, but there was no firm agreement as to the quantity.

4.45. In order to meet the increased dmand of Satpura Thermal Power Station, an expansion scheme estimated to cost Rs. 2.44 crores and raising the production of the colliery from 0.45 million tonnes to 0.90 million tonnes per annum was approved by the Board of

*According to the linkage Committee 0.88 m tonnes.

Directors in July, 1969. The expansion scheme envisaged a gradual increase in output of the colliery as indicated below:—

1969-70 .	0·51 Million Tonnes.
1970-71 .	0·60 ,, ,,
1971-72 .	0·70 ,, ,,
1972-73 .	0·80 ,, ,,
1973-74 . . .	0·90* ,, ,,

4.46. The actual production was, however, only 0.35 million tonnes, 0.42 million tonnes, 0.46 million tonnes, 0.54 million tonnes and 0.63 million tonnes during 1969-70 to 1973-74. According to the Madhya Pradesh Electricity Board, the short supplies of coal since May, 1969 resulted in non-operation of the Power Station to its full capacity.

4.47. It has been explained by the Management that in the absence of a firm indication of the requirements at the initial stage and in the absence of an agreement the development of the mine had to be suspended, and when the demand increased, it was not, in a position to meet the full requirements in view of the slowing down of the pace of development. Further, it was explained that non-realisation of full rated capacity was due to difficulty in maintaining the loaders and shuttle cars for want of spare parts.

4.48. About the non-availability of spare parts, the Chairman, CMAL stated during evidence as follows:—

> "Orders for these spare parts were placed under the American credit, but the orders did not materialise because of Indo-Pakistan war. The credit itself was withdrawn. We have since located indigenous capacity for the manufacture of these spare parts and the loaders are now in operation on the basis of which we are supplying 65,000 tonnes a month from these mines to the Satpura Power House."

4.49. The Committee enquired if Ministry's help was sought to have the matter sorted out with the M. P. Electricity Board before suspending the development work on the colliery in 1966. The witness stated that "the decision to suspend further works in Satpura

*According to the linkage Committee 0·88 m. tonnes.

was taken with the approval of the Board of Directors of NCDC at that point of time and was within the knowledge of the Ministry."

4.50. Asked if any firm agreement had since been entered into with M.P. Electricity Board the Management in a note submitted to the Committee, have stated that "no firm agreement on stamped paper has been entered into with M.P. State Electricity Board but an agreement was reached on essential terms of supply, on July, 1971. Thereafter, as and when any problems arise, the same are discussed and the decisions are recorded."

4.51. In this connection the Secretary of the Ministry stated during evidence as follows:—

> "No firm agreement has been signed with the M.P. Electricity Board; there have been a number of discussions at the level of the Ministry and of the Minister of Irrigation and Power. A number of meetings have taken place but, unfortunately, agreement could not be reached. But the supplies are going on. At some point of time, when there was a dispute, NCDC threatened to stop supplies as a commercial undertaking. Then the power station sought the help of the Government. Government have been pressurizing the NCDC and the power station, in order to bring them closer. I hope that that era has ended.'

4.52. The Committee on Public Undertakings in their Tenth Report (Fourth Lok Sabha—April, 1968) on National Coal Development Corporation expressed their unhappiness over the manner in which the matter regarding finalisation of agreements with Electricity Boards had been dealt with by the NCDC. In their reply dated 18th July, 1968 the Ministry stated that NCDC had considerable difficulty in concluding agreements with Electricity Boards for various reasons but even in the cases where agreements had been concluded, disputes had arisen. However, NCDC had been advised to conclude such agreements, as far as possible before commencing supplies of coal.

4.53. During evidence the Committee pointed out that a large number of collieries developed by NCDC were linked with specific steel plants, power houses, railways etc. They asked if there was not a need for a permanent machinery for sorting out regularly the difficulties faced by the Company in dealing with the State Government agencies, Central Government agencies, public sector undertakings etc. The Chairman, CMAL stated as under:—

> "We have continuous dialogue with all the consumers; we sort out the difficulties; it would help us if such governmental machinery is there; if we get into difficulties with any consumer etc. we can refer to Government and have this sorted out."

4.54. **The Committee find that the Patharkhera Colliery was developed to meet the requirement of Satpura Power House of the Madhya Pradesh Electricity Board. As the Power Station was not operating according to its rated capacity, its demand was met in full upto April, 1969. With the operation of more generating sets from 1969-70, there was a gap between the requirement of coal to be supplied to the power station and the coal actually supplied with the result that short supply of coal since May, 1969 resulted in non-operation of the power station to its full capacity. The actual production in the colliery was far short of the requirement of the power station. It has been stated that in the absence of a firm decision on the requirements of coal from year to year at the initial stage and in the absence of an agreement, the development of the mine had to be suspended and when the demand increased, the colliery was not in a position to meet the full requirements in view of the slowing down of the pace of development.**

4.55. **In their tenth Report (Fourth Lok Sabha—April, 1968) the Committee had expressed their unhappiness over the manner in which the matter regarding finalisation of agreements with Electricity Boards had been dealt with. Although the Ministry assured the Committee in 1968 that NCDC was being advised to conclude such agreements before commencing supplies of coal, the Committee are surprised to note that no firm agreement has been entered into with Madhya Pradesh Electricity Board uptil now.**

4.56. **The Committee are informed that though no firm agreement on a stamped paper has been entered into with Madhya Pradesh State Electricity Board, an agreement was reached on essential terms of supply in July, 1971 and thereafter as and when any problems arose the same were discussed and the decisions recorded. The Committee do not understand the difficulty in entering into a formal agreement by the two parties concerned. They would like the Government to take up this matter at a high level**

with the Madhya Pradesh Government/Electricity Board with a view to persuade them to agree to enter into a formal agreement with the NCDC/CMA in regard to the quantity of coal to be supplied and other terms and conditions in this regard without which it would be difficult for the NCDC to take decision on long term investments for the development of the mine and initiate effective measures in that direction.

4.57. The Committee are concerned to note that large amount of public funds were invested on the setting up of the Satpura Power Station, the Power Station was unable to operate to its full capacity for certain periods, when there was so much demand of power all around, due to short supply of coal to the Power Station by NCDC mines. What has pained the Committee more is that this happened due to lack of co-ordination and understanding between two public sector units and caused loss of production of power which was so badly needed at that time. The Committee feel that since a large number of collieries are linked with specific steel plants, power houses, railways etc., all of which are in public sector and since differences are not unnatural when they deal with one another at commerical plane, there is a strong need for a broad based machinery which can take a rational and overall view of problems that may arise between the coal producing and coal consuming agencies. They recommend that the Government may consider setting up a standing machinery which should command the confidence of CMA/NCDC and the coal consuming units for sorting out the problems and difficulties faced by them in dealing with one another, as and when such difficulties might arise, so that production in essential fields like coal, steel, power etc., is not held up on this account. The working of the Standing Machinery should be reviewed in the light of experience periodically and necessary improvements in its constitution and procedure made to make it more effective to achieve the desired results.

H. Supply of coal to Patratu Thermal Station

4.58. The Patratu Thermal Power Station was taken up for construction by the Bihar State Electricity Board in 1961 and was commissioned in 1966. The boilers of the Power Station were designed by the Russian suppliers on the basis of the characteristics of low grade coal proposed to be supplied by the Company from Naditoli seam of Gidi 'C' colliery. The Linkage Committee on middlings appointed by Government contemplated the supply of middlings to Patratu Thermal Power Station from the washeries to be set up by the Company at Ramgarh and Gidi.

4.59. The Ramgarh washery did not come up and there was delay in the setting up of Gidi washery which was ultimately completed in November, 1970 (the washery was not commissioned even after completion due to lack of demand for washed coal). As a result, the Company again revived its proposal to meet the requirements of Patratu Thermal Power Station by opening the Naditoli opencast mine. As, however, the coal reserves were found to be inadequate, the development of this mine was not taken up and when the first boiler of Thermal Power Station was commissioned in 1966, the Company found to be not in a position to supply the coal of requisite calorific value. As an alternative, the Thermal Power Station was forced to utilise the high grade coal which caused serious operational problems due to heavy slag formation in the furnance and necessitated modifications in the boilers.

4.60. The Company again revived the proposal for the development of Naditoli Opencast mine with an annual production of 0.5 million tonnes and an estimated life of about 7 years. The feasibility report was approved by the Board of Directors in October, 1971 and by the Government in August, 1973. The project was expected to start production in 1974-75. The Management have now informed the Committee that Naditoli mine has not gone into production so far. According to action programme for the 5th Plan period, production from this project is to start in the year 1975-76.

4.61. In order to meet the long term demand of Thermal Power Station, the Company had also approved the Project Report of Urimari Patanga Block of Balrampur colliery in July, 1972 with a rated capacity of 1 million tonnes per annum and having 35 million tonnes of coal reserves. The project Report on Balrampur was approved by Government in August, 1973. This project is expected to commence production in 1975-76.

4.62. As the Project is lying on the other side of the river the most economic transport of coal would be Aerial Ropeway. This ropeway is to be installed by BSEB. This scheme is currently under finalisation with necessary discussion with NCDC. Therefore, the development of the mine is linked to the establishment of the Aerial Ropeway.

4.63. In the meantime, the Thermal Power Station is utilising the middlings from Kathara Washery and high grade coal from other nearby collieries of the Company in conjunction with the low grade coal from private collieries, since (taken over by Coal Mines Authority Limited) so as to overcome the difficulty of slag formation in furnace.

4.64. In this connection, the Management have stated (March, 1974) as under:—

"The design characteristics of the fuel for the Power Station Boiler of Phase-I was intimated by N.C.D.C. to be based on Naditoli Seam coal or any other coal/middlings of more or less similar characteristics. In August, 1961, it was, however, made clear by N.C.D.C. that in view of increased demand of P.T.P.S., the ultimate sources of supply would be middlings from Gidi Washery and Ramgarh Washery to the extent these are available and the balance raw coal from Bhurkunda opencast mine. This was specially suggested as the reserves of Naditoli Seam coal were not sufficient to support the increased generation capacity for a fairly long time........

On question of supplies of coal/middlings to P.T.P.S., N.C.D.C. made it clear in July, 1964 that till such time the linked Washeries are commissioned N.C.D.C. will be supplying only Gr. I quality coal for which purpose B.S.E.B. might indicate their phased requirement. B.S.EB. did agree with this offer by way of furnishing their requirement of Grade I coal. Though N.C.D.C. has been insisting on entering into long term agreement on the issue of supplies so that effective steps might be taken by N.C.D.C. for developing new mines for producing inferior quality coals, B.S.E.B. did not come forward for entering into any agreement so far and preferred to make purchases of coal on year to year basis by calling of competitive tenders. For producing inferior coal like that from Naditoli Seam, it would be essential for N.C.D.C. to have a long term quantity and price agreement with specific escalation clauses, before any investment can be made because coal of this quality cannot be marketed to other consumers. . . . . . .

As B.S.E.B. have since come forward to enter into long term agreement for supplies from projects like Naditoli, Balrampur, etc. investment in these projects since been sanctioned and work is being taken up accordingly."

4.65. The Management have now informed the Committee that no formal long term agreement has so far been concluded with BSEB. Two essential points, viz. suitability of Naditoli seam coal and price thereof have, however, since been accepted by BSEB. The price was confirmed through their letter dated 26th April, 1973.

4.66. During evidence, the Committee pointed out that though NCDC had been insisted on entering into long term agreement on the issue of the supply of coal to Patratu Thermal Station, Bihar State Electricity Board did not come forward for entering into an agreement and preferred to make purchases from year to year basis. They enquired if this matter was brought to the notice of the Ministry. The Chairman, CMAL stated that "this was within the knowledge of the Board of Directors. It was conveyed to the Ministry."

4.67. The Committee also pointed out that when the first boiler of Patratu Thermal Station was commissioned in 1966 the Company was found to be not in a position to supply coal of the requisite calorific value. In this connection the witness stated as follows:—

> "That point of time, the private and public sectors were competing with each other. Bihar State Electricity Board correctly took a commercial point of view to go in for open tender. They wanted to get the appropriate quality of coal at the lowest tender."

4.68. Asked if the company did not supply the coal of requisite quality, it was stated as under:—

> "The point at that stage was this. Patratu boiler was designed for an inferior quality of coal. The type of coal which the NCDC was able to offer was of a higher quality. It is not appropriate type for these particular boilers. That was the thing. Originally the power station was designed on low quality coal, which used the Gidi Washery middlings. But Gidi Washery was never commissioned, there was no demand for that clean coal. The Commissioning of the Kathara Washery was slightly delayed. Subsequently we also decided to develop inferior quality mines but at this moment of time nationalisation took place and now we are supplying to

Patratu the inferior quality coal from the private mine which is taken over.''

4.69. **The Committee find that the boilers of the Patratu Thermal Power Station of the Bihar State Electricity Board were designed by the Russian suppliers on the basis of the characteristics of low grade coal proposed to be supplied from Naditoli Seam of Gidi 'C' colliery. The linkage Committee on middlings appointed by Government, however, proposed the supply of middlings from Washeries to be set up at Ramgarh and Gidi. As the Ramgarh Washery did not come up and there was delay in the setting up of Gidi Washery, the Corporation revived its proposal to meet the requirements of the power station by opening Naditoli open cast mine. The development of the mine was, however, not taken up as the coal reserves were found to be inadequate. As an alternative the Thermal Power Station was forced to utilise the high grade coal which caused serious operational problems due to heavy slag formation in the furnace and necessitated modifications in the boilers. From the facts stated above it is obvious that the coal reserves of the Naditoli Open cast mine were not properly studied before proposing linkage of the project to Patratu Thermal Station. The proposal for the development of Naditoli open cast mine has again been revived. The Committee regret to observe that though the feasibility Report was approved by the Board of Directors in October, 1971 it was sanctioned by Government in August, 1973 i.e. after a delay of about two years. In order to meet the long term demand of Thermal Power Station the Corporation also approved the Project Report of the Urimari Patanga Block of Balrampur Colliery in July, 1972. Government approval to this project was also given in August, 1973. Both the projects are expected to start production in 1975-76.**

4.70. **It has been contended that NCDC had been insisting on entering into long term agreement on the issue of supplies to Patratu Power Station so that effective steps might be taken by NCDC for the development of new mines for producing inferior quality coal. But the Bihar State Electricity Board did not come forward for entering into an agreement and preferred to make purchases of coal on year to year basis by calling of competitive tenders.**

4.71. **The Committee observe that though the NCDC proposed to supply coal to Patratu Thermal Station from Naditoli mine and** the boilers of the Thermal Station were designed on the basis of that proposal, the coal reserves of the National open cast mine were subsequently found inadequate for meeting the requirements of Patratu Thermal Power Station. They cannot but conclude with regret hat the original proposal to supply coal was made without making a thorough survey of the Naditoli mines and as a result of which the Power Station was forced to use high grade coal which caused serious operational complications and necessitated modifications in the boilers of the Power Station. The Committee would like the whole matter to be investigated and responsibility fixed and concrete action taken to obviate the recurrence of such situations. The Committee would like that all such matters like quantity of coal reserves and quality etc. should be thoroughly studied before any firm proposal to link any mine with any other project is made so that later on the Company does not find itself in an unhappy position of backing out from the commitment.

4.72. The Committee regret to observe that the earlier reluctance on the part of Bihar State Electricity Board to enter into a long term commitment with the NCDC for the supply of requisite quantity of coal has resulted in delay in the development of Naditoli Colliery. The Committee feel that Government should have persuaded the Bihar State Electricity Board to finalise the agreement with NCDC so that the development of the colliery could have been taken up much earlier. They find that no formal long term agreement has so far been concluded with the Bihar State Electricity Board. Two essential points namely suitability of Naditoli seam coal and price thereof have since been accepted by the Bihar State Electricity Board. They hope that at least now the Company should go ahead with the execution of the projects linked with the Patratu Thermal Power Station and should not allow any further slippage in the execution of these projects beyond 1975-76 as scheduled.

4.73. The Committee have already recommended that in order to avoid such situations which affect production in vital sectors like that of power, Government should set up a standing machinery for sorting out various problems which might arise between the Corporation and the consuming agencies like power stations, steel plants etc.

I Unnecessary provision of Sand Gathering Arrangements

4.74. The Revised Project Report for Banki Colliery was approved by the Board of Directors in June, 1961 and provided for partial stowing with 'room and pillar' method of mining. It was expected, on the basis of the report of Coal Blending and Coking Research Sub-Committee (TISCO), that the coal would be grade I blendable quality eligible for stowing subsidy from the Coal Board.

4.75. An application for the grant of subsidy was made by the Company in September, 1961 to the Coal Board enclosing a copy of the Sub-Committee's report. As the report did not indicate the coking index of coal and as the Hindustan Steel Limited (the prospective buyer) considered the blendable quality of coal as poor, the Coal was not satisfied with the blendability test. The Company, therefore, requested the Central Fuel Research Institute, Dhanbad to investigate the blendability of coal; the Institute's report was received in August, 1965 indicating that the coal was not of blendable quality and thus not eligible for stowing subsidy.

4.76. In the meantime, in June, 1962 the Company changed the mining method from 'room and pillar' to 'long wall face' with complete stowing in order to reduce the loss of coal from about 29 per cent to 15 per cent and also initiated action (May, 1963) for the construction of civil works required for sand gathering and stowing arrangements. Although the report from Central Fuel Research Institute was received in August, 1965, civil works were stopped only in February, 1967 by which time an expenditure of Rs. 10.55 lakhs had been incurred. The commencement of civil works without first ensuring the pre-requisites for stowing subsidy has thus resulted in an infrctuous expenditure of Rs. 10.55 lakhs.

4.77. The mine is now being worked with 'long wall face caving' method which requires no sand stowing.

4.78. In this connection the Chairman, CMAL stated during evidence as follows:—

"Rs. 10.55 lakhs were provided for the embankment, for the proposed railway line to bring the sand to the colliery. Originally this was based on 65 per cent extension Subsequently this was modified to reduce loss of coal from about 29 to 15 per cent. We thought we would be able to persuade the Coal Board to allow us subsidy of this coal but the Board ruled against this in 1968. Meanwhile we had gone head with the civil works at cost of Rs. 10.55 lakhs which has proved infructuous. Decision was taken that this would not be entitled for subsidy. We evolved a new method and we are still extracting 85 per cent. It is a totally new method and the actual cost is cheaper than what would have been the cost otherwise. But it cannot be denied that expenditure was somewhat infructuous. No equipments were involved. The only expenditure incurred was for the civil works."

4.79. The Committee note that an application for the grant of subsidy was made by NCDC in September 1961 to the Coal Board expecting that the coal of Banki colliery would be of Grade I, blendable quality eligible for stowing subsidy from the Coal Board. As the Coal Board was not satisfied with the blendability test, the Company requested the Central Fuel Research Institute, Dhanbad, to investigate the blendability of coal. The Committee are surprised to note that in May 1963 the Company initiated action for the construction of civil works required for sand gathering and stowing arrangements in the Banki Colliery without waiting for the report from the Institute.

4.80. The Committee are further surprised to note that although the Central Fuel Research Institute indicated in August, 1965 that the coal from the Banki Colliery was not of blendable quality and thus not eligible for stowing subsidy, civil works were stopped only in February, 1967 by which time an expenditure of Rs. 10.55 lakhs had already been incurred. The commencement of civil work, without first ensuring the pre-requisites for stowing subsidy has thus resulted in an infructuous expenditure of Rs. 10.55 lakhs. The Committee are not satisfied with the argument advanced by the Chairman, CMA that the civil works were proceeded with thinking that the Corporation would be able to persuade the Coal Board to allow the subsidy. The Committee feel that there was no justification to initiate action involving heavy expenditure, merely on the assumption that the Coal Board would agree to allow the subsidy. The Committee recommend that the entire matter should be thoroughly investigated in order to fix responsibility for the loss suffered by the Corporation and whether the decision to go in for sand

stowing and undertaking civil works for the purpose was based on technical considerations or merely to become eligible for stowing subsidy. It should also be investigated whether the report of the Coal Blending and Coking Research Sub-Committee (TISCO) which initially certified that the coal would be of grade I blendable quality eligible for stowing subsidy from the Coal Board was based on accurate data. The lacunae noticed in the Report of the Sub-Committee should be pinpointed and lessons learnt to avoid such lapses in future.

J. Inadequate arrangements for Sand Collection

4.81. In the Karanpura Coal fields (Bihar) the Company holds mining lease for 25.98 acres for the collection of sand required for stowing in under-ground mines. As this was considered inadequate, the Company applied to the State Government for the lease of additional area of 676.16 acres on different dates as indicated below:—

Date of application	Additional area required (In acres)
20-8-1969	310·79
1-2-1971	95·13
7-7-1971	146·70
27-12-1971	46·84
July, 1972	76·70
Total	676·16

4.82. These applications were rejected by the District Mining Officer, Hazaribagh on the ground that the Company had paid royalty on the basis of sale value of coal instead of its despatch value; a supplementary demand on this account for an amount of Rs. 2.06 lakhs received from the District Mining Officer has not been accepted by the Company so far (July, 1973) as according to the Company he has always been accepting the royalty on the basis of sale value of coal.

4.83. In the meantime, the Company purchased 9.54 lakh tonnes of sand from a private lease holder during the period from 1969 to December 1972 at a cost of Rs. 34 lakhs. According to an assessment made by the Company in January, 1973 the same quantity of sand could have been collected by it from the additional area, if given on lease by the State Government, at a cost not exceeding 50 per cent of the amount paid to the private lease holder.

4.84. The Management have stated (March, 1974) as follows:

> "Till 1969 the requirements of sand for the Company's mines in Karanpuram coal field were not substantial. Their requirements increased with the increase in de-pillaring operations in various mines after gradual completion of developmental operations. As a result, the requirements of sand could not be anticipated well in advance.
>
> On enquiry from the District Mining Officer, Hazaribagh it was found that lease for most valuable and large areas had already been granted to 3 parties; two of them were not colliery owners' although normally the lease for sand should be granted to the colliery owners only.
>
> The four applications for lease initially filed by the Company, inspite of best efforts, were not disposed of by the authorities within a period of one year with the result that these were deemed to have been rejected by the State Government under the MC rules, 1960.
>
> In accordance with the decision communicated by the Bihar Government during a high level meeting held on 28th March, 1972 a fresh application for the grant of lease for 76.70 acres of land, which was to be released by one of the lease holders, was filed on 7th July, 1972 but this lease could also not be granted to the Company.
>
> Ultimately proposals were sent to the Ministry after obtaining the views of Coal Controller, and notifications were issued by them under Section 4(1) of the Coal Bearing Areas (Asquisition and Development), Act for the areas in question."

4.85. During evidence, the Chairman, CMAL informed the Committee as follows:—

> "The sand availability in the region was limited and the seams steep were thickened. We have wondered whether alternative mathod of dipplloring would be possible. In view of the likely shortfall of the sand., we have not yet found the suitable method"

The Committee enquired as to why this was not thought of earlier. It was stated that "it could appear that they hoped by the time they would complete the developmental operations they would find. Unfortunately their optimism has not been fulfilled and we still have to find the method."

4.86. As regards the latest position with regard to acquisition of areas it was stated that notification under Section 7 had been issued and that notification under section 9 was under process after which the areas would vest with the Government of India free from encumbrances.

4.87. The Committee find that the Corporation applied to the Bihar State Government for the lease of 676 acres of land for the collection of sand required for stowing in the Karan Pura coal fields but the applications were rejected by the District Mining Officer, Hazaribagh on the ground that the Corporation had paid royalty on the basis of sale value of coal instead of its despatch value. A supplementary demand on this account for an amount of 2.06 lakhs received from the District Mining Officer was not accepted by the Company as according to the Company the District Mining Officer had always been accepting the royalty on the basis of sale value of coal. As a result thereof, the Corporation had to buy sand from a private party at a cost of Rs. 34 lakhs which was twice the amount which the Company would have spent if the State Government had agreed to grant the lease to the Company. The Committee are surprised to observe that while the Corporation did not agree to pay an additional amount of Rs. 2.06 lakhs to the Bihar Government for the grant of the lease applied for, it did not hesitate to pay an extra price of Rs. 17 lakhs to a private party for collecting the same quantity of sand. The Committee cannot but deprecate the lack of commercial prudence shown by the Corporation in this deal and recommend that the matter may be thoroughly investigated, responsibility fixed and suitable action taken against the persons found responsible. They would like to be informed about the action taken by the Management in this regard within 3 months of presentation of the Report.

4.88. The Committee are informed that the applications for lease subsequently made by the Corporation to the Bihar State Government were rejected twice on technical grounds. They are told that the action is now being taken to acquire those areas under the coal Bearing Areas (Acquisition and Development) Act by the Government of India. The Committee fail to understand as to why such an important issue had not been referred by the Corporation

to the Ministry in the first instance when its applications had been rejected by the Bihar State Government and why the action as is now being taken to acquire those areas, was not thought of earlier. The Committee are unhappy at the manner in which the whole matter had been dealt with and would like the investigation recommend above to cover all those points so that such costly mistakes can be avoided in the future.

K. Extra Expenditure in the Construction of Quarters

4.89. In December, 1968 the Company invited tenders for the construction of 19 residential quarters and A.G.M. office building at Jhingurda colliery. As only one tender was received from M/s. Singh Construction Company at 55 per cent above the estimated value (Rs. 2.08 lakhs) of the work, the same was not accepted. In response to the fresh tenders invited in July, 1969 again the same party only offered to undertake the work at 67 per cent above the estimated value *viz.* Rs. 2.53 lakhs. This offer was also not accepted being a single tender.

4.90. Tenders were again invited in October, 1969 and two offers were received one from the same party at 77 per cent above the estimated value of Rs. 3.15 lakhs (subsequently reduced to 74 per cent) and the other from a new firm at 89 per cent above the estimated value. Although the tender of M/s. Singh Construction Company was the lower, it was not accepted on account of their unreasonable attitude in increasing the rate every time. In response to fresh tenders invited in July, 1970, 3 parties (including M/s. Singh Construction Company) gave the offers. In order to safeguard against exploitation by the local contractors, the tender committee pursuaded a new firm (who had not originally quoted against the tender) to take up the work at 75 per cent above the estimated value of Rs. 3.15 lakhs but this proposal was not accepted by the Management on account of their past performances their credentials and limited resources. The Committee enquired as to why these factors were not taken into account by the Tender Committee before making the recommendation. The Management stated that the resources of M/s. Associated Construction Company reported to be rather limited was not considered by the Tender Committee at the time of recommending the award of work. The main consideration of the Tender Committee was that the rates offered by the tenderers were unusally high and, therefore, possibilities of bringing new contractors to do the work at reasonable rate was explored.

4.91. The Management decided to award the work to M/s. Singh Construction Company at the negotiated rate of 95 per cent above the estimated value (the quoted rate was 117 per cent above the estimated value) on the plea of the urgency of work and the resourcefulness of the party.

4.92. If the work had been awarded to the same party against their offer of 55 per cent above the estimated value in December, 1968, there would have been a saving of Rs. 2.43 lakhs with reference to the work actually executed by the contractor.

4.93. During evidence the Chairman, CMAL stated "it seems the authorities who handled this case felt that by going in for fresh tenders they would be able to get more competitive and lower rates whereas it turned out to be otherwise."

4.94. The witness, however, admitted that, "when the single tender was considered in December, 1968 and the tender was 55 per cent above the estimated value one should have gone into greater depth and decided whether 55 per cent of the estimated value was reasonable or not."

4.95. The Committee are surprised to note that although the single tender received from M/s. Singh Construction Company in December, 1968 at 55 per cent above the estimated value for the construction of 19 residential quarters and A.G.M. Office building at Jhingurda colliery was not accepted on the ground of higher quotation, after inviting fresh tenders thrice thereafter (July 1969, October, 1969 and July 1970) the same party was ultimately awarded the contract after about 2 years at 95 per cent above the estimated value as either there was no other party in the field or no other party submitted lower quotations or was considered suitable. If the work had been awarded to the same party against their offer of 55 per cent above the estimated value in December, 1968, there would have been a saving of Rs. 2.43 lakhs with reference to the work actually executed by the contractor. The Chairman, CMAL admitted during evidence that when the single tender was considered in December, 1968 the Management should have gone into greater depth and decided whether 55 per cent above the estimated value was reasonable or not.

4.96. The Committee are constrained to observe that lack of an in-depth examination of the tender originally received and lack of

decision at the proper moment has resulted in an avoidable expenditure of Rs. 2.43 lakhs. The Committee expect that the Corporation should learn a lesson from this experience and take suitable measures to avoid such situations in future.

L. Utilisation of Heavy Earth Moving Equipment

4.97. Draglines, shovels, dumpers, coal haulers, dozers, drills, graders and cranes are the heavy earth moving machineries used in opencast mines. However, systematic records indicating the actual utilisation are available with the Company only in respect of draglines, shovels and dumpers for the years 1969-70 and onwards.

4.98. The standard utilisation as assessed by the Management and the actual utilisation as recorded in the log books maintained for draglines, shovels and dumpers during 1969-70 to 1972-73 are given in Appendix I. It will be seen that the utilisation of these machines has been much below the expected level; in certain cases the actual utilisation was as low as 20 per cent of the standard utilisation. Till July, 1972 records showing cause-wise analysis of idleness of these equipments were not being maintained by the Management. The causewise analysis of idleness made from August, 1972 did not cover all types of equipments.

4.99. In a note submitted to the Committee the Management have, however stated as follows:—

"Basic records for controlling efficiency of each individual equipment have been maintained from the early years itself. These are:—

1. Machine cards
2. Log books
3. Machinery breakdown reports
4. Daily breakdown reports
5. Engine breakdown reports
6. Fortnightly progress reports
7. Calendar programme of repairs.

The above reports were sufficiently informative in order to diagnose and take preventive action for the repairs of the machinery in time and take advance action by way of programming of repairs in the future. As such it is submitted that other records indicating utilisation of the equipment and records showing cost analysis were not being maintained by the management. Also the Board was kept periodically informed of usual breakdowns and action taken both for meeting the same as well as their prevention. The question of what types of reports and returns should be submitted to Board was decided by Committee approved by Board."

4.100. The Committee are surprised to note that systematic records indicating standard utilisation as assessed by the Management and the actual utilisation of some of the heavy earth moving equipments such coal haulers, dozers, graders and cranes etc., were not being maintained by the Management. Till July, 1972 records showing cause-wise analysis of idleness of the heavy earth moving equipments were also not being maintained. The cause-wise analysis made from August, 1972 did not cover all types of equipment. The Committee are informed that basic records for controlling efficiency of each individual equipment had been maintained but records indicating utilisation and cost analysis were not being maintained by the Management.

4.101. The Committee need hardly stress the need for maintaining proper records of utilisation of equipments in order to accurately assess the actual utilisation of heavy machines as against their expected performance and the detailed reasons for the idleness of the machines so as to enable the management to take remedial measures at the appropriate time. The Committee recommend the entire matter regarding maintenance of proper records of utilisation of equipments should be reviewed and standard procedure for recording their day to day utilisation evolved to enable the Management not only to know the extent of their utilisation but also to take timely measures to achieve their optimum utilisation.

4.102. The Committee also find that the actual utilisation in case of some of the machines was as low as 20 per cent of the standard utilisation. The Committee recommend that the reasons for abnormal low utilisation of these equipments should also be investigated in order to take suitable remedial measures.

M. Non-utilisation of Dumpers in Manikpur Colliery

4.103. In a report submitted in October, 1971 the Cost Accounts Department of the Company observed that out of 41 dumpers available in Manikpur Colliery, 21 were generally not in use on account of break-down and suggested that a decision should be taken whether these could be profitably used in the mine or required disposal.

4.104. The Management stated (March, 1974) that the dumpers were lying idle as the spares which were ordered from U.S.S.R. over the past 4/5 years had not been received and the chances of their receipt were remote. Trial modifications in respect of some of the defects in these dumpers had been made and firm decision would be taken after commissioning these dumpers with the proposed modifications.

4.105. During evidence the Chairman, CAML stated as follows:—

> "These dumpers were imported from USSR in connection with the Manikpur Project. Most of these dumpers have done 4000 hours; normally they should do 10,000 hours. In this particular case, these dumpers had breakdowns in between three and four thousand hours. Their performance after guarantee period has not been satisfactory. They have completed warranty period; there is no way out to raise the claim on the suppliers. Even the spares are not available from the manufacturers, as they have gone out of manufacture."

4.106. The witness added that the poor performance of the dumpers was noticed after the warranty period was over. Till then it was satisfactory. It was further stated that modifications had been carried out and it was felt that these dumpers might not give a satisfactory performance in this particular mine but might prove useful somewhere else and the dumpers might be transferred to some other mine. But no firm decision had yet been taken.

4.107. While explaining the background regarding purchase of dumpers and the steps taken to procure the spare parts the Ministry in a note submitted to the Committee have stated as follows:—

> "Before placing orders for these dumpers, a technical evaluation of their characteristics and specifications, designs, etc., was made in comparison with those of the U.S. origin of similar capacity. Only after satisfying that the general construction and design of these dumpers were adequate, these dumpers were procured. This was also in view of the fact that the dumpers of the U.S. origin could not be immediately procured due to want of foreign exchange.

U.S.S.R. was having only this type of dumpers at the time these were procured by the NCDC and these machines had been extensively used in that country. However, they became obsolete around 1970 after a new model had been put into production by them and consequently the manufacture of spare parts for these obsolete dumpers was also discontinued.

The contract for supply of spares was concluded on 18th April, 1966. No supplies were made against this in spite of repeated reminders and talegrams. The matter was followed up with the U.S.S.R. authorities in India vide NCDC's letter No. CPO/USSR/Dumpers/PT-II/2864 dated 17th April, 1968.

The difficulties regarding the supply of spare parts were reported to the Government for taking up the matter in the meeting of the Indo-Soviet Trade and Economic Corporation in June, 1968. The matter was also taken up with the Chief of Soviet team at Korba.

Even though orders for spare parts worth more than Rs. 30 lakhs had been placed both on USSR authorities and subsequently as well as on their local agents, the supply of spare parts had not materialised so that the dumpers could be worked satisfactorily. During the visit to USSR by the Chief Engineer this matter was discussed in October, 1969 with the Director of Dumper Plant at Mansk as well as the Design Engineer with a view to expedite the supply of necessary spare parts. While assurances were given for the supply of spare parts, no tangible result emerged. Again during the visit of the Chairman and Managing Director, NCDC and the General Manager (Planning) in 1970 to USSR, the matter was again taken up with Avtoexport at Moscow and the difficulties regarding the non-supply of spare parts were put up for expediting the supply of spare parts. Promises were made that supply of spare parts will be made, but so far there have been no supplies. In 1970 the Corporation was informed that if a final list of spare parts for Maz. 525 dumpers were given to them they would be in a position to supply the spares as the dumpers were becoming obsolete. Accordingly a final list was made and a supply order was also placed, but so far the supply of spare parts has not taken place.

Associated exports and Imports, the sole distributers in India for the spare parts for MAZ dumpers have intimated that the MAZ dumpers have become obsolete in USSR and the prospects of getting the spare parts for MAZ dumpers are bleak.

In addition to the above exercise procurement of spare parts from other projects like Mula dam and Balimela dam, who had imported this type of dumpers was also made, but these efforts were also not successful.

Due to poor inflow of spare parts from USSR and non-availability of spares from Indian market it was not possible to maintain these dumpers efficiently. All out efforts were made by the Central Workshops, Korba to manufacture the required parts and keep the machines moving. During the first five years, by making special efforts the machines were kept running, and coal production was maintained and the requirement of MPEB was fully met during these years.

Against a normal life of 10,000 hours each, these dumpers have worked on an average 4,000 hours. These dumpers worked for a period of 5 years from 1966—70. During 1968-69 and 1970, a total of five dumpers fell sick and needed a major overhaul. During 1971-72, 10 more dumpers became sick and in 1973-74 6 more dumpers became sick. At present, 3 dumpers are in working condition. It may thus be seen that the dumpers became progressively sick."

4.108. Asked about the loss incurred by NCDC because of under-utilisation of dumpers it has been stated that:

"The total written down value of these machines amounts to approx. Rs. 4-4½ lakhs after allowing for the scrap value."

4.109. The Committee find that out of the 41 dumpers imported from USSR in 1966 for use in Manikpur Colliery, only 3 dumpers are in use at present. Most of the dumpers have done only 4000 hours as against the normal span of 10,000 hrs. The total written down value of these machines amounts to approximately Rs. 4-4½ lakhs after allowing for the scrap value. The Committee are informed that poor performance of the dumpers was noticed only after the warranty period was over and hence no claim could be

raised on the suppliers. Even the spare parts are not now available as the dumpers have gone out of manufacture in USSR. The Committee feel that the matter regarding the poor performance of dumpers should have been taken up with the suppliers immediately after the defects were noticed even if the warranty period was over so as to seek their assistance for repair/modification of dumpers.

4.110. The Committee recommend that the Corporation should consider the feasibility of carrying out suitable modifications to the dumpers with the assistance of Bharat Earth Movers and Mining and Allied Machinery Corporation Ltd., so that they could be usefully deployed in other Public Undertakings.

4.111. The Committee need hardly stress that the Corporation should keep themselves constantly in touch with technical advancement in the field of mining machinery in advanced countries. They would also stress that while placing orders for machinery from other countries, provision for the procurement of adequate stock of spare parts should be made in the agreement itself so as to obviate imported machinery remaining unutilised for want of spare parts."

N. Utilisation of Equipment for Underground Mines

4.112. As part of its programme of Mechanisation of mines for the achievement of the target production during 2nd and 3rd Five Year Plans, the Company purchased from 1959 onwards equipments worth Rs. 10.55 crores (foreign exchange component being Rs. 7.86 crores) for underground mines proposed to be developed. The lists of equipments required during 2nd Five Year Plan were prepared on the basis of the report submitted by a team of Senior Mining and Electrical/Mechanical Engineers sent to U.S.A. in 1958 to study the performance of these equipments. Similarly two lists of standard items of equipments required for underground coal mines proposed to be developed during 3rd Five Year Plan were drawn up after taking into account the mining conditions likely to be experienced. While during the 2nd Five Year Plan indents for the items of equipments required for different mines were bulked and procurement action taken by invitation of public tenders in India and abroad, the equipments required for the 3rd Five Year Plan programme were procured specifically for each project generally based on the provision made in the Project Reports. These equipments included coal cutting machines, loaders, suttle cars, belt conveyors, electric locomotives, continuous miners/transformers, etc.

4.113. Unlike in case of the heavy earth moving machinery, the Company has not laid down norms for the utilisation of the machines used in underground mines, record of actual utilisation of the underground machines is, however, maintained at the mines.

4.114. The Management have stated that the Corporation was endeavouring to lay down certain norms for different mining conditions as were experienced in this Country. It was difficult to stipulate standard norms for each items of equipment as productivity of machinery under actual conditions varied from mine to mine, depending on thickness of seam, gradient of seam, water conditions, gassiness, roof and floor conditions etc.

4.115. The actual utilisation as on 21st September, 1972 of 57 shuttle cars (Rs. 1.28 crores), 81 loaders (Rs. 1.01 crores) and 2 continuous miners (Rs. 15 lakhs) forming part of the above equipments is indicated below:—

	Shuttle cars	Loaders	Continuous minors
(i) Number in actual use	27	30	
(ii) Number (and value) of items not likely to be used	3 (Rs. 6·75 lakhs)	18 (Rs. 18·90 lakhs)	2 (Rs. 15·00 lakhs)
(iii) Number under repair	19 (Rs. 42·25 lakhs)	29 (Rs. 30·45 lakhs)	
(iv) Number sold or surveyed off	8 (new)	4	..
TOTAL	57	81	2

4.116. The non-utilisation of some of these items has been attributed by the Management to the following reasons:—

(i) Percolation of water in underground mines,

(ii) Adverse geological conditions and bad roof conditions,

(iii) Steep gradient of the seams, and

(iv) Changes in the method of mining.

Loaders and shuttle cars

4.117. The Committee pointed out that 19 shuttle cars and 29 loaders were lying idle for want of repairs. They enquired about the reasons for delay in repairing the loaders and shuttle cars. In a note submitted to the Committee management have stated as follows:—

'These loaders and shuttle cars were progressively received in workshops during the years 1970 to 1972 and although the progressive repairs of loaders and Shuttle Cars were in hand, serious constraints were experienced in view of the non-availability of imported spare parts from USA, expected by October, 1971 and were subsequently withheld by them. The repairing of these machines mainly depends upon the availability of the required spares. Though Korba Workshop developed some of these spare parts, a major portion of the spares was not available and action has also been taken to procure as much spares as possible indigenously but this has not helped much."

4.117. As regards the utilisation of shuttle cars and loaders, the Management have stated as follows:—

"Shuttle cars—3 new shuttle cars one each at Duman Hill, Churcha and Pathakhera which were in stores in September, 1972 have since been deployed.

4.119. Regarding 18 nos. of gathering arm loader which were procured during the first set of purchase during Second Plan Period (1958-59), these were deployed in the mines of NCDC in Karanpura, Korba and Kurasia. The loader worked for 2-3 years. The geological conditions were not condusive for use of the loader.

4.120. Now, with the nationalisation of private sector mines, it may be perhaps possible to deploy 8/9 loaders as this model has become absolete."

Continuous Miners

4.121. The two continuous miners were imported from USA in April, 1964 for use in Chalkari Colliery. On account of adverse working conditions causing frequent failure, inadequate availability of imported spares and unsuitability of indigenous spares (including those manufactured in the Company's own workshop at Barkakana, the machines could be partially utilised during July, 1965 to September, 1968. One of the machines was transferred to Patherkhera Colliery where also it has not been put to any use so far (January, 1974). Besides, imported spares valuing Rs. 3.5 lakhs are lying in stores.

4.122. The Management have stated (May, 1972) that 'this model of continuous miner may now be completely outdated in the country of manufacture *viz.* USA and difficulties in complete overhauling this equipment are, therefore, foreseen'.

4.123. The Committee enquired as to why the continuous miners could not be repaired when spares valuing Rs. 3.5 lakhs were lying in stores. The Management have stated as follows:—

> "Although it is a fact that spares to the value of Rs. 3.5 lakhs were lying in stores during the period under reference for Joy make continuous miners, these spares were in the nature of insurance items and were along with the supply of continuous miners. Continuous miners were being operated at Chalkari Project and if they were idle for want of spare parts, it was because matching spares required were not available either from indigenous sources or through import."

4.124. In regard to utilisation of continuous miners it has been stated that continuous miners are earmarked for use at Bagdona seam, Pathakhera colliery. Development work of driving head is in progress after which continuous miners would be deployed by the end of this year.

4.125. The Committee regret to note that the Corporation has not so far laid down any norms for the utilisation of machines purchased for underground mines. The Committee fail to understand as to how the Corporation is able to judge and evaluate the actual performance of these machines in the absence of such norms. The Committee hope that the Management would now lay down norms keeping in view different mining conditions prevailing in the mines in which these equipments are being used.

4.126. The Committee find that 19 shuttle cars and 29 loaders valued at Rs. 72.70 lakhs were progressively received in workshops during the years 1970 to 1972 for repairs but could not be repaired due to non-availability of imported spare parts from USA expected by October 1971 and later withheld by them. It has also not been possible to manufacture all the needed spares indigenously. The Committee also find the 3 shuttle cars 18 loaders valued at Rs. 25.65 lakhs were previously lying in store. It has now been stated that 3 shuttle cars have since been deployed. With the nationalisation of private sector mines the Corporation feel that it should be possible to deploy 8/9 loaders also in other mines.

4.127. The Committee further note that 2 continuous miners valued at Rs. 15 lakhs were imported from USA in April, 1964. On account of adverse working conditions causing frequent failure, inadequate availability of imported spares and unsuitability of indigenous spares, the machines could only be partially utilised during July, 1965 to September, 1968. This model may now be completely outdated in the country of its manufacture and difficulties in complete overhauling this equipment are, therefore, foreseen.

4.128. The Committee recommend that all aspects relating to the purchase/under-utilisation/idleness/non-repair of the equipment due to non-availability of imported/indigenous spares should be thoroughly investigated in order to see whether all the safeguards which ought to have been taken in regard to the procurement of spare-parts at the time of their import were in fact taken and to determine what further safeguards may be taken in this regard to avoid such situations in the future.

4.129. The Committee also recommend that a committee of technical experts may be set up to examine each such machine carefully in order to identify those machines which can be used after repairs or replacement of defective parts, obtainable indigenously or from abroad, and thereafter repairs to those machines may be carried out under expert supervision and the machines used in the mines of NCDC/CMA or elsewhere. Now when the coal mines have been nationalised and many more mines have been placed in the public sector, the Committee would like the Corporation to examine whether these might be found suitable. The Committee would also draw attention to their earlier recommendation made in paragraph 4.106 of this Report and reiterate that the possibility of suitably modifying these machines with the assistance of Bharat Earth Movers or Mining and Allied Machinery Corporation and their utilisation in the collieries or in other public sector undertakings should be explored. As regards, machines which are found irrepairable because of want of spares, the Committee would like that Government/NCDC should through the Bureau of Public Enterprises explore the possibility of their disposal to other public sector organisations. Before condemning any of such apparently irrepairable machines, NCDC should examine whether it will not be worthwhile to dismantle some of the irrepairable machines in order to utilise their parts in the repair jobs of other machines.

4.130. The Committee find that in the past the Corporation had to import machinery and equipment from different countries with the result that they now have various types of machineries and equipment for similar jobs in different mines. They note that this has created problems in regard to the procurement of spare parts and maintenance particularly when the machines become obsolete even in the country of their manufacture. The Committee, therefore, strongly feel that Government/Corporation should seriously consider the question of standardising the mining machinery and equipment so that the types of machines and equipment in use in the mines are reduced to the minimum and the problem of finding spares for them is resolved. The Committee also recommend that concerted measures should be taken to manufacture such standardised machinery and equipment indigenously as far as possible so that the dependence on imports of such machinery is minimised, if not altogether eliminated. They also recommend that close liaison should be maintained with Mining and Allied Machinery Corporation and Research Institutions to effect improvement in designing and manufacture of machinery in the interest of higher production at less cost.

V

MANPOWER ANALYSIS

A. Excessive Manpower

5.1. In some of the collieries under commercial production the number of men employed was found to be more than the number indicated in the project reports or the assessment made by the Company's Planning Department (in these cases there was no project report as these collieries were taken over by the Company in 1956) even though the actual production was less than the annual output envisaged in the project reports etc. The position as on 31st March, 1972 is given in the following table:—

Colliery	Production (In million tonnes) As per DPR.	Actual	as per D. P. R. Officers & monthly rated employees.	Daily and Piece rated workers	Total	Number of men actually employed. Officers & monthly rated employees	Daily and Piece rated workers.	Casual and other workers.	Total
Old Collieries.									
1. Kurasia .	1·15	0·57	360	1499	1859*	427	2407	53	2887
2. Sawang	0·76	0·23	194	1477	1671	257	1923	111	2291
3. Jarangdih . .	0·30	0·23	785	1037	1822	212	2244	100	2556
New Collieries									
4. Sayal 'D'	0·50	0·40	264	1168	1432	313	2249	6	2568
5. Banki .	0·60	0·41	314	1229	1543	161	1576	40	1777
6. Patherkhera .	0·45	0·47	205	949	1154	215	1209	160	1584
7. Bachra .	0·60	0·22	160	1073	1233	202	1400	5	1607

*As per assessment made by the Company's Planning Department.

5.2. The employment of excessive staff in Kurasia and Sayal 'D' Collieries was considered by the Committee on Public Undertakings *vide* paras 90—98 of their 10th Report (4th Lok Sabha). It was explained by the Ministry during evidence that the excessive staff in

Sayal 'D' Colliery was due to the adoption of manual loading instead of mechanical loading provided in the Project Report; in Kurasia Colliery the Project Report indicated the requirement of staff for expansion only and did not take into account the actual staff on roll at the time of its take over in 1956. It was, however, observed by the Committee that even after the number of men employed on operations for which provision had not been made in the Project Reports was excluded, the number of persons actually employed was still in excess of that provided in the Project Reports.

5.3. In December, 1969 the Ministry informed the Committee on Public Undertakings that a Committee of senior officers appointed by the Company in November, 1968 had submitted its report (July, 1969) which was under examination. The terms of reference of this Committee were:—

(i) Comparison between actual deployment of manpower and the Project provision,

(ii) requirement of manpower for the next four years in different projects based on the technology of mining operations being adopted.

(iii) changes in the manpower deployment which could be brought about with the introduction of revised technique, and

(iv) assessment of norms for different types of jobs, whether for general application or for individual mine.

5.4. That Committee took up for consideration 34 collieries which were being run by the Company at that time and held that comparison of actual manpower with projected strength was not possible in the case of 11 inherited collieries on account of non-existence of a Project Report or the availability of such a Report only for expassion programme/re-organisation scheme. The assessment of manpower requirement in the case of old collieries was done by the Company's Planning Department. Another 3 collieries *viz.*, Gidi 'C', Kathara and South Balanda were also not found susceptible of such comparison as the Project Reports did not indicate the break up of manpower for operation, maintenance, etc. Similarly 9 more projects were excluded from the purview of the study as these were either in the initial stages of development or had recently gone into commercial production.

5.5. The Committee enquired if it was not possible to assess the requirement of men in the case of collieries for which no project reports existed. The Chairman, CMAL stated during evidence that it should be possible to assess the requirement in such cases on the basis of the work being undertaken on these projects. The Committee asked as to why the Committee of Senior Officers could not consider the actual manpower in the light of such assessment and ascertain whether it was more than what was required. The Chairman, CMAL stated as follows:—

> "I presume the senior officers felt that it would be better if the manpower requirement assessment of old collieries was done by the company's planning department rather than undertaking it themselves."

5.6. Out of the remaining 11 collieries, the Committee of Senior Officers observed that compared with the Project Report provision, the man in position in the two collieries *viz.* Sayal 'D' and Bachra were in excess by 1090 and 423. The Committee felt that this excess staff was due to deviations from the working conditions and the method of working provided for in the Project Reports unsatisfactory level of productivity of piece rated loaders, etc.

5.7. Regarding surplus manpower, the Committee of Senior Officers expressed the view that alternative utilisation was generally poor on account of "lack of inter-job mobility imposed on all industries, particularly the coal industry, by the psychological barriers created through the various awards or inappropriate interpretations thereof. An idle dumper operator, for example, is not readily available for driving a truck........even the category I gate mazdoor is not available for being diverted as a stone dusting mazdoor. In the former case skilled workers refuses to do a less skilled work which in the latter case the person refuses to carry out job carrying the same pay on the plea of inappropriate designation........by and large any attempt to establish such mobility tends to bring about a designation. . . . . by to bring about a friction between management and labour." As a result, the instances were noticed where *prima facie* there was surplus manpower in certain categories, casual labour and/or temporary workmen were also being employed concurrently. However, the Committee of Senior Officers was of the view that this problem could be tackled through negotiations with trade unions.

5.8. The Committee of Senior Officers also recommended scientific studies including the method of work study of all operations in general and certain principal operations in particular to establish norms and bring about a saving in manpower. The Management expressed the view that such a task could be undertaken only by an elaborately organised and equipped Industrial Engineering Department; a nucleus for such a department had already been established which was mainly concerned with the introduction of incentive schemes.

5.9. The Committee enquired as to why the task of making assessment of norms for differene types of jobs was at all entrusted to the Committee of Senior Officers when they were not able to do the job. The Chairman, CMAL stated as follows:—

> "When this task was given to the Committee, it was assumed that the Committee would be able to do the job. The Committee then came to the conclusion that they were not able to do the job."

5.10. The Committee enquired as to when the Industrial Engineering Department was established, if it was fully equipped and whether it had recommended suitable incentive schemes. The Chairman, CMAL stated as follows:—

> "The Industrial Engineering Department was established in 1962. I would not say that it is fully equipped even now. It recommended certain incentive scheme which has been in operation in some of the mines in Bihar, particularly in Bokaro and Kharagpura. The scheme was introduced in 1964-65 in certain selected collieries and in one of the underground mines."

5.11. He added that the incentive scheme had not worked satisfactorily and that was one of the reasons why it was not introduced in other collieries.

5.12. The Committee note that in some of the collieries under commercial production the number of men employed was more than the number indicated in the Project Reports or the assessment made by the Company's Planning Department although the actual production in these collieries was far less than that envisaged in the Project Reports. The Committee also note that a Committee of Senior Officers appointed by the Corporation in November, 1968 to review the manpower position in NCDC collieries examined only 11 out of 34 collieries which were being run by the Corporation at that time. They did not examine 11 old collieries on account of non-existence of Project Reports. Another 3 collieries were not examined as the Project Reports in respect of these collieries did

not indicate the break-up of manpower for operation maintenance etc., 9 more collieries were excluded from the purview of its study as these were either in the initial stage of development or had recently gone into commercial production. Only in respect of two collieries the Committee of Senior Officers felt that the excess staff was due to deviations from the working conditions and the method of working provided for in the Project Reports and unsatisfactory level of productivity of workers etc. The Committee regret to observe that instead of making an assessment of the different types of jobs as required under the terms of reference, the Committee of Senior Officers merely recommended that scientific studies should be made to establish norms and bring about a saving in manpower. The Management also held the view that the task could be undertaken by a well-equipped Industrial Engineering Department.

5.13. The Committee are surprised to observe that Committee of Senior Officers appointed by the Management to examine the question of manpower etc., came to the conclusion that "they were not able to do the job." They are constrained to observe that it is a sad reflection both on the Management which appointed the Committee and the "Senior Officers" who constituted the Committee. This only resulted in delay in the task of assessment of actual rquirement of manpower as against the existing development and assessment of norms for different types of jobs in all the collieries in order to bring about saving in manpower.

5.14. The Committee need hardly stress that the employment of staff in excess of requirement not only means of payment of excessive wages and salaries but also results in low productivity, high cost of production and labour troubles. They therefore, recommend that adequate steps should be taken on a top priority basis to reduce the staff in Sayal 'D' and Bachra Collieries where it has been established that. The existing strength is more than the actual requirement. The Committee also recommend that scientific studies should be carried out urgently in all other collieries through the agency of Industrial Engineering Deptt. or some other competent body in order to establish norms assess the actual manpower required as against the manpower deployed and bring about saving in manpower.

5.15. The Committee are deeply concerned to note that the alternative utilisation of surplus manpower was reported to be generally poor on account of "lack of inter job mobility imposed on all industries, particularly the coal industry, by the phsychological barriers created through the various awards or inappropriate interpretation thereof. As a result, while there was surplus manpower in certain categories, casual labour and/or temporary workmen were also being employed concurrently. The Committee recommend that the scientific studies into manpower deployment recommended hereinbefore should also cover the factors hampering alternative utilisation of surplus manpower and suitable schemes devised in the light of the studies to end this unhappy state of affairs in the collieries The Committee also recommend that recruitment of labour should be such that the labour could be used as multi-functionaries to avoid excessive labour and to secure increased productivity.

5.16. The Committee regret to note that though the Industrial Engineering Department was established as far back as 1962 it is not fully equipped even now. This Department recommended certain incentive schemes which were introduced in 1964-65 in a few collieries in Bihar. As the incentive scheme did not work satisfactorily it was not introduced in other collieries. The Committee recommend that the Industrial Engineering Department should be adequately strengthened with competent personnel so as to be in a position to carry out the job-analysis in a scientific manner. The incentive schemes already introduced should also be reviewed in order to find out the lacunae, if any, and modified so as to ensure that the schemes improve efficiency of workers and result in higher productivity.

5.17. The Committee would like to draw the attention of the Management to the new dynamism and awakening which have been in fused in the national life after the proclamation of Emergency which has created an all round realisation of the need for harder work and greater production. They recommend that the management should take advantage of the new atmosphere and fix norms of production within 3 months provide in-built incentives for production in wages and introduce such other measures as would bring about increase in production and decrease in cost of production.

5.18. The Committee also recommend that Government should ensure that in new ventures or expansion projects to be undertaken hereafter the manpower does not exceed the limits laid down in the DPR and in case it becomes absolutely necessary, prior approval of the Board of Directors should be taken in cases of excess of manpower over the limits laid down in the DPR upto a limit of 10 per cent and beyond that of the authority which approved the DPR.

5.19. The Committee would like that the question of manpower should be a standing item for review by the Management at the Board meetings and also by the Government and the position regarding utilisation of manpower should be explained in the Annual Reports of each Colliery and also reflected in the Annual Report of the Corporation.

B. **Output per Manshift**

5.20. The output per manshift is calculated by the Company separately for opencast mines and under-ground mines with a view to assess the efficiency of productivity of man and machine employed in each mine. The output per manshift is calculated by dividing the total production of coal in a mine by the total number of man shifts worked (both directly for production and also those for other allied activities) irrespective of the fact whether a mine is mechanised or manually operated. The output per man shift is indicated in the Project Reports prepared by the Management for the development of a new mine. In addition, the Management are also fixing the annual targets for OMS (with effect from 1970-71) after taking into account the working conditions and the degree of mechanisation of each mine. The Management has, however, not yet been able to evolve standard indices of labour productivity of individual mines keeping in view the actual working conditions and extent of mechanisation. In this connection, the Chairman, CMAL stated during evidence that steps are being taken to evolve standards of productivity for each individual mine.

5.21. Asked about the mechanism available for reviewing the production performance of workers in each mine prior to 1970-71 it has been stated "prior to 1970-71 the month-wise and annual target for each mine was fixed. The production performance was reviewed *vis-a-vis* the target fixed for each month."

5.22. In the case of opencast mines which are predominantly mechanised, the output per machine hour of the key mining machineries is a more relevant criteria for judging the productivity than the OMS. The Company has, however, not been fixing the targets of production for these mines in terms of machine hours or comparing the data of actual production in terms of machine hours.

5.23. During evidence the Committee pointed out that as the OMS was dependent on the extent of mechanisation to a considerable extent, such an exercise was called for.

5.24. The Chairman, CMAL agreed that in fixing the norms and OMS in the case of opencast mines certainly the machine hours should be taken into account.

5.25. As regards the method of calculating OMS, the witness further stated as follows:—

"The general practice in the industry is to work the OMS with reference to the total number of men employed, both directly in production and also in allied activities. This is the practice not only in India but in many other countries. In addition to the OMS based on the total number of men employed, we have also the OMS with reference to the number of men employed at the face and the number of men employed underground. But the basic OMS is with reference to the total number of men employed in the mines. We can also furnish the OMS with reference to the total number of men directly employed in the production of coal. The world practice in regard to output per man shift in the case of mechanised mines is what we are following. Even in the developed countries the OMS is determined on the basis of the number of men employed. For determining the OMS extensive mechanisation has to be taken into consideration."

5.26. The Secretary of the Ministry, however, explained the position as follows:—

"Personally, I am not in favour of emphasis on OMS for the country as a whole. We should not compare things which are not comparable.

For a particular mine you should fix the OMS, standard cost and try to evaluate its operation. If you compare Kathara colliery with 8 tonnes OMS with another mine having 0.3 tonnes these are not comparable. Today the whole picture of OMS is distorted by different practices followed by different mines. Before nationalisation it used to happen that way and it is even now continuing. In some mines wagon loading is done manually and in some by mechanical equipment. In some mines, contractors are employed. So, one OMS target for the whole country is not correct. What I have been saying is, strictly consider the OMS for a particular mine having regard to its geological features, method of work, degree of mechanisation, number of persons employed, etc. and if that is not achieved, you can ask, why is it, you are not getting it? I do not care what is OMS for other mines."

5.27. In a note submitted to the Committee the Ministry stated as under:—

"Out-put per man-shift (OMS) has been the traditional and the only recognised way of measuring productivity in the mining industry. It unfortunately tends to give an impression that a mine with high OMS is more efficient or even more profitable than a mine with lower OMS. This is not correct because OMS is only a gauge of productivity of men employed but not of the productivity of all the resources that counts. This can be better understood if we consider two mines—each producing that say 1000 tonnes a day. In one mine, completely manually operated, it may be employing 2000 persons to give an OMS of 0.5. On the other hand, the same level of production may be had from another mechanised unit employing say 660 persons, giving an OMS 1.5 either because of the geological conditions like bad roof, bad floor or poor ventilation, breakdown of equipment, lack of spares or for whatever reason, the cost of production in the mechanised unit could be more than that of the manually worked one, notwithstanding the higher level of OMS. Moreover, all the efforts made by the workers at the coal face which may result in high production and productivity will get diluted if the number of supporting or non-production personnel is high. Thirdly, there is no uniform standard laid down for assessing OMS. In one mine, certain items like repair to machinery winning and transport and sand from river, loading of coal etc. may be done departmentally and this would depress the OMS-whereas in another mine, all these items could be got done through service agents or contractors, resulting in computation of higher OMS. If OMS is to strictly cover not only these employed in mining operations but all persons employed in the mine like those in hospitals and welfare services, etc. it will certainly not be reflective of the actual productive efforts of the coalbase workers. Yet another matter of importance is the contribution of large mechanised opencast mines towards national OMS. In a country producing 60 million tonnes of coal at OMS of say 0.6 the addition of about 20 million tonnes output from heavily mechanised opencast mines with OMS of say 10 tonnes will boost up the overall OMS of the country to about 0.8. This might give an impression that the efficiency of the mines in general has gone up. It is not correct. In fact if one takes into consideration the cost at which even this overall improvement has been brought about, we may be disappointed at the result and it would well be that the profitability at the lower OMS was higher than after the OMS has gone up.

All this is not to say that OMS has no significance. As a measure of performance of an individual unit by itself from time to time or for comparison with the performance of another very similar unit (similar in condition of work, investments, etc.) this has great value—what is required is the critical analysis of the OMS figures of the same mine month after month and year after year and an assessment as to whether any improvement has been or can be brought about in techniques of development of manpower and also to what extent these can be introduced, keeping in view the cost benefit ratio. A study of OMS figures without considering all these factors does not reveal the true state of affairs.

Similarly, the standard cost worked out for a particular mines will consider the peculiarities of the mine, its working conditions, extent of mechanisation etc. These have to be updated from time to time as and when changes take place in any of the itemes, constituting the total cost-llike change in wage structure, cost of living indices, change in method of work including mechanisation. An increase in OMS that is brought about without reduction in the cost of coal production has no meaning and can only be considered wasteful. Even lowering of OMS may be permissible provided it brings about overall reduction in cost. The actual cost incurred and the OMS obtained should be gauged against this standard cost and the standards OMS for each mine in order that its performance may be correctly assessed."

5.28. **The Committee regret to note that the Corporation has not so far evolved any scientific and accurate system of calculating OMS in the different mines. The output per man shift (OMS) is calculated by dividing the total production of coal in a mine by the total number of men employed (both directly for production and also**

those for other allied activities) irrespective of the fact whether a mine is mechanised or manually operated. The Management has not yet been able to evolve standard indices of labour productivity of individual mines keeping in view the actual working conditions and extent of mechanisation. Though the Management agreed during evidence that in the case of open cast mines which are predominently mechanised the output per machine hour is a more relevant criterion for judging the productivity, the Corporation has not fixed the targets of production in terms of machine hours nor compared the date of actual production in terms of machine hours. The Committee recommend that the management should take steps to fix suitable productivity indices both for labour and machinery to judge the efficiency of performance.

5.29. The Committee agree with the view expressed by the Secretary of the Ministry that one OMS target for the whole country was not correct. They recommend that standard OMS and standard cost should be calculated for each mine keeping in view the geological features, method of work, degree of mechanisation, number of persons employed etc. and a time bound programme should be prepared to complete this work expeditiously. These should be reviewed and updated once a year while setting annual programme of production and development or as and when changes taken place in wage structure, methods of work including mechanisation or other factors having bearing on the working conditions in and outside the mines. The actual OMS and cost in a particular mine should be reviewed periodically with reference to the standards fixed and the critical analysis of the OMS and cost of each mine should be made with a view to improving techniques of work, deployment of manpower keeping in mind the cost benefit ratios.

The Committee recommend that the Corporation should seriously consider the suggestions made by the Ministry in order to evolve an accurate and scientific system of calculating and comparing standard OMS with actual OMS and should not lose sight of the basis fact that the aim of the entire exercise should be not only to raise the additional OMS progressively but also to bring about reduction in the cost of production.

C. Actual OMS as compared with Targets

5.30. The output per shift as indicated in the Project Report, the annual targets fixed and the actual output per manshift during 1969-70 to 1973-74 in respect of opencast mines and underground mines are indicated in Appendix II.

5.31. It will be seen that the targeted OMS during these years has been varying from years to year both in the case of open cast mines and the underground mines. The targeted OMS was, however generally less than that indicated in the Project Reports and the actual OMS was generally lower than the target except in certain cases. While the overall targeted OMS for opencast mines was fixed at a higher figure during 1972-73 as compared with 1971-72, in respect of underground mines the target fixed was lower. So far as the overall actual OMS is concerned, both the open cast mines as well as the underground mines, showed an improvement in 1972-73 as compared with 1971-72.

5.32. In its meeting held on 5th May, 1973, the Board of Directors observed as under:—

"(i) In a number of projects the OMS was low....."

(ii) The projected OMS for the year 1972-73 was generally lower than the project report provision. It was explained that in some cases the conditions envisaged at the time of preparation of the Project Reports did not exist at present. Keeping this in view, a comparison of the actuals with the projected (achievable) OMS rather than the Project Report OMS would be more realistic. The position would improve with the setting up of the Central Mining Planning and Design Institute, when the performance about individual projects would be reviewed on the basis of the feed-back and necessary changes made from time to time in the Project Report.

(iii) Our underground OMS is low compared to the national average, more so if the level of mechanisation in our collieries is taken into consideration."

5.33. During evidence the Committee enquired about the reasons for the OMS being lower than what is indicated in the Project Reports. The Chairman, CMAL stated as follows:—

"There would be number of reasons. One would be machine utilisation; another would be that production had been restricted with reference to demand; a third would be that the performance of the management itself was not as good as it should be."

5.34. In regard to the reasons for variations in the OMS from year to year the Secretary of the Ministry explained the position as follows:—

"The main factors which are responsible, which affect OMS are geological factors, deployment of contract labour etc. For instance, I can show a very high OMS by getting work like sand collection done through contractors. This is the reason why OMS has been varying from time to time and even in a particular mine. This is a matter for critical study and it will give a very revealing picture whether there has been improvement in the efficiency. But if you take overall OMS in the country it does not help us. If the machine in a mine is going to be idle, then on the one hand, you put in human labour and consequently you spend a lot of money on both. And this is not a correct way of doing it. Wherever we have introduced machinery, we should see that the machinery is properly maintained to get very high OMS."

5.35. The Committee enquired about the steps taken by the Management in order to improve the OMS in the NCDC mines. In a note submitted to the Committee the Management have stated as follows:—

"OMS has been rising from year to year in respect of NCDC mines. The improvement of OMS depend upon various factors which could be grouped under two main heads:

(i) Within the management control; and

(ii) outside the management control.

Within the Management Control:

(i) *Deficiencies in the skill of workmen*

With more and more experience gained by the workers there is marked improvement in the skill of the workmen. Moreover, refrecher training is given in different trades in Vocational Training Centre, Mine Mechanisation Training Institute at Bhurkunda.

(ii) *Maintenance of Equipment*

All possible action is taken to improve the availability and utilisation of machines. In this regard a firm of Consultants were asked to examine this aspect and to suggest improvement. The reports is being implemented.

(iii) Strict control over man-power utilisation by ensuring better supervision.

(iv) Making available necessary inputs, iron, steel tubs, haulages, drills, explosives, POL & other stores.

Outside the Management Control

(1) Inadequate wagon supplies for planned off-take.

(2) Interrupted power supply.

(3) Geological disturbance."

5.36. In Para 8.19 of their 67th Report (4th Lok Sabha) on "Production Management in Public Undertakings" the Committee on Public Undertakings observed that the average output per manshift of all the mines of the Company was much lower than that in other coal producing countries. It was admitted by the Company that even in mechanised mines its output per manshift was lower than that of other developed countries due to factors like:—

(i) deficiencies in the skill of workmen,

(ii) faults of organisation management, and

(iii) poor maintenance of equipment.

5.37. In regard to the reasons for higher OMS in foreign countries the Management stated in February, 1972 as follows:—

"OMS in foreign countries is very much higher than that achieved in India because the degree of mechanisation is on an entirely different scale in foreign countries. In addition the climatic conditions also is an important factor for higher OMS. The bulk of the production is completely mechanised. Most of the faces are worked by powered supports and modern Cutter Loaders and Shearers. Transport and other operations in the mine from the coal face right upto wagon loading are more or less automated. In many cases centralised control of operations has been practised and computers are in use. Mechanisation and automation/remote control of this order has not been supplied in Indian Mines, for various reasons including extremely heavy capital requirement, resulting in redundancy of labour in existing mines, and the technology gap. Progressively, however, the degree of mechanisation and automation will be increased and requisite steps are already in hand to organise a Division for Planning, Design, Research Co-ordination and Development, which is an essential pre-requisite to progress in this direction."

5.38. During evidence the Committee pointed out that OMS in India was the lowest in the world and hence there was need for increasing it. In this connection, the Secretary of the Ministry stated as follows:—

"We should not go in for a heavy degree of mechanisation here as there is seething unemployment. At the same time, we do not want to employ too many people because we are exposing them to a large amount of risk. In every mine an assessment should be made of the optimum technology that should be utilised with the existing manpower. For instance, in this country even in 1975 there are people cutting coal with pick axes. This is certainly not good. You can give them compressors or drills, do a little bit of blasting, so that you get more production, because when it gives high production with the same manpower you will get higher productivity and you will also be able to get much better results. This is one of the steps we have recently taken.

Only recently the country has started manufacturing a small number of electric drills. So, we imported 2,000 drills and this immediately started showing results.

There has been a shortage of explosives. We have taken steps to see that their manufacture is increased.

In some of the open cast mines there is no compressor. It is on account of that the OMS in these mines is very low. It is costing us a tremendous amount of money.

These are the directions in which we are asking the managements to do something quickly.

The very fact that with the existing manpower we have increased production by about 10 million tonnes during the year is itself reflected in the higher OMS. If next year, with the manpower almost at present levels, except for marginal increase where we acquire new areas for mining, we produce another 10 or 12 million tonnes, I am sure the OMS will go up. It is a gradual step."

5.39. Asked if the performance of each project was reviewed periodically, the witness stated as follows:—

> "Normally, monthly meetings are held, the OMS of the colliery is analysed, the reasons for poor performance are taken into consideration when the target of OMS for each mine is fixed, and if it is not achieved, the Project Manager is called and discussions are held for finding out remedial measures. This is a continuous exercise for improvement."

5.40. The Committee enquired if better environment for workers was not a 'must' for improving conditions of the work. The Secretary of the Ministry said that dust control, ventilation and better lighting were the three important things in any underground mine to improve conditions of work. He further stated as follows:—

> "The conditions in which the workers live are absolutely primitive and in many areas the places where they live cannot be called houses. But the workers under the NCDC have been provided with better standard type of houses, though they cannot be compared to the houses built in the steel plants or fertiliser plants. In the recent wage agreement, we have said that instead of giving money to those who do not have houses, assets worth Rs. 5 crores a year will be created for the construction of houses. I am very much interested to see that their living conditions are far improved. There is no use giving them money if the standard of living is not improved. But considering that 5½ lakhs of workers are under one umbrella, amelioration of their living conditions is going to take a lot of time. A plan has already been put into motion for this purpose. With the production going up to 135 m. tonnes, we should be occupying the fourth or fifth position in the world and we want to hold up our head high and prove to the world that we are good employers."

5.41. The Secretary of the Ministry agreed with the view expressed by the Committee that Cooperation and association of the workers right from the top level was necessary for better results of OMS.

5.42. The Committee find that OMS in the NCDC mines has been varying from year to year. The targeted OMS was generally less than that indicated in the Project Reports and the actual OMS was

generally lower than the targets except in certain case. OMS in the underground mines was low compared to the national average more so if the level of mechanisation in NCDC mines was taken into consideration. The Committee has already stressed that the Management should evolve an accurate and scientific system of calculating the OMS in different mines so that the factors which affect the OMS in a particular mine are clearly pinpointed while comparing the actual OMS with the norms laid down.

5.43. The Committee understand the OMS in India was perhaps the lowest in the world. Deficiencies in the skill of workmen, faults of organisation management and poor maintenance of equipment, lack of modern tools have been cited as the main reasons for lower OMS in the NCDC mines. It has been admitted that the management itself was not as good as it should be. The Committee feel that NCDC cannot escape its primary responsibility for all these shortcomings. Restriction of production with reference to demand, inadequate wagon supplies for planned off-take, interrupted power supply and geological disturbances are also stated to have affected production and thereby OMS.

5.44. The Committee are informed that both the Corporation and the Ministry have taken a number of steps in order to bring about improvement in OMS in the NCDC mines. Training of workers, improving the availability and utilisation of machines, full utilisation of manpower and making available necessary inputs are steps in the right direction. They are also informed that monthly meetings are held to analyse the OMS and the reasons for poor performance and remedial measures are taken in the light of such analysis. The Committee recommend that the Corporation should pursue these measures vigorously and earnestly and they have no doubt that with the progressive meachanisation of mines, improvement in wage structure and housing and health facilities and working conditions, it should not be difficult to improve OMS in the NCDC mines, and raise it to the level of some of the advanced countries. Adequate steps should continue to be taken to improve further the working conditions of labour and their co-operation and association in the task of raising production should be ensured by establishing healthy labour-management relations. The Committee need hardly stress the acquisition of associating labour with the Management at all levels. The Committee also recommend that the Ministry should help the Corporation in removing constraints like irregular and inadequate wagons supplies, interrupted power supply etc., in order to ensure that the productivity in the NCDC mines is not affected due to shortfall in production on account of factors which are beyond the control of management.

5.45. The Committee need hardly stress that OMS is an index of accountability and a yardstick for increasing efficiency and the Management will be failing in their duty if they do not review the degree of efficiency achieved in each mine and all the mines as a whole. They would therefore recommend that the question of OMS should be a standing item on the agenda of the Board meetings so that the Board not only gets an opportunity to review this matter periodically but also takes measures to bring about improvement in productivity.

VI

COSTING SYSTEM AND ANALYSIS OF COSTS

A. Costing System

6.1. The Company prepares a monthly cost sheet for each mine. Upto 1969-70 the monthly cost sheets indicated the total cost as well as the cost for each activity. In July, 1970 the Company introduced the 'direct' costing system which envisages the ascertainment of direct cost of each mine and its contribution to the fixed common cost which cannot be easily allocated to individual units. This system was introduced with a view to attain the following objectives:—

(1) To collect wages, stores and other expenses item-wise instead of activity-wise and to spell out variability and non-variability of each item of expense.

(2) To highlight the cost of each centre of production.

(3) To facilitate comparison of actual cost with budget.

(4) To facilitate compilation of vital management information on production, profit maximisation, productivity, comparative economics of various methods adopted in mining, etc.

(5) To facilitate management decision on the continuance/closure of each mine through techno-economic survey.

6.2. The Company is of the view that any comparison of the actual cost with the cost of production as indicated in the relevant project report is not likely to present a correct picture as the Project report is prepared on the basis of the then available figures of cost and prices which have since registered very high increases as a result of increase in wages, cost of stores, power tariff, etc. During evidence before the Committee on Public Undertakings [Para 10.2 of 67th Report (4th Lok Sabha)] the representative of the Company, therefore, opined that the only way to determine the reasonableness of the cost of production was by ascertaining the standard cost under each component of cost *viz.*, lubricants, power, wages, salaries, etc.

6.3. However, the Management have now stated (May, 1972) that the concept of standard costing, as is understood in an engineering industry, has no relevance in the mining industry. Consequently the standard cost of production has not been fixed by the Company for each mine. Even the cost was not estimated (Upto 1972-73) at the beginning of each year with reference to the expected production and the working conditions. As a result, the Management had no yardstick to exercise control on actual cost and to assess the reasonableness thereof. In this connection, it may be mentioned that in reply to a recommendation made in Para 169 of their 10th Report (4th Lok Sabha) the Ministry informed the Committee on Public Undertakings in November, 1968 that estimates of cost were being evolved for each unit after taking into account the method of mining present level of wages, current and anticipated levels of output and prices, lubricants, etc. It is only with effect from 1973-74 that the Company has started preparing flexible cost for different levels of production in respect of each colliery. The work in the Costing Branch is regulated according to the instructions and guidelines issued from time to time which have since been compiled in the form of a booklet.

6.4. During evidence the Committee enquired as to how they were informed in November, 1968 that estimates of cost were being evolved for each unit, when estimates of cost for each mine had not been fixed upto 1972-73. They asked if the standard cost for each mine could not be fixed. The Secretary of the Ministry stated as follows:—

> "I was surprised to see the answer given by NCDC that standard cost cannot be evolved for a mine. I do not agree with this. Certainly standard cost should be evolved. It used to be done before and we will tell the NCDC to continue it".

6.5. In a note submitted to the Committee the ministry have further stated as under:—

> "Fixing of standard cost for each mine is a routine management function and an essential and elementary means of cost control. The cost budget of a colliery is itself based on this concept to some extent but what is necessary is a month by month review of actual performance against this estimate and provision of remedial measures where necessary."

6.6. On the 14th April, 1975 the Secretary of the Ministry issued a letter to all coal companies in public sector and emphasized the importance of evolving 'Standard costs' for individual mines as it was through these that their actual performance could be assessed.

He *inter-alia* stated as under:—

"An impression seems to have gained ground that what is commonly known as 'standard cost' cannot be evolved for the mining industry. This, in my opinion, is rather an erroneous impression. Generally even at the time when project reports are prepared, the average cost of operating the mine and its profitability are assessed. This however, cannot hold good for the life time of the mine. It is necessary that periodical reviews are undertaken and standard costs prepared considering the geological conditions prevailing at that particular time, the extent of mechanisation, the manpower employed and the efficiency obtainable from the mine. It is against such a 'standard cost' that the actual cost of working of the mine should be compared and the performance of the mine and its management evaluated."

Upto 1967-68 there was no system of reconciliation between cost accounts and financial accounts. From 1968-69 onwards the reconciliation is done on an annual basis even though periodical finanical accounts are prepared from 1969-70."

6.7. In this connection the Management have stated as follows:—

"It is agreed that periodical financial accounts should be prepared in order to reconcile with the periodical cost accounts. But this has been made practically difficult due to the large efflux of costing and accounting personal since 1971 (the date of taking over of coking coal mines) and 31st January, 1973 (the date of taking over of non-coking coal mines) the management had to pull out quite a large number of accounts and costing personnel from the NCDC set up for this purpose. The work in the costing and accounting sections of NCDC had suffered a set back due to this and even at this stage we are unable to recruit suitable accounts officers willing to work in the outlying coalfields and in the taken-over mines. Every effort is however being made to offer increased salaries to qualified cost and Chartered Accountants and an intensive recruitment scheme has been in vogue for the past twelve months. As early as possible it will be the management's endeavour in their own interest to ensure periodical financial accounts are prepared so that they can be reconciled with the cost accounts."

6.8. The Committee enquired about the extent to which objectives have been actually achieved with the help of the costing system at present in vogue. The Management have stated as under:—

> "From the latter part of 1972-73, the Company started preparing in advance flexible costs for the different levels of production in respect of each colliery applicable for the immediate future period. In this process, the Management is collecting figures for wages and other expenses item-wise showing variable and fixed cost. This exercise heps the management in compilation of vital management information on production, profit and productivity etc.
>
> This, in our opinion, is a continuous exercise and we are in a position to assuhe that this continuous periodical examination of actual cost with each area management has provided opportunity to locate expenses that can be controlled and to initiate further action. This system of flexible cost is also by practice getting improved and now we are aiming at preparation of such flexible cost at different levels at each project by the project management itself, instead of being superinmposed on them by top management so that all such statements can be consolidated and vetted at the regional headquarters. The tangible results of such exercise would have become more prominent but for the increase in wages peridically due to variable D.A. and continuous increase in the costs o f stores, explovices, POL and increase in the costs of stores, explosives, POL and power. The Management is conscious of this aspect sysengaged in the further improvement of the costing system so that a realistic comparison can be made as compared to the flexible budget made."

B. Cost of Production

6.9. The actual cost of production in different collieries of the Company during 1970-71 to 1973-74 is given in Appendix III.

6.10. It will be seen that except in few cases the cost of production had a relationship with the volume of production *i.e.* with increase in production the cost per tonne came down and *vice versa*.

6.11. The fiffled and variable costs per tonne of coal produced during the years 1970-71 to 1973-74 are shown in Appendix IV. Normally, with increase in the quantum of production, the fixed cost per tonne should come down and *vice versa*. It will, however, be seen that in the case of Argada, Bhurkunda, Giridih, Deulbera, Kurasia, Kathara, Manikpur, Jamuna, Jhingurda and Patherkhera collieries the fixed cost per tonne did not increase/decrease with the corresponding decrease/increase in production. In some of these cases the fixed cost per tonne increased despite increase in production though ordinarily it should come down. It will also be seen that the variable cost per tonne of coal produced in different collieries during 1971-72 as compared with 1970-71 does not indicate any set pattern *i.e.* in certain cases it increased while in others it came down. Same was the position during 1972-73. The Management stated (February, 1974) that itemwise variations in expenditure were not being analysed.

6.12. During evidence the Chairman, CMAL, however stated as follows:—

> "I think this was a wrong statement made by one of the officers of the NCDC while he should not have made. I regret the error". He added that the statements are prepared month to month item-wise. The Committee pointed out that in certain collieries the production of coal had increased but the cost of production had not come down. The Witness explained that there were other factors affecting the cost of production like wage increase, cost of imputs and overburden of coal etc.

6.13. In October, 1971 after a detailed study, the Cost Accounts Department of the Company suggested the possibility of reduction in the cost of production in various units. These suggestions were considered in November, 1971 in a meeting between the Chairman and the Area General Managers. The extent of reduction in the cost over the actual cost of production in 1970-71 as suggested by the Costing Department and that accepted by the projects are indicated below:—

(Rs. per tonne)

	Colliery	Cost of reduction over 1970-71 level	
		Proposed by the Costing Department	Accepted by the Projects
1	2	3	4
1.	Bokaro	5·76	2·91
2.	Kargali	6·23	5·43
3.	Jarangdih	3·11	..

1	2	3	4
4.	Sawang	3·08	..
5.	Argada	12·02	0·37
6.	Bhurkunda	10·88	3·36
7.	Giridih	1·60	..
8.	Talcher	16.10	9·10
9.	Deulbera	6·40	0·80
10.	Kurasia	4·66	0·32
11.	Kathara	9·98	..
12.	Chalka	27·40	4·25
13.	Sounda	6·00	3·53
14.	Bachra	1·50	..
15.	Gidi 'A'	6·18	0·41
16.	Gidi 'C'	4·21	..
17.	Sayal 'D'	2·86	
18.	South Balanda	6·00	1·77
19.	Korba	0·70	
20.	Banki	3·77	
21.	Manikpur	1·82	..
22.	Bisrampur	0·77	
23.	Churcha	2·12	
24.	Korea	2·74	..
25.	Jamuna	3·43	..
26.	Duman Hill	1·25	..
27.	Jhingurda	3·99	1·12
28.	Patherkhera	5·11	..
29.	Umrer	0·72	..

6.14. It will, however, be seen from the figures of actual cost per tonne for 1971-72 that except in the case of Gidi 'A' where the fall in the cost of production was more than what was accepted by the projects, the actual cost in other cases either increased as compared with 1970-71 or the reduction was less than that accepted by the projects. During 1972-73, the cost of production actually went up in Bokaro, Bhurkunda, Talcher, Deulbera, Kurasia, Saunda and Gidi 'A'. However, the cost came down in the expected level in the case of Kargali, Argada, Chalkari and South Balanda.

6.15. The Committee enquired about the reasons for such a big difference between the cost reduction proposed by the cost accounts department and that accepted by the Management and about the reasons for non-achievement of the accepted level of reduction in cost. In a note submitted to the Committee, the Management have stated as follows:—

> "A Sub-Committee consisting of members from the NCDC Board which also included the Chief Technical Adviser to the Government of India was appointed for making a detailed cost study for cost control measures. While action was taken to prepare a paper for it, coking coal nationalisation came into being with a result the Committee could not meet as the Chief Technical Adviser was fully engaged in organising the taken over coking coal mines and he was also appointed as the Custodian General. However, as the paper was prepared by the Cost Accounts Department, this was discussed with the Area General Managers. This report was prepared entirely by the Cost Accounts Department based on the various monthly cost reports and the cost reduction suggested by them was only a base for starting a discussion. While fixing such a reduction the other external factors which are outside the control of the colliery management were not taken into account. After discussion, Area General Manager was asked to accept certain reductions. This is the first step taken by the Corporation towards cost reduction and making the technical people more cost conscious. The exercise was done basically with an idea to infuse in the minds of the technical people that theoretically such a cost reduction is achievable provided all their efforts are directed towards all the items of cost for which minimum cost figures have been taken by the Cost Accounts department. The Management was aware at that time itself that such cost reduction (per tonne figures) were not practically achievable at one stroke.

> The Management was conscious of the fact that there will be large differences between the figures compiled by the Cost Accounts Department and the figures to be accepted/accepted at the meeting of the Area General Managers. It is also true that in some cases even the figures

which have been accepted by the Area General Managers have not been achieved in certain projects. These have been examined and this has been a continuous exercise for the past 5/6 years and we have been preparing cost/performance reports for discussion in quarterly meetings with the Area General Managers with an idea to understand the reasons for such non-achievement and also to evolve remedial measures wherever necessary."

6.16. The Committee enquired if the reduction in costs already achieved upto 1972-73 was maintained during 1973-74 and if there was further reduction so as to bring the actual cost upto the expected level. The Management have stated as follows:—

"Effective cost control and cost reduction received a set-back because officers from different disciplines had to be deputed for the take over of the coking and non-coking coal mines. Further, the increase in the cost of plant and machinery, stores, power and extra wages in the form of V.D.A., which are out of the control of the Management, also affected this to some extent. Also delay in the timely arrival of inputs and restriction in the production with reference to off-take also to certain extent contributed for this. However, with the formation of CMA and with positioning of men in the collieries, the cost control measures have again been geared up."

6.17. The Committee regret to note that the Management have not fixed the standard cost of production for each mine on the plea that the concept of Standard Costing has no relevance in mining industry even though they have themselves joined during evidence before the Committee on Public Undertakings (Para 10.21 of 67th Report 4th Lok Sabha) that the only way to determine the reasonableness of the cost of production was by ascertaining the standard cost under each component of cost.

6.18. Although the Ministry informed the Committee in November, 1968 that estimates of cost were being evolved for each unit after taking into account the method of mining, present level of wages, current and anticipated level of output and prices etc., it was only with effect from 1973-74 that the Corporation had started preparing flexible cost for different levels of production in each colliery. It was only in April, 1975 that the Ministry issued directions to all the coal companies in public sector emphasising the

importance of evolving standard costs for individual mines and the need for evaluating the performance of each mine with respect to such standard cost.

6.19. The Committee take a very serious view of the contradictory statements made by the Corporation from time to time and of its failure to fulfil the assurance given to the Committee and regret to observe that the Ministry had taken too long to correct the 'erroneous' impression of the Corporation in this regard. They recommend that the Corporation should lose no further time to work out the standard cost of production for each mine after taking into account the geological conditions prevailing at the particular time, the extent of mechanisation, the man-power employed and the efficiency obtainable from the mine. The standard cost so worked out should be reviewed periodically so as to make it realistic.

6.20. The Committee note that the actual cost of production had been varying from year to year in NCDC mines except in a few cases. The cost of production had a relationship with the volume of production i.e., with increase in production the cost also came down. However, in the case of certain collieries, the fixed cost of production per tonne did not increase/decrease with the corresponding decrease/increase in production as normally expected. The Committee regret to note that the Management had not been analysing itemwise variations in expenditure though details of fixed and variable costs were being worked out year-after year.

6.21. The Committee also note that after a detailed study, the cost Accounts Department of the Corporation suggested the possibility of reduction in the cost of production in various units and, after discussion with Area General Managers, certain levels of reduction in the cost were agreed to in 1971. They find that in the case of some of the collieries, there was a big difference between the reduction proposed by the Cost Accounts Department and the reduction accepted by the Area General Managers. The Committee further note that in some of the cases even the extent of reduction accepted by the Area General Managers had not been achieved. The Committee are also informed the effective cost control and cost reduction received a set back because officers of different disciplines had to be deputed for the take-over of the coking and non-coking mines.

It has been stated that increase in the cost of plant and machinery, stores, power and restrictions in the production with reference to off-take also affected cost of production.

6.22. The Committee recommend that detailed and accurate analysis of cost of production in different mines should be carried out with reference to the standard cost in order to identify the areas where improvement is urgently called for and concerted measures taken expeditiously to reduce the cost of production to the desired level. They hope that with the formation of Coal Mines Authority the machinery of the Corporation would be fully geared up and no efforts spared to achieve the desired reduction in the cost of production.

6.23. The Committee strongly feel that the management have a special responsibility to keep a close watch on the cost of production. They recommend that the question of cost of production should be a standing item on the agenda of the Board meetings to enable the Board to review the position critically, identify the areas where economies can be effected and watch the results of the remedial measures taken in this regard. They also recommend that a review of the cost of prodution should be prominently reflected in the annual report of each mine and NCDC/CMA should also prepare an annual appraisal of the cost of production in their mines as a whole and deal with this important matter in a separate Chapter of its annual report.

6.24. The Committee need hardly stress that the Cost Accounts Department should be an integral part of the Management of each colliery and the Management should work in close cooperation with the Cost Accounts Department without which it may be difficult for the Management to exercise effective control over costs and effect economies.

6.25. The Committee also note that upto 1967-68 there was no system of reconciliation between cost accounts and financial accounts. From 1968-69 onwards the reconciliation was done on an annual basis even though periodical financial accounts were prepared from 1969-70. It has been stated that the preparation of periodical financial accounts and their reconciliation with the cost accounts have become practically difficult, due to large efflux of costing and accounts personnel from NCDC consequent on the taking over of coal mines in 1971 & 1973. The Committee are informed that efforts are being made to recruit qualified Cost and Chartered Accountants. As no system of costing can be considered sound unless

there is a reconciliation of cost accounts with financial accounts, they hope that the Management will soon complete ail necessary measures to fill the void in the organisation and ensure that there is a regular system of reconciliation of cost figures with financial accounts.

VII

WASHERIES

PERFORMANCE ANALYSIS

A. Historical background

7.1. In order to meet the coal requirements of Rourkela and Bhilai Steel Plants and the middlings requirement of Bokaro Thermal Power Station the first Washery in the Public Sector (at Kargali) under the management of the National Coal Development Corporation Limited was commissioned in November, 1958 with an input capacity of 1.94 million tonnes of raw coal per annum.

7.2. To cope up with the expected increase in demand of washed coal during the Third Five Year Plan and to conserve high grade coal, the Company decided in February, 1962 to expand the capacity of the Kargali Washery and to set up three new washeries at Kathara, Sawang and Gidi. Simultaneously it initiated studies for designing seven new Washeries at Sudamdih, Monidih, Govindpur, Pundi, Sawang (Expansion), New Bokaro and Ramgarh during the 4th Five Year Plan.

B. Kargali Washery

7.3. Kargali Washery was commissioned in November, 1958 with an input capacity of 1.94 million tonnes of raw coal per annum.

7.4. In order to beneficiate the annual production of 0.50 million tonnes of raw coal from Chalkari Colliery, modification of the Washery was taken up in April, 1963 and was completed in January, 1967 at a cost of Rs. 1.46 crores, the modified input capacity being 27.2 lakh tonnes of raw coal per annum and the expected yield of clean coal, middling and rejects being 72.8 per cent, 19.0 per cent and 8.2 per cent respectively. The cost of clean coal was estimated at Rs. 30.56 per tonne after taking into account the realisation from the sale of middlings. According to the Project Report the raw coal requirements of the Washery were to be met from Bokaro, Kargali and Chalkari mines which were expected to feed 15 lakh tonnes, 7.2 lakh tonnes and 5 lakh tonnes respectively of raw coal per annum. As Chalkari Colliery was not able to give the expected production, raw coal from Jarangdih mine which was inferior in quality was also being charged to the Washery.

7.5. It has now been stated that Chalkari Colliery is expected to go into full production target by 1978-79. At present Jarangdih coal is not being fed to Kargali Washery and the entire production of Chalkari is going to Kargali Washery.

7.6. The following table indicates the input of raw coal in the Washery and the output of clean coal, middlings and rejects during the years 1969-70 to 1972-73 based on the annual cost and performance reports prepared by the Company:—

	1969-70	1971-71	1971-72	1972-73
(i) Raw Coal input (Lakh tonnes) .	21·77	19·93	20·74	20·86
(ii) Clean coal out put (Lakh tonnes) .	14·96	14·04	14·64	14·86
(iii) Percentage of clean coal to raw coal input	68·70	77·40	70·67	71·22
(iv) Middlings output (Lakh tonnes) .	3·80	3·53	3·58	3·83
(v) Percentage of middlings to raw coal input	17·50	17·70	17·30	18·37
(vi) Rejects output (Lakh tonnes) . .	3·01	2·36	2·49	2·17
(vii) Percentage of rejects to raw coal input	13·80	11·90	12·03	10·41
(viii) Cost of production of clean coal (Rs. per tonne)	55·51	56·72	58·11	61·63
(ix) Selling price of clean coal (Rs. per tonne)	57·80	60·77	59·95	64·52

NOTES :—1. The middlings are supplied to Bokaro Thermal Power Station at a price fixed on the basis of the market conditions. No separate cost of production for middlings is ascertained and the sale realisation therefrom is treated as reduction of the cost of washed coal.

2. Washed coal is supplied to Bokaro, Rourkela and Bhilai Steel Plants and the Selling Price is fixed periodically after negotiations with the H.S.L.

3. The output of clean coal and middlings as indicated in the above table include moisture. The percentages of out put of clean coal and middlings to raw coal input are, therefore, not comparable with those indicated in the project report.

4. The figures of output of clean coal include fine coal recovered from slurry ponds. The figures of rejects represent residual figures.

7.7. It will be seen that:—

(1) The actual input of raw coal was always less than the modified rated capacity. The Management have stated

(May, 1972) that the production of clean coal and middlings was restricted to the availability of orders from consumers ie. Rourkela and Bhilai Steel Plants for clean coal and Bokaro Thermal Power Station for middlings and also availability of wagons for despatch. According to the Management, the loss in input of raw coal to the extent of 3.45 lakhs tonnes during 1970-71 (since January, 1970), 1.15 lakh tonnes during 1971-72 and 1.10 lakh tonnes during 1972-73 was attributable to the non-availability of wagons.

(2) Although the output of clean coal and middlings included moisture, their yield was still less than the estimated yield. According to the Management (May, 1972) the lower yield of clean coal and middlings was due to inferior quality of Jarangdih coal having higher ash content. Against the expected ash content of 21.7 per cent, the coal fed into the Washery contained ash ranging between 23 and 24 per cent.

(3) The cost of production has been gradually increasing and was much higher than the estimated cost which has been attributed by the Management (May, 1972) to rise in the cost of materials, power, etc.

7.8. In October, 1971 the Cost Accounts Department of the Company suggested the possibility of a reduction of Rs. 1.95 per tonne in the cost of washed coal (Rs. 1.50 on transportation of raw coal by contractors, 15 paise in overtime payments and 30 paise in mechanised loading). The Washery, however, accepted (November, 1971) the possible reduction of only 6 paise in overtime payments.

7.9. A statement indicating the position in regard to payment of overtime allowance during 1971-72, 1972-73 and 1973-74 is given below:

	1971-72		1972-73		1973-74	
Normal wages (Rs.) in lakh	20·64		22·57		25.43	
	Amount (000 Rs.)	% to N. wages	Amount (000 Rs.)	% to N. wages	Amount (000 Rs.)	% to N. wages.
Sunday O.T. . .	134	6·49	159	7·06	196	7·71
Ordinary O. T. .	302	14·63	453	20·09	686	26·99
Total O.T. . .	436	21·12	612	27·15	882	34·70

7.10. It has been stated that due to frequent power interruptions in the year 1973-74 to maintain the plant with a view to keep up the production, the overtime had to be resorted to.

Transportation of Raw Coal

7.11. As per the original Project Report 1.5 million tonnes of Bokaro Coal was required to be transported by an aerial bi-cable ropeway installed between Bokaro quarries and Kargali Washery at a cost of about Rs 16 lakhs. The ropeway was commissioned in November, 1958.

The performance of the ropeway, however, deteriorated to such an extent that the total coal transported per month dropped to a low a figure as 38,000 tonnes in May, 1963 thereby affecting the total output of Bokaro colliery as well as Kargali Washery.

7.12. An alternative method of transport was proposed as under:—

(a) To bring out of the quarries all the coal handled by the then aerial ropeway through a system of conveyors to the surfare and transport the same by the plant wagons on the internal B. G. system. A Railway track was already existing between Kargali Washery and Chalkari and this proposal meant a short extension by mere 2500 ft. or so. It was also considered that the rail transport could be supplemented by road transport, if necessary.

(b) The scraper chains to be eventually replaced by wagon tippler for fast unloading of wagons.

7.13. The above scheme of transportation was to be gradually changed over to complete wagon transportation after making necessary changes in the track layout. both at loading and receiving ends to deal with a large fleet of wagons. These short and long term proposals for transportation having been approved by the top management and the capacity of the alternative mode of transport having fully established, the ropeway was discontinued with effect from 19-7-63.

7.14. The process of gradual change over to complete wagon transport was, however, hampered due to non-availability of wagons. The Corporation had a fleet of 80 condemned wagons purchased in the year 1960. By 1963 only about 70 wagons were in use, the remaining having been deteriorated beyond economic repairs during 1964. 8 more condemned wagons were procured but it was realised that condemned wagons had limited utility and these had to be replaced by new wagons. Hence procurement of wagons in a phased manner was initiated. An order for 30 wagons was placed in December, 1965 and delivery was completed by the end of 1966. By the end of 1965 the first lot of 8 wagons purchased in 1960 had become totally unfit. Hence to augment the fleet 15 condemned wagons were purchased in February, 1966 and 29 condemned wagons in February, 1967. Second lot of 30 wagons was ordered in March, 1968 and the supplies were completed by the end of 1969. An order for 30 wagons was placed in May, 1969 against which no supply has been made so far. Further order for 60 wagons was placed in June, 1974. The supplies against this order are expected to commence from the middle of 1975.

7.15. With a view to maximise the movement of coal by rail and ensure progressive elimination of road transportation from Bokaro, Kargali and Chalkari Collieries, a comprehensive scheme comprising the following items was formulated in May, 1968:—

1. Alteration and modification of the rail track from Chalkari to Bokaro rail point.
2. Linking the existing Bokaro line with Kargali yard.
3. Laying of feeding track for second wagon tippler.
4. Provision for screening and crushing plant and installation of second wagon tippler.
5. Procurement of 2 wagon haulers, one weigh bridge and 150 open four wheeler wagons sufficient to move 13.80 lakh tonnes of additional raw coal from the three Collieries.

7.16. The scheme was expected to be completed at a cost of Rs. 26.80 lakhs by the end of June, 1971. 2 wagon haulers and a weigh bridge were already lying with the Company. 60 out of 150 wagons were procured during 1966-67 to 1968-69. The total cost incurred on these items being Rs. 25.55 lakhs. Civil works for the second wagon tippler were also completed in October, 1970 at a cost of Rs. 1,23,000.

7.17. In a note submitted to the Committee the Management have stated as follows:—

"The transportation scheme as formulated in 1968 has been completed, but its advantage could not be taken till now because of the non-availability of wagons for the movement of raw-coal. The order on the firm for the supply of wagons was placed but due to labour trouble at the firm, the wagons could not be supplied. The matter is being pursued with them. Efforts were also made to get the condemned wagons from the Railways but the wagons offered by them were not found suitable. Further order has been placed with Indian Standard Wagon Co., Burnpur."

7.18. A study made by the Management in September/October 1970 revealed that transportation of coal by rail, on completion of the scheme, will be much cheaper than that by road as per details given below:

Colliery	Distance	Cost per tonne	
		Rail transport	Road transport (Existing Rate)
		Rs.	Rs.
Bokaro	3 Kms.	1·68	2·33
Chalkari	3 Kms.	1·68	2·33
Kargali	1 Km.	0·56	1·75

7.19. Had the transportation scheme been completed in time the Company could have moved an additional 5.27 lakh tonnes and 5.57 lakh tonnes of coal by rail in 1971-72 and 1972-73 and thereby saved Rs. 3.46 lakhs and Rs. 2.41 lakhs respectively.

7.20. The Committee enquired during evidence as to why this scheme could not be formulated earlier. The Chairman, CMAL stated that the scheme could have been envisaged earlier but at that time the provision for transport by broad gauge railway was not considered.

7.21. Asked about the year-wise expenditure incurred for the movement of coal by Road from Bokaro Colliery to Kargali Washery, the Management furnished the following figures:—

Period	Receipt from Bokaro Colliery	Amount
	Tonnes.	Rs.
1963-64	554800	12,35,452
1964-65	784478	16,93,628
1965-66	727957	15,32,584
1966-67	737477	15,86,399
1967-68	743185	16,06,198
1968-69	940346	26,58,994
1969-70	917493	27,01,034
1971-72	953654	28,63,283
1972-73	915509	29,12,529
1973-74	936674	34,34,463
1974-75 . . . . (upto Jan. 75)	778235	34,82,628
		254,71,792

7.22. In a note submitted to the Committee the Ministry *inter-alia* stated that the Management were presently engaged in an indepth study of transport requirements of Bokaro and Kargali area with a view to enhance rail transport, minimise road transport and even departmentalise the road transport as far as possible.

7.23. The Committee note that a bi-cable ropeway installed for the transportation of coal from Bokaro Colliery to the Kargali Washery had to be discarded in July, 1963 because of its unsatisfactory performance and it was decided to change over gradually to complete wagon transportation. Orders for the procurement of wagons to replace unfit wagons and to augment the fleet were placed in 1964, 1965, 1966, 1967, 1968, 1969 and 1974. Since 1963 the raw coal is being transported partly by trucks through contractors and partly by Company's own railway wagons. With a view to maximise movement of coal by rail and ensure progressive elimination of road transportation from Bokaro, Kargali and Chalkari Collieries, a comprehensive scheme was formulated only in May, 1968. Although the scheme had been completed its advantage could not be taken till now because of the non-availability of wagons for the movement of coal. The Committee are informed that if the scheme had been put into operation

in time the Corporation could have moved additional quantities of coal by rail which was much cheaper than road transport and saved about Rs. 5.87 lakhs during 1971-72 & 1972-73.

7.24. An amount of about Rs. 255 lakhs has been spent on the transportation of coal by road from Bokaro Colliery to the Kargali Washery during 1963-64 to 1974-75 (upto January, 1975).

7.25. The Committee regret to note that ever since the discontinuance of the ropeway in 1963, no systematic study has been made to assess the wagon requirements of the colliery for the movement of coal and no long term plan has been formulated to replace the unsuitable wagons and augment the fleet of wagons for the purpose. The orders for more wagons were placed piece-meal from time to time. The Committee are not sure whether the difficulties encountered by the Corporation in the procurement of wagons were ever brought to the notice of the Government. They are unhappy to find that because of its inability to augment the fleet of wagons to meet the total requirements of the colliery, the Corporation used costlier road transport of private contractors all through this period and incurred extra expenditure which could have been avoided if a comprehensive plan for the procurement of wagons had been chalked out in 1963 itself and pursued vigorously. The Committee recommend that all aspects leading to the delay in change over from road transport to rail transport should be thoroughly investigated in order to pinpoint lapses, fix responsibility and take suitable action.

7.26. The Committee are informed that the Management are now engaged in an indepth study of transport requirements in the Bokaro-Kargali area with a view to enhance rail transport and departmentalise the road transport as far as possible. The Committee recommend that the study of all aspects should be completed expeditiously and the management should also expedite the departmentalisation of road transport in order to avoid dependence on private contractors and reduce the cost of production. They also recommend that Government should render all assistance to the Corporation in the matter of procurement of wagons so that the schemes formulated by the Management are not held in abeyance due to paucity of wagons.

C. Bicable Ropeway

7.27. Consequent upon the abandonment of bicable ropeway, 5,830 metres of locked coil ropes purchased in July, 1963 for Rs. 2.35 lakhs became surplus and are awaiting disposal.

7.28. In this connection the Ministry have stated that since the locked coil ropes could be used only for the bicable ropeway system, which were in the country there had been great difficulty in the disposal of the ropes. The C.O.S. Ranchi had been making persistent efforts since 1969 to sell the ropes to the Chief Engineer, Coal Board for use in their rope-way system. Negotiations about the price were taken up and this took long time due to reluctance of the Coal Board to pay the price fixed. After the take over of the Coal Board by BCCL, negotiations were resumed with BCCL who have conveyed (January, 1974) their acceptance of the ropes at 50 per cent of the original purchase price. The sale is, however, subject to the lengths of the reels being found suitable for BCCL's ropeway system.

7.29. The Committee find that consequent upon the abandonment of bicable ropeway, 5,830 metres of locked coil ropes purchased in July, 1963 for Rs. 2.35 lakhs became surplus and are still awaiting disposal. In the opinion of the Committee the purchase of new ropes in July, 1963 should have been avoided when during the same month the Corporation had decided to discontinue the use of ropeway. The Committee would like the matter regarding the purchase of new ropes should be thoroughly investigated and responsibility for the avoidable expenditure fixed. They would like to be informed whether this matter was at all considered by the Board of Directors at any stage before the purchase was actually undertaken. The Committee are informed that the BCCL has now agreed to purchase the rope at 50 per cent of the original purchase price subject to the condition that the length of the reels is found suitable for BCCL's ropeway system.

7.30. The Committee feel that it should not have taken the Corporation so long to dispose of the surplus bicable ropeway when the same was required by another public body/undertaking. The Corporation should have sought the help of Government/BPE when there was disagreement between the Corporation and BCCL about the price of the ropeway. The Committee recommend that Government should issue guidelines to all the public undertakings about the steps to be taken by them in case of disagreement between two public sector bodies over the purchase and sale of surplus items. The Committee expect that the bicable ropeway would be sold to BCCL at an agreed price without avoidable delay. The Committee would like to be informed of the position.

D. Unsatisfactory Performance of Filter Plants

7.31. At the time the Kargali Washery was built and commissioned towards the end of 1958 with Japanese Collaboration, there had been in existence just 2 or 3 small Washeries in the country in the Private Sector but none of them with an arrangement for washing fine coal as it was always considered difficult to beneficiate the same.

7.32. The Washery was designed on an open circuit principle and all that was provided for recovery of fines was a 60 ft. dia. thickner or with a flimsy non-lifting type rake mechanism, three small drum-type filters (2 for normal working and the 3rd as a stand by) of 5 tons per hour capacity each. Providing a lifting rake mechanism in the thickner would have cost more, which the Japanese avoided. An examination of the Tender documents reveals that a loss of fines at the rate of 1.5 tons per hour or 500 tons per month was permitted in the design itself. The filters were expected to recover fines in the form of cake at the rate of 7.5 tons per hour only. Certain losses were therefore inherent in the design itself and the designers had not made any provision for its recovery.

7.33. The initial offer of the Japanese firm was to build six slurry ponds each of 5300 cft. capacity, at a total cost of Rs. 59,676/- as a means for recovery of fines. The Corporation, however, preferred to accept the optional offer of the Japanese firm to have mechanical device for recovery of fines at a total cost of Rs. 3,35,458/-. The fact that the Japanese had offered Slurry Ponds initially shows that they themselves had less reliance on mechanical equipments for recovery of fines and also that they wanted to save on the total cost of construction of the Plan.

7.34. Kargali Washery before expansion had a design rated capacity of 463 tons per hour of raw coal throughput, which in 1964-66 was increased to 650 tons per hour on implementation of an expansion scheme. In comparison, the Sawang Washery with a throughput of only 200 tons per hour, was provided with a thickner of almost twice the size of Kargali with a lifting rake mechanism and also 3 filters capable of recovering 60 tonnes of fines an hour, using stainless steel cloth. This comparison between Sawang Washery and Kargali Washery in the matter of provision of equipment for recovery of fines would itself go to show the gross under-provisioning (15 tons as against 180 tons/hour by Sawang design Standards) made consciously in respect of Kargali Washery even at the design stage. This kept the cost low. Kargali Washery was constructed at a total cost of Rs. 2.38 crores only.

7.35. The design for mechanical recovery were based on an estimated quantity of 1.5 to 2 per cent fines in the raw coal feed, but actually it was about 8 per cent. Only later experience revealed this deficiency and this mis-calculation was chiefly responsible for gross underprovisioning of clarifying and filtering capacity. The direct loss of fines, therefore, was much more than provided in the design parametres without any means of recovery since neither the thickner, nor the filters, were adequate to recover all the fines. This problem was further accentuated due to over-flow from Baum bucket elevator pump, which in turn allowed coarser coals to overflow into the thickner leading to further troubles both in the thick thickners and filters. The location of the Compressor and vacuum pumps on the ground floor, in the vicinity of the Baum Section pump, made the area damp and harmful for the meters. The low life of filter cloth and excessive man-hour needed for a change, kept the efficiency of the filter section at a low level.

7.36. A decision was taken in 1963 in consultation with German consultants who were then with NCDC to construct 4 Nos. of slurry ponds to arrest the outgoing fines. Such fines with better qualities than the washed coal were recovered after settling in the ponds and transported back to the Washery to be despatched along with clean coal. The simple expedient of provision of slurry ponds cost the Corporation very little and immediately started arresting lakhs of rupees worth of clean coal every month which otherwise would have found its way to the river.

7.37 Three Japanese filters installed as part of the Washery in 1958 to recover coal fines were giving unsatisfactory performance and stopped working from January, 1965 on account of the percentage of fine coal being more than 2 per cent as envisaged in the design. Timely action for their repair according to the management could not be taken due to non-availability of spare parts.

7.38 Owing to the unsatisfactory performance of the Japanese filters a part of the slurry had to be recovered manually from January, 1964 onwards. From January, 1965 the filter plants completely stopped working and the coal fines had to be wholly recovered by manual operations. During the period from January, 1964 to February, 1966 a total quantity of 1,75,000 M. tons (approximately) of slurry was recovered manually through contractors and the Company had to incur an expenditure of Rs. 7 lakhs (approx.) in this connection.

7.39. The Committee on Public Undertakings (1967-68) in their Tenth Report—Fourth Lok Sabha on National Coal Development

Corporation Ltd.—felt that had the filter plant been designed after making proper assessment of fine coal, expenditure incurred on manual recovery of slurry as a result of unsatisfactory performance of the filter plant could have been avoided.

7.40. It has been stated that timely action for the repair of Japanese filters could not be taken due to non-availability of spare parts. Two large filters were installed in March, 1966 to cope with the higher percentage of fines and installation of a third filter (estimated cost being Rs. 3.50 lakhs) along with the modification of 3 Japanese filters had been under consideration of the Management since June, 1970. In the meantime, fines continued to be recovered from slurry ponds by manual labour, the details of which are given below:—

Year	Quantity recovered (in lakh tonnes)	Cost of recovery and transportation (in lakhs of rupees)
1967-68	1·78	9·62
1968-69	2·24	12·30
1969-70	1·34	8·18
1970-71	1·04	6·40
1971-72	1·14	7·52
1972-73	0·58	5·27
		49·29

7.41. The Committee enquired about the difficulty in the procurement of spare parts for such a long time. The Chairman, CMAL informed the Committee that the demand for spare parts was initiated in 1962-63 but foreign exchange was not available. He added that it had been possible to indigenise the spare parts. The filters were brought in operation in 1972 and the third filter was brought into operation in 1973.

7.42. Asked if manual recovery of fine coal from slurry ponds had been stopped the Chairman stated as follows:—

"the quantity of fine coal which is now going to slurry ponds is approximately 3,000 tonnes per month as against ten to twelve thousand tonnes earlier. It has not been found possible to stop the slurry going to ponds but it has been reduced to 3,000 tonnes per month. This 3,000 tonnes is recovered manually."

7.43. The witness added that in most of the washeries leakage of slurry was to the extent of 1½ per cent to 2 per cent which was an accepted norm.

7.44. Asked whether the time taken for the modification of existing filters and installation of new filters was not too long. The Chairman, CMAL stated as follows:—

> "It would appear that the time taken for the modification of existing filters was a little long considering the manual recovery but there was difference of opinion between the technical officers."

7.45. The Committee find that three Japanese filters of 5 tons per hour capacity each were installed as part of the Kargali Washery in 1958 to recover coal fines. An examination of the tender documents revealed that a loss of fines at the rate of 1.5 tons per hour, or 500 tonnes per month, was permitted in the design itself. Certain losses were, therefore, inherent in the design itself as the designers had not made any provision for full recovery. It has been stated that this under-provisioning for the recovery of fines was done by the designers in order to keep the cost low. Providing a lifting rake mechanism in the thickner would have cost more, which the Japanese avoided. It has also been stated that the initial offer of the Japanese to build up six slurry ponds as a means for recovery of fines was not accepted and the mechanical device for recovery was preferred.

7.46. The Committee also note that the designs for mechanical recovery were based on an estimated quantity of 1.5 to 2 per cent fines in the raw coal feed but actually it was about 8 per cent. This deficiency and miscalculation was also responsible for under-provisioning of clarifying and filtering capacity. The Committee are informed that it was only in 1963 that a decision was taken to construct 4 nos. of slurry ponds to arrest outgoing fines. This cost the Corporation very little and immediately started arresting lakhs of rupees worth of clean coal every month which otherwise would have found its way to the river.

7.47. The Committee feel that loss of fines during the period 1958 to 1963 could have been avoided by proper vigilance and foresight. They are not sure whether due care was taken before accepting the

design of the Plant offered by the Japanese collaborators. They are also not sure whether realistic and scientific assessment was made with regard to the percentage of fines in the coal before furnishing the data to the Japanese designers. They are also amazed as to why it did not occur to any one in the Management during 1958 to 1963 to arrest the flow of fines into the river. The Committee, would, therefore, like that all these aspects should be thoroughly investigated in order to pinpoint lapses, if any.

7.48 The Committee also note that owing to the under-provisioning of the clarifying capacity of the filter a part of the slurry had to be recovered manually from January, 1964 onwards. From January, 1965 the filter plants completely stopped working and the coal fines had to be wholly recovered by manual operation. The Corporation had to incur an expenditure of about Rs. 50 lakhs for recovering the fines by manual labour during 1967-68 to 1972-73. The Committee are surprised to note that the two Japanese filters were brought into operation only in 1972 and the third filter was brought into operation in 1973. To cope with the higher percentage of fines two large filters have been installed in the Washery. As a result of these steps, the quantity of fine coal which is now going to slurry ponds and manually recovered is approximately 3,000 tonnes per month as against ten to twelve thousand tonnes earlier.

7.49 The Committee feel that the modification of the Japanese filters and installation of new filters had been unduly delayed. They would like that the total loss incurred by the Corporation as a result of manual recovery of the slurry vis-a-vis mechanical recovery should be worked out and responsibility for delay in carrying out necessary modifications in the plant for mechanical recovery of fines should be fixed.

E. Transportation of Fine Coal

7.50. In May, 1965 the Area General Manager, Bokaro and Kargali Region awarded the work of transportation of fine coal recovered from the slurry pond to contractor 'A' at a rate of Rs. 2.25 per tonne for a period of two years. In January, 1967, the work of recovery of fine coal from discharge let-out of the slurry pond, its transportation and unloading in the clean coal bunker at Washery was awarded to another contractor 'B' at the rate of Rs. 3.41 per tonne for a period of one year. These contracts were finalised on the basis of open tenders but were extended in piece-meal upto March, 1971.

7.51. The contracts provided that "the contractor shall pay to the workers appointed by him for this purpose the wages, DA including variation, if any, and the other allowances at rates prescribed as per the Appellate Tribunal, Dasgupta Award and Wage Board interim decision. In the event of the rates fixed by the said Award being revised by the Government during the continuance of this contract, the contractor shall make payments to labour engaged by him at the revised rates from dates on which the said Award rates shall come into force and it shall not be binding on the Administration to reimburse any amount arising out of such payment to the contractor." While extending the contracts, the Area General Manager, however, agreed to increase the rates to Rs. 2.47 and Rs. 4.19 per tonne respectively with effect from January, 1968 to enable the contractors to meet increased wages under the Wage Board Award of August, 1967. As a result, an extra payment of Rs. 1.92 lakhs, was made to the contractors. In June, 1974, it was intimated by the Ministry that the Management had applied checks to ensure that proper wages were paid to the workers by contractors. No records of checks made were, however, made available to Audit by the Management.

7.52. The Committee enquired if the Area General Manager was competent to sanction the increase in rates. They also enquired as to why the increase in rates was given restrospectively and how it was, ensured that increased rates were paid to workers retrospectively.

7.53. In a note submitted to the Committee the Management stated as follows:—

"The Area General Manager is competent to enter into agreements and also to sanction increase in rates. The rates were not increased during the pendency of the Contract. The other alternative could have been to cancel the contract and call for fresh tenders, which, probably, the Area General Manager thought would lead to higher rates. To avoid that, he had taken decision to increase the rates keeping in view the increase on account of Wage Board Implementation. Since this action involved some time, the contractor, in the meantime, was allowed to continue the work beyond the expiry of contract and as soon as the new rates were finalised, this was made applicable from the date on which the old contract expired. For the information of the Committee, the rates quoted by the various contractors against the first tender are as follows:—

1.	Ravi Transport Agency	Rs. 3·41 P.T.
2.	N. P. Singh	Rs. 5·72 „
3.	Coal Transportation & Cons. Syndicate .	Rs. 3·75 „
4.	Santiram Roy	Rs. 4·50 „

Test-checks had been made to ensure that payment is correctly made by the Contractor. Since these payment records are of contractors, the same could not be made available. However, it may be mentioned here that no complaints were received from the workers with regard to non-payment|less payment of their wages. In this connection, specific provisions were made in the contract to ensure correct payment to the workers."

7.54. During evidence the Chairman, CMAL, explained the position as follows:—

"It is a fact that no records of the checks were made available to audit by the Management. I can only add that according to my information these payments were supervised by an officer and no complaints as such were made by the labourers in regard to under-payment."

7.55. The Witness further stated as follows:—

"Subsequently, we issued strict instructions that not only officers should be present at the time of the payment to the contract labour but the payment should be made from the desk of the colliery and the sheet should be signed by the Supervising Officer, and not at the contractor's desk. They should initial the sheets on receiving the payment in token of having satisfied themselves that proper payment has been made. This procedure was introduced immediately after nationalisation. There was a lot of misuse by the contractors in the pre-nationalisation period."

7.56. The Committee note that in May, 1965, the Area General Manager, Bokaro and Kargali region awarded the work of transportation of fine coal recovered from the slurry pond to a contractor at a rate of Rs. 2.25 per tonne for a period of 2 years. In January, 1967, the work of recovery of fine coal from discharge let-out of

the slurry pond, its transportation and unloading was awarded to another contractor at the rate of Rs. 3.41 per tonne for a period of 1 year. Both the contracts provided that "the contractor shall pay to the workers appointed by him for this purpose the wages, D.A. including variation, if any, and the other allowances at rates prescribed as per the Appellate Tribunal, Dasgupta Award and Wage Board interim decision. In the event of the rates fixed by the said Award being revised by the Government during the continuance of this contract, the contractor shall make payments to labour engaged by him at the revised rates from dates on which the said Award rates shall come into force and it shall not be binding on the Administration to reimburse any amount arising out of such payment to the contractor."

7.57 The Committee find that the contracts were extended by the Area General Manager in piece-meal upto March, 1971 and while extending the contracts the Area General Manager agreed to increase the rates from Rs. 2.25 per tonne to Rs. 2.47 per tonne in the case of the first contract and from Rs. 3.41 per tonne to Rs. 4.19 per tonne in the case of second contract with effect from January, 1968 on the ground that the contractors had to meet increased wages under the Wage Board Award of August, 1967 and as a result an xtra payment of Rs. 1.92 lakhs was made to the contractors.

7.58. The Committee regret to point out that though it was not binding on the part of the Administration to reimburse to the contractors any amount arising out of payments of wages to the labour at revised rates under the Wage Board Award, the Area General Manager went beyond the scope of the contract and increased the rates payable to the contractors to enable them to meet the increased wages under the Wage Board Award of August, 1967. The Committee were informed that no records could be shown to the Audit to prove that the Management had applied checks to ensure that the increased wages were actually paid to the workers by the contractors. The Committee are not sure how far Area General Manager was justified in increasing the rates payable to the contractors even beyond the scope of the contract and whether the benefit of increased rates was actually passed on by the contractors to the labour. They would like that the whole matter should be thoroughly investigated with a view to fixing responsibility and taking suitable action. The Committee would like that the outcome thereof should be reported to the Committee within six months.

F. Loss of Coal Fines (Slurry)

7.59. As already mentioned in paragraph 7.32 *ante* the Washery has been provided with filters to arrest slurry loss. The coal fines.

which are as good as washed coal, however, flow out of the Washery during the periods of breakdowns, emergency draining of filters, discharge of Washery affluent at the start and stoppage of operation of the plant. The slurry which flowed out was being collected upto September, 1972 in the ponds constructed outside the washery and fine coal was manually recovered therefrom. Improvements|modifications were made in the Washery during July, 1972 to September, 1972, as a result of which the slurry was segregated in the Washery itself and the necessity for its collection in the ponds along with the manual recovery stopped from October, 1972.

7.60. A test-check of the records for the period from December, 1967 to December, 1970 revealed that an estimated quantity of 2,17,150 tonnes of fine coal in slurry valued at about Rs. 1.23 crores (which worked out to 3.3 per cent of the total input) flowed into the river Damodar and could not be recovered. However, after December, 1970 the position improved.

7.61. It may be mentioned that similar loss of fine coal in slurry during 1958 to December, 1963 valued at about Rs. 2.04 crores was pointed out by the Kamath Committee appointed by Government in July, 1967.

7.62. The Committee enquired as to why the coal fines which flowed into the river Damodar could not be recovered through manual labour. In reply, the Management explained the position as follows:—

"The coal at Washery was being received through trucks from Kargali Washery and by wagons from Chalkari, Kargali and Bokaro. There had been no proper arrangements for weighing the coal coming by above means. The accountal was being done on the basis of volumetric measurements. Due to difference in specific gravity of coals, the output which has been weighed cannot be compared with the input partly weighed and partly taken on volumetric basis.

(2) It has already been pointed out that the weighment of trucks, prior to 1970 was being done on a 20 ton steel-yard type weigh-bridge on which Leyland trucks could not be weighed. The truck traffic was so intensive that trucks after emptying the coal could not be re-weighed. Likewise due to difficulties in weighment, the contents of raw coal wagons was taken on volumetric basis. Further, I would like to add that the output of the coal from the Washery

has been weighed on different types of scales which normally will account for slight difference in the weighments between output and input. In such bulk and fast movement of coal through trucks, tubs and wagons there is every likelihood of the error being accumulated due to inaccuracy of machines and judgement of the eye.

It may also be observed that in 1970 when the 30 ton Avery Weigh-bridge was installed, the un-accountable figure has come down to 34,226 tonnes as compared to 93,707 tonnes in 1968 and 99,569 tonnes in 1960.

(3) During the period under reference quite a substantial amount of coal was received by the Washery from Jarangdih and Kathara Collieries which contained lot of shales. Besides the shale from the above collieries, there were certain percentage of shales from Bokaro and Kargali also, which were picked up at the bunker side as well as in the plant, which have not been accounted for in the output shown. It would thus be seen that the difference between the output and input was due to the cumulative effects of the factors mentioned above.

In view of the above factors the shortage shown is considered reasonable and should be taken as a normal feature in any Washery operating under these conditions."

7.63. It has been pointed out by Audit that:

"The Bokaro, Kargali, Kathara, Chalkari and Jarangdih Collieries which feed the Kargali Washery used to reconcile every month the quantity of raw coal despatched with the quantity of raw coal recorded to have been received at the Washery. There are no records either in the Collieries or in the Washery to indicate that there was any discrepancy between the two sets of figures. There is also nothing on record to show that the Washery Management even brought to the notice of higher management the points now made out in the reply."

7.64. According to Audit:—

"On the basis of Kamath Committee Report (Recommendation No. 133 of Second Report) the Chairman (Shri R. Prasad) examined the matter regarding loss of coal fines (slurry) with the assistance of Shri G. G. Sarkar, Chief of Coal Washery Division, CFRI, Dhanbad. Shri Sarkar submitted his report (Report of the Technical Probe on slurry Recovery at Kargali Washery) in July, 1971. In this report Shri Sarkar made the following observations:—

(a) The abnormally high increases in the flow of slurry to the slurry pond in the period between 1965-66 can neither be explained by any abnormality in raw coal charactaristic nor any serious design deficiency of the plant. Bad operation of slurry circuit or a deliberate attempt in over reporting of slurry from the slurry pond can be the cause of this peculiar phenemenon.

(b) As it is established both from the test results and projected estimates the production of fines (slurry) at Kargali Washery has remained well within 10 per cent of feed coal, it is rightly expected that the entire quantity of slurry should have been recovered mechanically with the existing provision of the plant.

(c) A sharp rise in the cost per tonne of washed coal on account of manual recovery of slurry from the slurry pond since 1965 and especially after the expansion of slurry circuit in 1968 till 1969 goes to prove utter negligence in operation and also implies indirect encouragement to perpetuate the manual recovery of slurry at the cost of NCDC Limited.

In 1971 the Chairman (Shri R. Prasad) made the following observation:—

"The investigation carried out by Shri Sarkar in consultation with me has revealed that the issues are rather more complicated than was envisaged by the Kamath Committee. I agree generally with the conclusions reached by Shri Sarkar. The report may be placed before the Board after obtaining the views of the Technical Director and orders of the Chairman-cum-Managing Director."

The report submitted by Shri Sarkar was not placed before the Board of Directors as intimated by the Management on 22nd January, 1975."

7.65. In Paragraph 7.59 above it has been mentioned that the manual recovery of slurry from the slurry pond had stopped from October, 1972 as a result of improvement/modifications made in the washery during July, 1972 to September, 1972. Test-check conducted by Audit in March, 1975 revealed the following further facts:—

Manual recovery of slurry had again started from February/March, 1974 and the total quantity of slurry recovered manually upto May, 1975 was 47,046 tonnes by departmental labour and the same was transported to the Washery conveyor through contract at a cost of Rs. 2.14 lakhs.

There was further shortage of 90,671 tonnes of coal fines (slurry) during the period from April, 1973 to May 1975.

7.66. In reply to the preliminary Audit Query, the Superintendent, Kargali Washery stated (March, 1975) as follows:—

"It is confirmed that manual recovery of slurry was completely stopped from October, 1972 and remained stopped till February, 1974. However, in the course of operation of the plant, it was found that working with a completely closed circuit system in which no water was let out was difficult and unsafe. There were occasions when due to operational difficulties, breakdowns in radial thickness and bucket elevators, power failures etc. the sluice gate installed to check out flow of water had to be raised in order to let out the excess slurry-aden water. If this was not done it would have resulted in flooding inside the washery endangering the safety of equipments. The permission for recovery of slurry was given by the Managing Director (Central Division). The manual recovery of slurry was started towards the end of February, 1974."

7.67. The Committee note that a test-check of the records for the period from December, 1967 to December 1970 revealed that an estimated quantity of about 2.17 lakh tonnes of fine coal in slurry valued at about Rs. 1.23 crores flowed into the river Damodar and could not be recovered. Similar loss of fine coal in slurry during 1958 to December, 1963 valued at about Rs. 2.04 crores was pointed out by Kamath Committee appointed by Government in July, 1967.

7.68. The Committee are informed that on the basis of Kamath Committee Report the then Chairman of NCDC examined the matter regarding loss of coal fines with the assistance of the Chief of Coal

Washing Division, Central Fuel Research Institute, who submitted his Report in July, 1971. After study of this Report, the Chairman, NCDC felt that the issues were rather more complicated than were envisaged by the Kamat Committee and desired that the Report of the Chief of Coal Washing Division might be placed before the Board of Directors after obtaining the views of the Technical Director and orders of the Chairman-cum-Managing Director. The Committee regret to note that this important matter was not placed before the Board of Directors.

7.69. The Committee take a serious view of this omission and recommend that reasons for this serious lapse should be investigated, responsibility for the lapse fixed and action taken against the officers responsible therefor.

7.70. The Committee also note that though it was earlier stated that manual recovery of slurry from the slurry ponds had stopped from October, 1972 as a result of improvements/modifications made in the Washery during July, 1972 to September, 1972, they find that manual recovery of slurry had again started from February/March, 1974 and there was a further shortage of 90,671 tonnes of coal fines during the period from April, 1973 to May, 1975.

7.71. The Committee strongly deprecate the continued lack of concern shown by the Management over the huge loss suffered by the Corporation since 1958 on account of their inability to check the outflow of fines. They recommend that the entire matter regarding loss of fines starting from 1958 should be thoroughly investigated by a high powered Committee which should inter alia have representatives of Fuel Research Institute Finance etc. in order to determine precisely the extent of loss of coal fines, to pinpoint lapses and fix responsibility and recommend action against erring officials and others concerned for the huge losses sufferd by the Corporation. The Committee would like this investigation to be completed within six months and they should be informed of the outcome of the investigation and action taken in the matter.

7.72. The Committee also note that in his Report the Chief of Coal Washery Division, CFRI, inter alia, observed that a sharp rise in the cost per tonne of washed coal on account of manual recovery of slurry from the slurry ponds since 1965 and especially after the expansion of slurry circuit in 1968 till 1969, only proved the utter negligence in operation and also implied indirect encouragement to perpetuate the manual recovery of slurry at the cost of NCDC. The Committee are greatly concerned to note that manual recovery of slurry has been revived. They recommend that the economics of manual recovery vis-a-vis mechanical recovery should be urgently examined by Govrnment/Corporation having regard to the technical requirements so as to bring about improvements and effect economies. The Committee have already recommended in Para 7.49 of this Report that the Management should investigate the total loss incurred by Corporation as a result of manual recovery of coal fines vis-a-vis mechanical recovery and responsibility for delay in carrying out necessary modifications in the plant for mechanical recovery of fines should be fixed. The Committee expect that while investigating the matter, the report of the Chief of Coal Washing Division, CFRI, would be kept in view.

7.73. The Committee are informed that the difference in the measurements of the output and input of coal was due to the cumulative effect of various factors such as lack of proper arrangements for weighment of coal and the presence of shales in the coal. The Management have also stated that the accountal of input of coal was being done on the basis of volumetric measurements and the output of coal from the Washery had been weighed in different types of scales. The Committee, however, find that there were no records either in the collieries or in the Washery to indicate that there was any discrepancy between the quantity of raw coal despatched from the collieries and the quantity of raw coal recorded to have been received at the Washery. There is also nothing on record to show that the Washery management ever brought this discrepancy to the notice of higher management.

The Committee regret to note that there are no regular arrangements for accurate weighment and accountal of coal at different stages with the result that the discrepancies between input and output continue to exist. The Committee would, therefore, like that NCDC/Government should take immediate steps to set right the position by ensuring proper weighing arrangements and for reconciliation of records regularly. The Management should also take steps to investigate the reasons for discrepancies, fix responsibility and take action against erring officials and others concerned and take suitable remedial action for obviating recurrence.

7.74 The Committee also note that 47,046 tonnes of slurry recovered manually during February/March, 1974 to May, 1975 was transported to the Washery through contractor at a cost of Rs. 2.14 lakhs. They would like to be informed about the reasons for awarding the work to a private contractor and whether the work could not be done departmentally. In this connection, the Committee would also like to reiterate their earlier recommendation (Paragraph 7.25) that the Management should expedite the departmentalisation of road transport in order to avoid dependence on private contractors and reduce cost of transportation.

7.75 The Committee recommend that Government should review arrangements for weighment of coal and transport of coal fines especially through private contractors in each of the Washeries to make sure that lapses and deficiencies as noticed in the present case are not allowed to persist there. The Committee would like to be informed about the results of such a review and the action taken by the Management in the light of the lacuna/deficiencies pointed out by the Government within three months of the presentation of the Report.

G. **Gidi Washery**

7.76. In 1958 an Expert Committee on Coal consumption on Railways recommended beneficiation of the non-coking coal so as to provide selected grade coal to the Railways. The production of selected grade coal was falling and hence the Government accepted this proposal in principle. Apparently, the question as to who should be responsible for constructing the Washery was not considered at that time. The Department of Mines and Fuel appear to have proceeded on the assumption that the setting up of Washeries was the responsibility of the consumer, namely, the Railways. The Railway Board on the other hand was not willing to take up this responsibility. The Railway Board wrote to the Department of Mines and Fuel in November, 1959 stating that the Board would not undertake the responsibility for the establishment of the non-coking coal Washeries. Its view was that the setting-up of Washeries for beneficiating low grade coal was appropriately the function of the Ministry responsible for the production and distribution of coal. Later on, Railway Board in a D.O. letter dated 8-7-1960, also made it clear that it would not agree to pay any extra price for the washed coal over and above the notified price of selected grade coal. At the same time the Board urged the Department of Mines and Fuel to set up the Washery at an early date. The NCDC was asked to undertake this project. In August, 1961, the NCDC asked whether the Railways would agree to pay the cost and stated that the corporation would start the project only if the cost of washing was reimbursed to them. In reply, the M.D., NCDC was told by the Joint Secretary in the Department of Mines and Fuel in his D.O. letter dated 25-8-1961 that "it has been decided that the NCDC should go ahead with this project promptly without waiting for a decision as to who should bear the cost of washing."

7.77. This decision was taken at the highest level and the Planning Commission is also stated to have agreed in principle that this Washery project should be pushed forward. Again in December, 1961 when talks were going on with the Poles for the preparation of the project report of the Washery, the Managing Director wanted a clear understanding that NCDC would not be called upon to bear the cost of washing and also referred to the problems of disposal of the Washery middlings. No specific reply appears to have been given to this letter. In view of Government's express desire, NCDC undertook the preliminary work but again in February, 1962, the MD wrote to the Government asking for either a directive to go ahead with the Washery and accept the losses arising therefrom or for an assurance that the cost of washing would be met from a source other than the corporation's funds or for at least the limited decision that preliminary work upto the stage of preparation of the project report should be proceeded with and that the cost incurred in this process would be reimbursed. In reply, he was informed in the Ministry's letter dated 17-3-62 that "that NCDC should proceed with the preliminary work of investigation of washability characteristics of non-coking coal upto and including the stage of preparation of the project reports leaving it to Government to decide whether the project report so prepared should be proceeded with or not." He was also informed that "the question of Government reimbursing to the corporation the costs incurred by them in connection with the stages of washability tests and preparation of project reports is hardly an appropriate assurance to ask for, seeing that the entire capital of the corporation is furnished by Government." In his note to the Board of Directors for their meeting on 26-4-1962, the MD had strongly disagreed with the views expressed in the Ministry's letter dated 17-3-1962 and requested the Board to reiterate the earlier view and ask for a Government directive. The Board endorsed his suggestion. He also raised the same question again at an internal meeting in the Ministry when the Ministry appeared to have felt that there would be "plenty of consumers" for the output of this Washery if the Railways did not want it.

7.78. Acting on this assumption, not only the preliminary work but also the sanction for the Gidi Washery project and the securing of Polish collaboration were pushed through. The project report which was received from the Poles in April, 1962 was finalised in June, 1962. The project came up for Government sanction in July, 1962. In the mean time, the question of paying enhanced price for the washed coal had ben discussed with the Railways at a meeting attended by the Minister of Railways and Mines and Fuel, along with other topics. No agreed decisions were reached. In the course of examination of the proposal for sanctioning the Gidi Washery project, several questions were raised by the Ministry of Mines and Fuel as well as the Ministry of Finance, but there is no record to show that the remunerativeness of the project for the NCDC was touched upon. Though the Memo submitted to the Expenditure Finance Committee (of which the Finance Secretary was the Chairman), contained a specific heading "State the estimated yield and economic implications" no material information was given except to say that the cost of washing would be Rs. 6.22 per tonne. No indication of the controversy with the Railways about the payment of the enhanced price was given. After issue of the sanction the NCDC stood committed to implement a Rs. 8 crores project without clearing the doubts which they themselves had raised earlier about its economics. On 18-8-1962 an agreement was signed with the Polish Agency|CEKOP for the construction of the Gidi Washery with an input capacity of 28.4 lakh tonnes of raw coal (63.4 per cent being clean coal, 34.5 per cent middlings and 2.1 per cent rejects) to cater to the requirements of washed bean coal for Railways and washed slack coal for steel plants. The cost of washing was estimated at Rs. 9 to 11 per tonne depending upon the percentage of yield of clean coal at 100 per cent load factor.

7.79. The Managing Director brought the matter again to the notice of Government in a D.O. letter dated 23-8-1962 to the Joint Secretary in the Ministry of Mines and Fuel wherein he stated that "We are thus committed to the Gidi Washery even in the absence of a firm decision about the price which the Railways will pay for the clean steam coal supplied from this Washery to the Railways. I hope this will not create any embarassment in the future." In this connection, the Kamath Committee recommended that in future, no Washery project should be sanctioned unless its economics are carefully worked out and a clear appreciation made that consumers would be willing to bear the cost of washing.

7.80. On receipt of the Managing Director's letter, the Ministry made a proposal for accepting the principle of reimbursement to NCDC of the cost of washing non-coking coal either by recovering the cost directly from the consumers or by spreading it out over the entire despatches of selected grade non-coking coal. The operating cost of the washery was then estimated at about Rs. 6|- per tonne and the difference between the cost of 1 tonne of washed coal and the controlled price of 1 tonne of raw coal of equivalent quality at about Rs. 11|-. The Railways did not agree to this and when they found that the incidence of the surcharge would be substantial, they revised their requirement of selected grade coal from 15 m. tonnes to 6 m. tonnes including 2 m. tonnes of washed coal subject to the condition that the cost of washing would be spread over the entire consumption of selected grade non-coking coal. Later on, they further reduced the requirement of washed coal from 2 m. tonnes to Gidi's output of 1.1 m. tonnes of steam coal in June, 1963.

7.81. In view of this, the Secretary, Department of Mines and Metals wrote to the Member (Transportation, Railway Board) in February, 1964 stating that since the Railways and Steel Plants would be the only consumers of Gidi's washed coal they should share the cost of washing, and that other consumers should not be burdened. The reply was that "in case the principle of distribution amongst all consumers is not acceptable, the Ministry of Railways would prefer to cut-down their demand for selected grades of coal rather than to pay the cost of washing." With this, the Railways went out of the picture as a consumer of Gidi washed coal. The Railways did not agree to bear the cost of washing even for the beneficiation of raw steam size coal as in their view coal which was Grade I was in any case suitable to them and did not need beneficiation. Moreover, they contended that even if the grade of coal was improved by washing they would pay only price for such improved grade and not on the basis of cost of washing.

7.82. In the meantime, civil works as well as supply of machinery had started. The NCDC was asked to explore the possibility of redesigning the washery so as to feed the entire washed coal to the steel plants. The NCDC consulted the Director, CFRI who said that redesigning was not necessary. He however, sounded a note of caution about the marketability of the washed blendable coal as he felt that a large part of the requirements could be met adequately by the raw coal of Dishergarh-Sanctoria seams and the washed coal from Churcha-Jhilimili (then tentatively planned). The Ministry considered this letter and decided to drop the Churcha-Jhilimili washeries and proceed with the Gidi Washery. In the report on the working of NCDC the Kamath Committee observed:

> "The blendable coal requirements of 1970-71 were then estimated (by Technical Committee on coking coal which included representatives of the steel and coal industries both public and private) at 5.85 million tonnes in the total demand of 50.95 million tonnes by the metallurgical consumer. Raw blendable coal available was 2.12 million tonnes leaving enough margin to absorb the output of Gidi. The Technical Committee for linkage of

collieries and washeries on which the Department of Iron and Steel was represented had expressed the opinion that the entire production of Gidi Washery could be reserved for the steel plants. Unfortunately, this opinion has not proved consistent with the development that have taken place subsequently. The quantity of blendable coal that the steel plants can take is not now estimated to be more than 10 per cent except in the case of Durgapur which can be left out as a consumer of Gidi washed coal on account of transport difficulty. The firm market for Gidi washed coal is not now expected to be more than one million tonnes leaving a balance of about 0.8 million tonnes for which there is no prospective market. In addition, there is also the problem of finding a reasonable price for the washed coal especially when raw blendable coal of a comparable quality continues to be available in adequate quantities. The matter is still under the examination of the Ministry of Steel, Mines and Metals."

7.83. The conclusions reached by the Kamath Committee in regard to Gidi Washery are as follows:

"Our examination of the correspondence and papers shows that it was at the insistence of the Government that this washery project was undertaken. The NCDC had clearly expressed its apprehension that the project was not viable and it would involve the Corporation into heavy losses. The Board of Directors had asked for a Government directive. No formal directive was, however, issued. The correspondence, some of which has been quoted above shows that as far as NCDC was concerned, the insistence of the Government was as good as a directive. We have already recommended in or First Report, that in cases where NCDC undertakes unremunerative activities on a directive from Government, the financial impact of the directive should be met from Central Revenues. We have expressed in the First Report our reasons for making this recommendation. We recommend that, in the case of Gidi Washery project, the financial losses that may accrue on the working of this project be entirely met from the Central Revenues and should not affect the profit and loss account of the NCDC."

7.84. Consequently the construction of the washery was continued and completed in November, 1970 (against the expected date of completion of 1967-68) at a cost of Rs. 9.22 crores (as on 31st March, 1972) against the estimated expenditure of Rs. 8.32 crores. Increase of cost of the Washery also includes an expenditure of Rs. 8.56 lakhs (Rs. 7.94 lakhs in foreign exchange) incurred on the longer stay of foreign specialists necessitated by the delay in the construction of washery. The trial runs were conducted in November, 1970. For want of market the Washery was, however, not put under operation and the expenditure incurred on the maintenance, watch and ward, etc., amounting to Rs. 62.67 lakhs in 1970-71, Rs. 58.09 lakhs (after adjusting Miscellaneous receipts) in 1971-72, Rs. 54.22 lakhs in 1972-73 and Rs. 85.92 lakhs in 1973-74 has been capitalised instead of being charged to the revenue account.

7.85. The Committee enquired as to why the Steel Plants did not purchase coal from this washery. The Management have stated that washed coal from Gidi Washery was initially indentified as blendable coal by the CFRI for use in steel plants. The Steel Plants were, however, of the view that Gidi washed coal was not a suitable coal for blending and no linkage was provided by the Committee on Rationalisation and Equitable Distribution of Coking Coal of (Dutt Committee) in its Report dated the 12th August, 1969 on this account.

7.86. The Dutt Committee stated in their report that "Gidi Washery is not likely to be operated for several years for want of market for washed blendable coal."

7.87. Asked about the consideration which weighed with the Committee on Rationalisation of the Accounting System to observe that the Gidi Washery would have no outlet in the foreseeable future, the Management have stated that the Committee perhaps did not see any marketing possibility of Gidi washed coal in foreseeable future as the Railways finally refused and the Steel Plants were not agreeable to draw the washed coal supplies from the washery.

7.88. The Committee on Rationalisation of the Accounting System set up by the Company also admitted in their report (February 1970) that Gidi Washery will have no outlet in the foreseeable future. The Committee have, therefore, recommended that the entire capital expenditure incurred on the construction of the washery may be met by Government.

7.89. The Committee enquired if any such representation has been made by the Corporation to the Government. It has been stated that representation had been made and was being followed up. The matter was still under consideration.

7.90. About the advisability of taking up the project and about the reimbursement of expenditure incurred on the Project the Chairman, CMAL stated during evidence as follows:—

> "As early as August, 1961, NCDC had suggested that this project need not be taken up because market was not available, particularly, as the Railways were not inclined to pay for the cost of washed coal. Nevertheless, there was a Government directive, if I may say so and there was a D.O. letter from the Government asking us to go ahead with the washery. That is why, the Kamath Committee suggested that the Government should reimburse the NCDC the cost of this washery upto that moment."

7.91. He added that:

> "As far as NCDC is concerned they had their own doubts about setting up this washery. But they did so on the direction of the Government."

7.92. Asked whether any Committee of enquiry had been appointed to go into this entire matter, the Chairman, CMAL replied in the negative. He, however, said that the matter was referred to the Government who said that they would look into the matter.

7.93. The Committee enquired about the present position in regard to utilisation of capacity in the Gidi Washery. The Management have stated that:

> "Currently trail runs have been conducted in this Washery after transporting coals from nationalised mines in West Bokaro area which have since been identified as potential medium coking coals suitable for use in the Steel Plants on beneficiation. The trial operations started only with effect from October, 1973. Clean coal produced from the Washery is being sent to the Steel Plants and the middlings too are being utilised in the Patratu Thermal Power Station. Any definite programme for the utilisation of this Washery for treating medium coking coals, may, however, be finalised only after watching the performance of the Washery for some more time and the results of blend tests at the Steel Plants end being known."

7.94. During evidence, the Chairman, CMAL informed the Committee that the Gidi Washery was at present working to a limited capacity. It was producing about 20,000 tonnes of washed coal per month, which is being supplied to the Rourkela and Bhilai Steel Plant. Input in the Gidi Washery was about 480 thousand a year against its capacity of 2.84 million tonnes a year *i.e.* about 15 per cent was being utilised.

7.95. Asked about the steps being taken to utilise the available capacity of the Gidi Washery, it was stated that the proposal was to develop and increase production of coal in West Bokaro and feed it into this washery.

7.96. The Committee enquired whether the Corporation had made any proposal to Government, it was stated that a proposal would be submitted. It was too early to say whether the steel plants would ultimately be prepared to accept the actual quantity of slack coal.

7.97. The Chairman, CMAL informed the Committee that the total cost including the cost of washing the coal, cost of transportation of coal plus operating the washery at 15 per cent of its capacity would be Rs. 180—190 per tonne. The cost in other washeries was about Rs. 91 to 95 or Rs. 100 per tonne.

7.98. Asked if it would not be advisable to close down this washery, it was stated that—

> "If there was going to be shortage of blended and medium coking coal, considering the importance of this coal, even at Rs. 190/- per tonne, it may be well worth having this washery."

7.99. The Committee are surprised to note that although the Railway Board made it clear in July, 1960 that it would not agree to pay any extra price for the washed coal over and above the notified price of selected grade coal and although NCDC asked the Government on several occasions during August, 1961 to February, 1962 to confirm that it would not be required to bear the cost of washing and the losses arising therefrom and that there would be no problem in the disposal of middlings, the Company was asked by Government to proceed with the setting up of the Gidi Washery without giving any clear decision about the doubts expressed by NCDC. In their Report on National Coal Development Corporation submitted in February, 1968 the Kamath Committee concluded that it was entirely

at the insistence of the Government that this washery was undertaken (at a cost of Rs. 9.22 crores) although NCDC had clearly expressed its apprehension that the project was not viable and would involve the Corporation into heavy losses. The Railways did not agree to bear the cost of washing even for the beneficiation of raw steam size coal as in their view the cost of washed coal was too high and they could better use Grade I coal instead of washed coal. NCDC was asked to explore the possibility of feeding the entire washed coal to the steel plants. Consequently, the construction of the washery was continued and completed in November, 1970 at a cost of Rs. 9.22 crores. The washery was, however, not put under operation as the steel plants were of the view that Gidi washed coal was not suitable for blending and no linkage was provided by the Committee on Rationalisation and Equitable Distribution of Coking Coal (Dutt Committee) in its report dated 25th August, 1969. The Committee also find that an expenditure of about Rs. 261 lakhs incurred on maintenance, watch and ward etc. during 1970-71 to 1973-74 has been capitalised instead of being charged to the revenue account.

7.100. The Estimates Committee in their Sixty-eighth Report on 'Availability & Distribution of Coal' have expressed their deep concern to note that Gidi washery which had been set up at a capital cost of Rs. 9.5 crores had remained idle for want of market. They have further observed that Gidi washery was a case of frittering away of public funds, without any consideration about the viability and remunerativeness of the project and the marketability of the production. The Estimates Committee have recommended that the whole matter should be thoroughly investigated with a view to fix responsibility on the persons concerned. The Committee on Public Undertakings strongly reiterate this recommendation and hope that the report of the enquiry would be made available to the Parliament at an early date.

7.101. The Committee also endorse the views expressed by the Kamath Committee that in future no washery project should be sanctioned unless its economics and marketability of its products are fully worked out and a clear undertaking obtained that consumers would be willing to bear the cost of washing.

7.102. The Committee further note that the Committee on Rationalisation of the Accounting System set up by the Corporation recommended that the entire capital expenditure incurred on the construction of the Washery may be met by Government. Although NCDC has also made representations in this regard, no decision has been taken by Government so far. The Committee recommend that Government should soon take an early decision in the matter.

7.103. The Committee are informed that at present the Gidi washery is working to a limited capacity. About 15 per cent of the available capacity is being utilised and steps are being taken to explore the possibility of its fuller utilisation. The Committee hope that an integrated plan would be formulated as recommended by the Estimates Committee in Paragraph 6.38 of their 68th Report to make this washery run on economic lines, by ensuring a steady demand for its product.

H. Provision of Ropeway in the Gidi Washery

7.104. According to the original contemplation the Gidi Washery was to get raw coal from Saunda, Bhurkunda, and Gidi 'A' collieries. On account of the difficult mining conditions in Saunda colliery, a proposal was mooted in June, 1964 to supplement the input of raw coal from Gidi 'C' colliery with the help of ropeway and the contract for civil, structural and engineering works was awarded in February, 1966.

7.105. In view of the uncertainty of demand for washed coal from the washery, the Management decided in February, 1967 to defer the construction of the proposed ropeway. In the meantime, an expenditure of Rs. 10.59 lakhs had been incurred on the import of equipments (Rs. 10.15 lakhs) and purchase of indigenous ropeway buckets (Rs. 0.44 lakhs) which are now lying unused (September, 1973). An amount of Rs. 33,000 had also to be paid to the contractor as compensation for the termination of the contract.

7.106. During evidence the Chairman, CMAL stated that if the coal proved suitable and more and more dependable, it might be possible to increase the production in the Gidi Washery in which case it would be necessary also to commission this ropeway.

7.107. The Committee find that in view of the uncertainty of demand for washed coal from the Gidi Washery, the Management had to defer the construction of a ropeway on which an amount of over Rs. 10 lakhs had already been spent on the purchase of equipment and ropeway buckets, besides an amount of Rs. 33,000 paid to the contractor as compensation for the termination of the contract.

7.108. The Committee recommend that the Government/NCDC should examine whether the unfinished ropeway from Gidi 'C' Colliery to Gidi Washery on which an expenditure of Rs. 10 lakhs has already been incurred, can be put to fruitful use in the near future. They would also like to know whether there are any other

ropeways from other Collieries to Gidi Washery and whether they are being used. The Committee would like the Government to come to an early decision regarding the future utility of all these ropeways.

I. Sawang Washery

7.109. On the basis of a feasibility report prepared by the Central Fuel Research Institute, Dhanbad in August, 1962 the setting up of Sawang Washery was sanctioned in November, 1962. Consequent on the invitation of tenders for the construction of the washery the Project Report was revised in May, 1964 which was approved by Government in February, 1965 for an estimated expenditure of Rs. 2.97 crores. The washery has an input capacity of 7.5 lakh tonnes of raw coal to be fed from Sawang colliery, the clean output being 5 lakh tonnes per annum, *i.e.* 66.6 per cent.

7.110. The estimated cost of the washery was revised to Rs. 441 crores in July, 1969 due to upward revision of the cost of the plant and machinery caused by devaluation (Rs. 32 lakhs) and other escalations in prices and rates (Rs. 38.02 lakhs), delay in completion of work by 1½ years (Rs. 22.20 lakhs) and additional work etc. (Rs. 51.64 lakhs). The actual expenditure incurred upto 31st March, 1974 was Rs 4.33 crores.

7.111. The washery was scheduled for completion by September, 1967 but was ready for commissioning in April, 1969. The trial runs were completed in February, 1970. According to the Report of the Committee on Rational and Equitable Distribution of Coking Coal (August, 1969) Sawang Washery was intended to supply clean coal to TISCO and Rourkela Steel Plant upto December, 1971 and thereafter entirely to Bokaro Steel Plant; the middlings were meant for the Patratu Thermal Power Station. For want of a firm demand for its products, the washery worked only in single shift during 1970-71 and was brought on revenue account with effect from 1st April, 1971.

7.112. The Commitee enquired about the reasons for delay in the trial runs. The Chairman, CMAL stated during evidence that at that time there was no demand for clean coal and the management presumably decided that there was no point in undertaking trial runs unless there was a demand.

7.113. Asked as to what was the reason for lack of demand for the products of the washery during 1970-71 when it was tied to specific project, it was stated that since there had been delay in the commissioning of the Bokaro Steel Plant, there was lack of demand for the products of the washery during 1970-71.

7.114. The performance of the washery during the years 1971-72 to 1973-74 is given in the table below:

	1971-72	1972-73	1973-74	Remarks
(a) (i) Available capacity in terms of clean coal at 67 per cent yield in million tonnes	0·25 (one shift basis)	0·25 (one shift basis)	0·25 (one shift basis)	
(ii) Demand of washed coal in million tonnes in NCDC	0·28	0·28	0·30	
(b) Demand met by NCDC—Washed coal in million tonnes	0·16	0·18	0·22	
(c) Percentage utilisation in terms of available capacity	64%	72%	88%	
(d) Percentage utilisation in terms of built up capacity	31·4%	36·4%	44·6%	
(d) Actual financial loss in lakhs of Rupees (+) Profit (—) Loss	(—)32·68	(—)16·9	(—)26·04 (Provisional)	

About the reasons for not fulfilling the demand the Management stated as follows:—

"In the case of Sawang the demand could not be met fully because of frequent power interruptions and inadequate power supply. Apart from this the quality of middlings produced from this washery were not found suitable to the Thermal Station due to low ash fusion temperature. In addition there has been difficulty to meet the demand of raw coal by washery from the Sawang colliery for which necessary action has been taken to reorganise the mine to meet the need of the washery."

7.115. During evidence the Chairman, CMAL informed the Committee that at present the washery was producing 32,000 tonnes of clean coal per month. That means it was working to 75 per cent of its capacity. Asked if it would be possible for the washery to reach 100 per cent it was stated that it might reach 85 per cent.

7.116. Asked as to when the washery would be able to break-even, it was stated that at present prices the washery would break-even when it reaches the production level of 35,000 *i.e.,* when the percentage of utilisation would be 85 per cent.

J. Expansion of the Sawang Washery

7.117. While the bulk demand of clean coal from Steel Plants has not materialised, the middlings are not acceptable to the Patratu Thermal Power Station because of low ash fusion temperature. A scheme to beneficiate the middlings by re-washing was approved by the Board of Directors in February, 1971 at an estimated cost of Rs. 13.30 lakhs. The scheme has, however, not been taken up so far. The Management stated (September, 1973) that "in view of shortage of medium coking coal it had been decided by the Corporation to increase the capacity of Sawang washery from about 0.70 million tonnes input to one million tonnes input per annum. It was considered that the expansion scheme together with the beneficiation scheme of the middlings, if taken up, will prove to be economical. As such the beneficiation of the middling has not been taken up so far. The scheme will be taken up along with the expansion scheme of Sawang washery. The project report is under preparation. It is expected that the cost of clean coal at 100 per cent load factor after the expansion scheme will go up."

7.118. The Committee enquired as to how the expansion of the washery capacity was justified when it was not being operated even at its existing full capacity. It has been stated that it is expected that wagon supply position may improve.

7.119. The Committee pointed out that the washery was incurring loss in the production and sale of washed coal at its present cost. They enquired if it would be an economically viable proposition to expand the capacity of the washery leading to increase in the cost of washed coal even at 100 per cent load factor. In a note submitted to the Committee the Management have stated as follows:

> "Since the Washery had not been operating at higher load factors due to constraints already mentioned, it was not possible to calculate the sale price independently for this Washery. The price was fixed on *ad hoc* basis taking into consideration the price of Kargali washed coal. In principle it has been agreed with HSL that washed coal price would be fixed on the basis of cost at level of 80 per cent plus a reasonable return on capital *i.e.,* on the

lines of the existing arrangement for Kargali Washery. On this basis the washery would earn profit if the load factor improves. Further to meet the increasing demand of washed coal expansion has to be taken up."

During evidence the Chairman, CMAL explained the position as follows:—

"The idea involved in expansion included a provision for re-washing the middlings. Sawang is a two-stage washery while most washeries are three-stage washeries. The idea was that the middlings might be rewashed to make them suitable for Patratu by improving the ash fusion temperature About 8,000 tonnes were sent to Kargali for rewashing but it was found that even after rewashing, the ash fusion temperature was not as they required to be."

7.120. He added that:

"We are still pursuing with Patratu Thermal Station for a trial after rewashing the middlings. Presently they are not inclined to undertake this trial because of the current power crisis in Bihar. They want to wait till the power position improves and they can afford to put a boiler for undertaking this trial. The question of expansion can be considered only after we know the final result of the suitability or otherwise of the rewashed middlings for Patratu."

K. Supply of Middlings to Patratu Thermal Power Station

7.121. Out of 1,92,068 tonnes of middlings produced during 1970-71, 1971-72 and 1972-73, 42,500 tonnes were transported during December, 1970 to July 1971 at a cost of Rs. 1.49 lakhs to the Kargali Washery for rewashing but when the rewashed middlings (8,517 tonnes) were fed to the boiler of Patratu Thermal Power Station during 1970-71 and 1971-72, slag formation was observed. On a further analysis of the rewashed middlings it was found by the Power Station authorities that the Iron Oxide content was too high and the initial fusion temperature was too low for use in the boilers. As a result, the supply of middlings to the Power House was stopped from April, 1972 and a quantity of 94,825 tonnes (upto 31st March, 1973) valued at Rs. 18.96 lakhs has been stacked at the washery (the expenditure in stacking being Rs. 1.97 lakhs) pending installation of rewashing cyclones. The remaining quantity of middlings was lifted by the private parties for brick burning. Even after rewashing it cannot be said, in view of the above position, whether the middlings would be accepted by the power station.

7.122. During 1973-74 no quantity of middlings was supplied to Kargali Washery for rewashing for the Patratu Thermal Power Station nor were any rewashed middlings sent by the Kargali, Washery to PTPS. The quantity of middlings accumulated as on 31st December, 1974 was approximately 1,16,000 tonnes. It has been stated that proper market for middlings is being explored, stocking might lead to spontaneous combustion.

7.123. The Committee find that the Sawang Washery which was scheduled to be completed by September, 1967 was actually commissioned in April, 1969. There was further delay of about one year in completing the trial runs because of lack of demand for coal. There was lack of demand for clean coal in 1970-71 also due to delay in the commissioning of Bokaro Steel Plant. The washery was, therefore, brought on revenue account only with effect from April, 1971.

7.124. The Committee find that whereas the built-up capacity of the Sawang washery was to produce 5 lakh tonnes of clean coal, the demand during the years, 1971-72, 1972-73 and 1973-74 was never more than 3 lakh tonnes. They, therefore, conclude that the built-up capacity remained underutilised due to lack of demand. The extent of utilisation of built-up capacity during the years 1971-72, 1972-73 and 1973-74 was only 31.4 per cent, 36.4 per cent and 44.6 per cent respectively. The available capacity of the washery (on one shift basis) during these years was only half of the built-up capacity and even this capacity was not fully utilised although the demand for washed coal was more than the available capacity. The extent of utilisation of the available capacity during the years 1971-72, 1972-73 and 1973-74 was 64 per cent, 72 per cent and 88 per cent respectively. The washery could not meet even the low level of demand due to inadequate availability of power and inadequate supply of raw coal from the Sawang Colliery. As a result of under-utilisation of the capacity, the Corporation suffered a loss of over Rs. 75 lakhs during 1971-72 to 1973-74.

7.125. The Committee are informed that the Sawang washery is at present working to 75 per cent of built-up capacity and it is possible to reach the break-even point at 85 per cent utilisation of capacity. They hope that the constraints of power shortage and inadequate supply of raw coal from Sawang colliery which affected production

in the washery in the past resulting in heavy losses will not be allowed to recur and all possible measures will be taken to ensure that the Sawang washery not only meets the present demand of clean coal in full but is also geared to work to the rated capacity to meet the rising demand.

7.126. The Committee further note that while on the one hand the bulk demand of clean coal from steel plants had not materialised, on the other hand the middlings were also not acceptable to Patratu Thermal Power Station because of low fusion temperature. They are informed that the Corporation has decided to increase the capacity of the washery from 0.75 million tonnes input to one million tonnes input per annum. The expansion plan also includes a scheme to beneficiate middlings by re-washing so as to make them of acceptable grade for Patratu Thermal Station.

7.127. In the opinion of the Committee the expansion of the Sawang washery at a time when it is not able to operate at the capacity already set up, will be premature and disturb the economics of the washery and the question of expansion should be considered only after a firm demand for clean coal equivalent to the present capacity of the washery is established and the supply of adequate quantity of raw coal is ensured and the washery is able to work to the full or near full capacity. They further feel that the question of low ash fusion temperature of the middlings should be independently examined and a solution found out to make the quality of the middlings suitable for supply to Patratu Thermal Power Station or any other power station, if there is a firm demand for the middlings from the Patratu or any Power Station or from other consumers.

7.128. The Committee find that about 1.16 lakh tonnes of middlings are lying in stock at the Sawang washery as on 31st December, 1974. They would like to urge that urgent steps should be taken to find market for the middlings so that stacking might not lead to any fire accident.

L. Kathara Washery

7.129. This project with raw coal input capacity of 3 million tonnes per annum (from Kathara Colliery) was included in the Indo-Soviet Credit Agreement of December, 1961 for execution with U.S.S.R. collaboration. The Project Report, with a capital cost of Rs. 8.05 crores and scheduled to be completed by April, 1965, was approved by Government in July, 1963. Owing to delay in the receipt of working drawings from the collaborators and modification made in the Plant with connected addition/alteration in the Civil

Works, the estimated cost increased to Rs. 12.26 crores which was approved by the Board of Directors in October, 1968. The construction of the washery was started in May, 1964 and was completed in December, 1969 at a cost of Rs. 13.93 crores (upto 31st March, 1973). For want of firm market for clean coal the washery was brought on revenue account only from 1st April, 1971.

7.130. The Management stated that the product of Kathara Washery was linked to Bokaro Steel Plant. Since there was delay in completion of Bokaro Steel there was lack of market for the clean coal produced by Kathara Washery.

7.131. On account of non-settlement of the selling price, no profitability study was indicated either in the original Project Report or the revised project report for the washery. The cost of clean washed coal was, however, estimated at Rs. 32.66 per tonne in the original Project Report and was revised to Rs. 59.36 per tonne in the revised Project Report, the increase on account of increase in the capital cost of the washery being Rs. 3.31 per tonne.

7.132. Though the Dutt Committee on Rational and Equitable Distribution of Coking Coal provided the linkage of clean coal from this washery with HSL plants, the blends suggested by the Committee were not accepted by the Steel Plants in full. As a result, the production had been kept at a nominal level.

7.133. The performance of the Kathara Washery during the years 1971-72 to 1973-74 is given in the table below:—

	1971-72	1972-73	1973-74
(a) (i) Available capacity @ 100% in terms of clean coal in million tonnes at 50% yield . . .	0·75 (One shift basis)	0·75 (One shift basis)	0·75 (One shift basis)
(ii) Demand of washed coal in million tonnes in NCDC .	0·46	0·85	1·12
(b) Demand met by NCDC Washed coal in million tonnes	0·21	0·58	0·65
(c) Percentage utilization in terms of demand .	45.66%	68·24%	58·14%
(d) Percentage utilisation in terms of built-up capacity	13·7%	38·5%	43·5%
(e) Actual financial loss in lakhs of Rupees . .	(—)101·28	(—)35·23	(—)70·25 (Provisional)
(+) Profit (—)Loss			

7.134. The Management have stated that though production was planned to meet the demand fully the same could not be met due to frequent power interruptions and inadequate supply of power. Also erratic supply and shortage of wagon also did to some extent affect the production.

7.135. It has been added that with the Commissioning of the Coke Ovens of Bokaro Steel Plant, demand of medium Coking Coal variety has increased, necessitating greater capacity utilisation of the Kathara Washery.

7.136. During evidence the Chairman, CMAL informed the Committee that at present there was no difficulty in marketing the Kathara Washing Coal. He added that the washery would break-even when it reached the capacity of 80 per cent.

7.137. The Committee note that the Construction of the Kathara Washery was started in May, 1964 and was completed in December, 1969 at a cost of Rs. 13.93 crores. As in the case of Sawang Washery, the Kathara Washery also faced lack of market for clean coal. The washery was brought on revenue account only from April, 1971. During the years 1971-72, 1972-73 and 1973-74 the utilisation of the capacity of the washery was only 13.7 per cent, 38.7 per cent, and 43.5 per cent respectively as against the break even stage of 80 per cent of utilisation. The Committee are constrained to observe that such low utilisation of capacity due to lack of demand only indicates lack of proper planning in creating the washery capacity in the country. As a result of underutilisation of capacity the Corporation suffered a loss of over Rs. 206 lakhs during the above years.

7.138. The Committee are surprised to note that while on the one hand the capacity in the washery remained under utilised reportedly due to lack of demand, on the other hand the washery could not meet even the present demand in full. This has been attributed to frequent power interruptions, inadequate supply of power and erratic supply and shortage of wagons for transportation of coal. The Committee strongly stress that Government should take concrete measures to remove these bottlenecks so that the production in the washeries is not hampered due to these avoidable constraints and the Kathara Washery can start meeting at least the present demand in full and cut its losses.

7.139. The Committee also recommend that Government/Corporation should study the demand and supply position of clean coal, draw up a comprehensive plan and pursue it vigorously in order to raise

progressively the capacity utilisation of the Kathara Washery so as to take it to the rated capacity at an early date.

M. Other Washeries

7.140. Programme for the construction of washeries under the Fourth Five Year Plan has not been followed up. Feasibility studies in respect of Ramgarh and Sudamdih washeries were conducted in 1965-66 by the Central Fuel Research Institute, Dhanbad on payment of Rs. 25,000 each. An amount of about Rs. 10,000 was also spent for analysis of some bore hole cores in connection with Pundi washery.

7.141. Based on the feasibility report, the Company requested (March, 1966) the Mining and Allied Machinery Corporation, Durgapur to prepare a Project Report for Sudamdih washery with the help of their Polish Collaborators, M/s. CENTROZAP. The Project Report was submitted in two parts by April, 1967 for which a payment of Rs. 2.52 lakhs was made. The construction of the washery was, however, deferred in November, 1967 for an indefinite period mainly on account of the following reasons:—

(a) Quality of coal from major seams of Sudamdih mine was good and it might not need washing.

(b) There was some surplus capacity in HSL's Bhojudih Washery in which that portion of coal from Sudamdih mine needing washing, could be washed.

(c) Production from the Sudamdih mine was not likely to be achieved before, 1975.

7.142. The preparation of the feasibility report and the Project Report was taken up by the Corporation without having sufficient data about the Sudamdih mine and its coal. The Director, CFRI, who was one of the Company's Directors, had warned the Management in November, 1965 against proceeding with the construction of the washery without sufficient data. Had this advice been accepted, the Corporation could have saved Rs. 2.52 lakhs paid to the Mining and Allied Machinery Corporation for the preparation of the Project Report.

7.143. During evidence the Chairman, CMAL, informed, the Committee as follows:—

"The then Director of the Fuel Research Institute was also a director of the Board of Directors of the NCDC. He expressed this view at a Board meeting of the NCDC. The majority of the Board, however, did not accept the view of the Director of the Central Fuel Research Institute and, therefore, it was decided to go ahead with the preparation of the feasibility report. So it was a decision of the Board".

7.144. About the justification of the expenditure on the preparation of the feasibility Report on the Sudamdih washery, the Secretary of the Ministry stated as under:—

"Recently, the Bharat-Coking Coal Ltd. has come up with a proposal to use the project report. They have uptodated the project report and that is under consideration of the Government and sanction is awaited. Therefore, that expenditure is not infructuous. That has been made use of."

7.145. In a note submitted to the Committee the Ministry have stated that the Scheme has since been sanctioned by the Government.

7.146. The Committee find that feasibility studies in respect of Ramgarh and Sudamdih Washeries were conducted in 1965-66 by the Central Fuel Research Institute on payment of Rs. 25,000 each. An amount of Rs. 10,000 was also spent for analysis of some bore hole Cores in connection with Pundi Washery. The Project Report for Sudamdih Washery was prepared in 1967 with the help of Polish collaborators for which a payment of over Rs. 2 lakhs was made to the Mining and Allied Machinery Corporation. The programme for the construction of these washeries was not, however, followed up for certain reasons.

7.147 The Committee regret to note that the feasibility report and the Project Report for the Sudamdih Washery was taken up without having sufficient data about the Sudamdih mine and its coal, in spite of the warning by Director, CFRI who was also one of the Company's Board of Directors in November, 1965 against proceedings with the construction of the washery without sufficient data. The Committee would like the Government/Corporation to learn a lesson from this. They hope that the expenditure incurred on project report. in which the Bharat Coking Coal Ltd. has now evinced interest, will not be entirely infructuous in view of the new developments.

N. Washery Capacity

7.148. During evidence the Committee enquired about the position regarding the utilisation of existing washery capacity and about the future plans for creating additional capacity. The Secretary of the Ministry stated as follows:—

"So far as utilisation is concerned, the Kargali washery today is working almost at 85 per cent. of the capacity and I expect that, next year, it will go up to 90 per cent. The Kathara washery had been working in March, at 60 per cent, and I hope that 66-2|3 per cent. *i.e.* two thirds of the capacity, is attainable next year, *i.e.* in 1975-76. In the case of Sawang, during the last three or four months, it has been working at 66 per cent; we expect that utilisation to go up to 90 per cent during 1975-76. Things have started improving. There have been considerable amount of efforts which have gone into it. In the case of Kathara, certain steel pipes have to be changed, but we did not want to change these till March was over. They will start undertaking this work now and once that improvement takes place, I hope they will be able to do 66 per cent. In our opinion, Kargali and Swang will be able to set that also right. Next year, *i.e.* in 1975-76, all these washeries should do very well."

7.149. About the future plan, the witness stated as follows:—

"I am heading a team which is going into the need for coking coal for the steel plants for the Fifth and Sixth Plans, what amount of washing capacity is required. We are making an assessment, and the tentative conclusions we have come to are that we will need three washeries in respect of prime coking coal at Sudamdih, Manidih and Bastacola; there will be two or three washeries in the case of medium coking coal at Ramgarh, Kedla Jharkand and at one more place in M.P. The washing capacity will come up based upon the conclusions in that report, that is, what coal has to be washed, how much will be washed and so on."

7.150. Considering the heavy investment made in the existing washeries the Estimates Committee (1974-75) in their Sixty-eighth Report (Fifth Lok Sabha) on Availability & Distribution of Coal have recommended that all out efforts should be made to optimise the functioning of these washeries before setting up new units. They have desired that the matter should be examined in depth. The Estimates Committee have sounded a note of caution that if it was considered to be an inescapable necessity to set up new washeries, the

difficulties and bottlenecks encountered in the working of the existing washeries to their full capacity should be fully taken into account and provided for while planning the new washeries so as to ensure their efficient functioning.

7.151. The Committee reiterate the above observation|recommendation of the Estimates Committee and stress that concerted efforts should be made by Government/Corporation to ensure full utilisation of the existing washery capacity before setting up new capacity and the future programme should be drawn up realistically after ascertaining the demand for washed coal and availability of raw coal and also keeping in view the available capacity in the existing washeries.

VIII

WORKSHOPS

A. Performance Analysis

8.1. The Company set up 2 Central Workshops at Barkakna and Korba in April, 1961 and October, 1967 respectively besides the one at Giridih which was taken over alongwith the State collieries in 1956. The two Central Workshops are meant mainly for major repairs and overhaul of the plant and machinery but undertake the manufacture of spare parts also. The workshop at Giridih executes jobs received from other collieries for casting, machining and major manufacture.

8.2. Separate proforma accounts were not prepared for the workshops upto 1972-73. Proforma accounts were, however, prepared during 1973-74. The value of work done was, however, ascertained on the basis of the cost sheets maintained for each workshop. The following table indicates the value of work done and that in progress during 5 years ending 31st March, 1974:—

(Rs. in lakhs)

Unit	1969-70		1970-71		1971-72		1972-73	
	Value of work done	Work-in-progress	Value of work done	Work-in-progress	Value of work done	Work-in-progress	Value of work done	Work in progress
1	2	3	4	5	6	7	8	9
Barkakana	129·67	30·78	110·20	36·27	116·44	23·82	141·40	37·94
Korba	59·40	23·03	76·47	26·77	75·15	20·26	84·59	29·38
Giridih	19·55	4·74	23·67	0·53	22·33	0·10	23·53	0·94

Unit	1973-74 Value of work done	Work-in-progress
Barkakana	173·85	60·06
Korba	122·46	43·19
Giridih	27·61	5·51

8.3 The value of work-in-progress in the two Central Workshops at Barkakana and Korba was comparatively high and has been attributed to long time in the repair of heavy earth moving machinery.

8.4. At the time of receipt of the plant and machinery for the repair and overhaul in the two Central Workshops no estimates are prepared indicating the time and the materials required for the completion of the job.

8.5. The Management have stated that the delay in the repair of heavy earth moving machinery is due mainly to the fact that such equipments are to be completely dismantled and parts arranged and checked for replacement wherever necessary. Non-availability of critical items and spare parts is also stated to have stood in the way of quick completion of jobs.

8.6. During evidence the Committee enquired as to how the performance of the workshops was judged in the absence of proforma accounts. The Chairman, CMAL stated that there was a job card for every work and the performance of the workshops and the particular jobs was being judged with reference to the job cards. In addition, the targets of the workshops from year to year and month to month were laid down. To that extent, therefore, the performance was judged with reference to targets.

8.7. The Committee enquired as to how control was exercised on the cost of repairs and overhaul of plant and machinery received in the workshops in the absence of estimates. The witness stated that to frame estimates it was necessary first to stop the equipment and then frame the estimate. This procedure was not being applied as this resulted in delay in completing the job. The equipment was visually examined and then stripped and repaired simultaneously. Asked as to how control over the expenditure, over the job and over the performance was exercised, it was stated that vigilance was exercised through job cards.

8.8. As in the case of repair jobs, no estimate is also prepared in respect of manufacturing jobs (except outside jobs) indicating the quantity and the cost of materials required and machinery hours necessary for execution. Even the schedule of completion not indicated. As a result there is no mechanism available with the management either to compare the efficiency of the workshops or to control the cost of manufacture/repairs.

8.9. Upto 1970-71 the user units were being charged on the basis of actual cost plus overheads at a percentage of the direct wages. In order to judge the relative efficiency of the various manufacturing jobs executed by the workshops, the management decided in September, 1970 to charge from 1st October, 1970 the user units on the basis of market rates/standard price. Upto August, 1973 the Management had developed 3020 indigenous items of spare parts but they had ascertained the market/standard price of only 917 items. For the items for which standard/market prices have not been ascertained, these are being charged on the basis of actual cost. The Management have stated that development of new spares is a continuous process and on an average about 600|800 items are developed every year.

8.10. The Committee enquired about the difficulty in ascertaining the market price for the remaining items of spare parts so as to have a reasonable basis for charging the user units.

8.11. In a note submitted to the Committee the Management have stated as follows:—

> "The items which have been indigenised in the Central workshops were previously imparted. With the indigenisation, all these items, now being manufactured in the Central Workshops, have been deleted from the list of imports. Also a policy decision has been taken that whatever parts are manufactured in our workshops will not be developed for manufacture from other indigenous sources unless the manufacturing costs are highly prohibitive. As such, the actual market price of imported items has not been available. However, on comparison of some of the indigenous items with the imported cost, many of the items are much cheaper than the imported cost, normally, because of abnormal increase in the FOB prices of spares for old equipment, and also the recent heavy increase in the rate of import duty for spares which varies from 80 per cent to 135 per cent now.

8.12. The Committee regret to note that no proforma accounts were prepared for the NCDC workshops at Barkakana, Korba and Giridih upto 1972-73. Though proforma accounts were prepared during 1973-74, the Committee find that no job estimates were prepared either for repair jobs or for manufacturing jobs indicating the time, labour materials required etc. with the result that no control on cost of repairs or of manufacture is possible. It was stated that the control over the expenditure and performance of workshops was exercised

through job cards which were prepared for each job and the user units were charged upto 1970-71 on the basis of actual cost plus overheads at a percentage of direct wages and thereafter on the basis of market rates|standard price. The Committee fail to understand as to how the performance of the workshops could be judged and how in the absence of job estimates control on costs could be exercised merely on the basis of job cards which could only indicate the actuals. The Committee, therefore, recommend that the management should follow the scientific procedure for maintenance of workshops so that control on the performance of the workshops both in physical and financial terms may be exercised and cost of jobs are not unnecessary inflated.

8.13. The Committee also note that there had been delays in the repair of heavy earth moving equipments in the Barkakana and Korba Workshops due to non-availability of critical items and spare parts. The Committee need harly stress the importance of adequate provisioning of spares in the workshops which are mainly intended for repair jobs and recommend that Government/Corporation should take suitable steps to evercome these problems so that the repair and manufacture of vital equipments are not unduly delayed ultimately having an adverse affect on production.

8.14. The Committee are informed that the Management developed 3020 indigenous items of spare parts upto August, 1973 but they had ascertained the market price for only 917 items. On an average about 600/800 items are being developed every year. Since 1970, the user units have been charged for the manufacturing jobs on the basis of market rates/standard price in respect of items for which market prices have been ascertained and other jobs are charged, as before, on the basis of actual cost. The Committee are informed that the items developed indigenously in the Workshops have been deleted from the import list and these items are not allowed to be developed for manufacture from other indigenous sources. The Committee feel that the absence of any mechanism to ascertain/examine the reasonableness of cost of production do not make for a sound or scientific pricing policy for accounting. The Committee recommend that standard and actual costs of production of each item should be worked out periodically and compared with each other and also with the market rates, where these are ascertainable and constant efforts made to bring down the costs of production.

B. Barkakana Workshop

8.15. The workshop started functioning from April, 1961. The project Report (prepared by the Campany itself) indicates the rated capacity in monetary terms for the entire workshop as a whole (shopwise break-up is not indicated) and not in physical terms. Having regard to capacity and level of orders, the annual targets are fixed by the Management in terms of physical quantities for the individual shops.

8.16. In this connection, the Management have stated as follows:—

"Barakakana Central Workshop was basically conceived to act as an ancilliary based workshop for the mines in the area nearby. As such it has been provided with necessary facilities of special natures like engine overhaul, heavy machine shop, structural shop, etc. At the time of setting up of the Barkakana Central Workshops, the number of mines were not many. This was one basic reason why physical targets had not been indicated shopwise in the Project Report which was approved by the Government.

Subsequently, as the number of opencast mines increased, and as the Barkakana workshop was also required to cater to the needs of other categories like underground mining equipment, non-standard equipment for Washieries etc. it was considered necessary to fix targets in physical terms, and accordingly physical targets were fixed shopwise."

8.17. In 1965-66 indices for labour utilisation in respect of certain jobs were computed by the Industrial Engineering Department of the Company. The actual utilisation of labour as compared with these indices during 1969-70 to 1973-74 is indicated below:—

	1969-70			1970-71			1971-72			1972-73			1973-74		
	Std. hrs. as per I.E.D. norms	Actual hours taken	Percentage of actual hours to standard hrs.	Std. hrs. as per I.E.D. norms	Actual hours taken	Percentage of actual hours to standard hrs.	Std. hrs. as per I.E.D. norms	Actual hours taken	Percentage of actual hours to standard hrs.	Std. hrs. as per I.E.D. norms	Actual hours taken	Percentage of actual hours to standard hrs.	Std. hrs. as per I.E.D. norms	Actual hour taken	Percentage of acrual hours to standard hrs.
Machine	54,378	1,60,368	295	55,201	1,58,890	288	70,366	1,55,043	220	57,204	142,542	250	50,332	1,48,276	294·6
Structural	1,09,105	2,21,420	203	47,788	1,84,391	386	57,457	1,78,104	310	59,947	2,07,000	362	83,070	2,18,246	262·7
Forge/Smithy	17,220	59,987	348	19,023	1,04,578	550	27,851	57,800	208	53,100	1,01,588	191	23,579	68,751	291·7
Foundry	56,361	1,01,543	180	52,241	1,00,133	192	36,071	98,800	274	17,333	58,773	344	47,768	1,12,838	236·2

8.18. It will be seen that there was wide disparity between the labour hours actually spent on the execution of jobs and standard hours required therefor. This has been attributed to short supply of materials, spare parts and gases. Certain types of machines could not also be fully utilised on account of lack of job orders.

8.19. In this connection, the Chairman, CMAL stated during evidence as follows:—

> "Basically the Barkakana workshop is intended to be a repair workshop and to that extent, certain machines may be under-utilised when jobs applicable to these machines do not come up. Meanwhile, we have been seeking orders from outside parties also with a view to fully utilising the capacity of this workshop."

8.20. The Chairman, CMAL admitted that there was wide disparity between the labour hours actually spent on the execution of job and standard hours required therefor. This means there was excess payment made to the labourers and therefore loss.

8.21. Asked about the estimate of loss, it was stated that it had not been estimated.

8.22. The Committee note that there was wide disparity between the labour hours actually spent on the execution of jobs and standard hours required therefor in the Barkakana Workshop. The actual hours spent on jobs have been generally between 200 and 300 per cent more than the standard hours. In the case of forge/smith shop these were 450 per cent more during 1970-71. The Chairman, CMAL admitted that this meant excess payment made to the labourers and therefore loss. The Committee are informed that this wide disparity has been attributed to short supply of materials, spare parts and gases. Certain types of machines could not be fully utilised on account of lack of job orders. In order to utilise the capacity of the workshop the Management are stated to have been seeking orders from outside parties. The Committee regret to note that the Corporation has not so far succeeded in securing sufficient job orders from outside parties to keep the men and machines fully engaged. They would like the Corporation to make more vigorous efforts to secure more jobs from the public and private sector enterprises and Government departments in the region in order to utilise the manpower in full. They would also urge the Corporation to take measures, if necessary, with the help of the Government, to ensure that shortage of materials, spare parts and gases no longer results in the labourers remaining idle.

8.23. The Committee recommend that the Corporation should immediately undertake a review of the capacity of men and machines in the light of the standard indices of labour utilisation vis-a-vis the job position and if inspite of its best efforts, it cannot find enough work for them all, it should devise schemes to deploy the surplus men and machines elsewhere as over-staffing not only adds to the cost of production but also creates many administrative and human problems which should best be avoided.

C. Korba Workshop

8.24. The Korba workshop was set up at a cost of Rs. 2.93 crores with USSR collaboration and started functioning in October, 1967.

8.25. The annual targets fixed for the workshop were less than the capacity indicated in the Project Report and the actual production was generally lower than even the targets fixed.

8.26. The workshop also has a Heavy Repair Shop which has not yet been fully organised mainly for want of sufficient work load.

8.27. In terms of the value of work done, the workshop is expected (as per Project Report) to have an annual outturn of Rs. 99.38 lakhs (inclusive of overheads). The value of work actually done (including overheads) during 1969-70, 1970-71, 1971-72 and 1972-73 was Rs. 59.40 lakhs, Rs. 76.47 lakhs, Rs. 75.15 lakhs and Rs. 84.59 lakhs respectively.

8.28. The under utilisation of workshop capacity is stated to be partly due to inadequate supply of materials, tools, spare parts, etc. and partly to lack of jobs.

8.29. The Management stated (May, 1972) that "it is true that the utilisation of the Central Workshop Korba has been rather poor. The original Project Report envisaged large scale repair and manufacture of spares for the underground mining equipment in the Korba region including the Korba Washery which was not taken up........jobs are being undertaken from other Government Undertakings. Efforts to utilise the unutilised capacity in the Workshop are in progress on continuing basis."

8.30. During evidence the Chairman, CMAL stated as follows:—

"The utilisation of the capacity of this workshop has increased from year to year. In the year 1973-74, the value of the work was approximately Rs. 141 lakhs. We have now been able to canvas orders from many outside parties including HEC, Bharat Aluminium and Garden Reach Workshops. The workshop is now running on a reasonable capacity. We have some job orders for Bhilai Steel Plant also."

8.31. The Committee find that in the Korba Workshop the annual targets fixed for the workshop were less than the capacity indicated in the Project Report and the actual production was generally lower than even the targets fixed. The Heavy Repair Workshop had not been fully organised for want of sufficient work load. The underutilisation of the workshop capacity was stated to be partly due to inadequate supply of materials, spare parts and partly due to lack of jobs. It was stated during evidence that the management had been able to secure orders from many outside parties also and it was running on a reasonable capacity. In the year 1973-74 the value of works had gone up to approximately Rs. 141 lakhs as compared to Rs. 84.59 lakhs during 1972-73. The Committee hope that the Management would continue to make concerted efforts to fully utilise the capacity in the workshop by securing adequate orders particularly for other public sector undertakings and by providing the necessary inputs like spare parts, etc.

D. Idle Machines in Korba Workshop

8.32. The following machines were purchased and installed in 1967. Position with regard to their commissioning as on 31st March, 1974 is indicated below:—

Name of machine	Value (Rs.)	Reasons	As on 31st March, 1974
1	2	3	4
Over head crane (5 tonnes)	2,52,000	For want of gear box which was lost in transit.	Not commissioned so far (March, 1974).
Drop hammer .	74,593	Hammer, a part of drop hammer, was lost in transit and indent for another hammer has been placed. The electric overhead crane with the help of which the Drop hammer is to be operated has also not been procured. In the meantime a Drop hammer house constructed at a cost of Rs. 75,000 is being used as store house.	Not yet commissioned (March, 1974).

Name of machines	Value (Rs.)	Reasons	As on 31st March, 1974
1	2	3	4
Broaching machine	67,372	Lack of tools	Not commissioned so for (March 1974)
Gear hobbing machine	62,900	Want of spare parts	Put into operation in 1973.
Honing machine	49,700	Want of accessories	Not commissioned so far (March, 1974).
Ram engine	39,356	Want of Steel Ram	Not commissioned so far (March, 1974).

8.33. The following machines, though commissioned in 1967, were also lying for a long time:—

Name of machines	Value (Rs.)	Reasons	Present position
Overhead crane (15 tonnes)	3,00,000	Want of civil repairs loop Railway siding provided for its operation at a cost of Rs. 1·73 lakhs was also not beingused.	The crane stated working Dec., 1972.
Cleaning machine	1,62,802	Want of steam.	Started working from October, 1971.

8.34. The Management have now stated that Drop Hammer and Ram Engine have since been commissioned. Broaching Machine is ready for commissioning but this could not be put into use for lack of tools. The Corporation were trying to get these from USSR. Honing Machine is also ready. But cutter-heads were not supplied with the machines and the Corporation were trying to procure this indigenously. Overhead crane has not yet been commissioned as one of the missing assemblies could not be procured as yet. As regards the gear box of the overhead crane which was lost in transit the Chairman, CMAL stated during evidence that the matter had been under dispute with the Soviet Union. Under the contract with the USSR the equipment was insured for sea shipment.

8.35. The Committee regret to note that some valuable machines which were purchased and installed in 1967 in the Korba Workshop remained idle for several years for want of certain equipment, tools and spare parts. Overhead crane (5 tonnes) purchased from USSR at a cost of Rs. 2.52 lakhs has not been commissioned so far as one of the missing assemblies could not be provided as yet and as its gearbox was lost in transit. The matter was still under dispute with the Soviet authorities. The overhead crane (15 tonnes) valued at Rs. 3 lakhs remained unutilised upto December, 1972 for want of civil repairs and loop railway siding provided for its operation at a cost of Rs. 1.73 lakhs was also not used. Drop Hammer valued at Rs. 75,000 could not be commissioned as a part thereof was lost in transit. The electric overhead crane with the help of which the drop hammer was to be operated had also not been used. Broaching Machine, Gear hobbing machine, Honing Machine, and Ram engine remained idle for want of spare parts, tools and accessories. The Committee would like that the circumstances leading to the loss of gear-box of the overhead crane and a part of the drop hammer in transit should be thoroughly investigated in order to fix responsibility.

8.36. The Committee fail to understand as to how the mangement could afford to keep their machines idle when these were specifically procured for carrying out urgent repairs of mining equipment. They would like that the total loss suffered by the Corporation as a result of idleness of these machines should be calculated and responsibility fixed. The Committee also recommend that Government/NCDC should examine as to what extent this loss could have been avoided by taking approrpriate action in time to put these machines into operation and in case the jobs did not suffer for want of these machines why these machines were purchased at all. The Committee would like to be informed of the results. The Committee also recommend that the management should take immediate action either to commission these machines which have not been commissioned so far or to dispose them of if they are no longer

needed in consultation with BPE in the best interests of the Corporation.

E. Girdih Workshop

8.37. The number and value of work orders completed during the five years ending 31st March, 1974 were as under:—

Year	Number	Value of work orders completed
		(Rs. in lakhs)
1968-69	1715	20·35
1969-70	694	19·55
1970-71	843	23·67
1971-72	803	22·33
1972-73	665	23·53
1973-74	1259	26·83

8.38. No targets of production were fixed by the Management during these years. In this connection, the Management have stated that this is a very old Railway collieries which is mainly to cater the needs of Girdih workshop. This is more or less colliery repair workshop and not a manufacturing workshop. However, monthly targets for casting and sub-manufacturing are fixed.

8.39. Manufacture of coal tubs, which is the most profitable item, gradually came down owing to shortage of 3.5 mm. steel plates and other iron and steel materials. The comparative figures of production of coal tubs during the last six years were as under:—

Year	Size 36 cft.		Size 40·5 cft. (Welded)		Size 40·5 cft. (Rivetted)	
	Number	Unit cost of production Rs.	Number	Unit cost of production Rs.	Number	Unit cost of production Rs.
1	2	3	4	5	6	7
1968-69	195	612	154	530	868	575
1969-70	206	538	251	611	363	685
1970-71	15	654	116	643	131	714
1971-72	27	666	85	669	127	763
1972-73	57	754	403	825	415	866
1973-74	Nil	..	166	866·17	181	963·61

8.40. In August, 1970 the Management placed orders on a private firm for the supply of 50 Nos. of 36 cft. coal tubs at the rate of Rs. 950 each which became necessary on account of fall in production at Girdih Workshop. Thus shortfall in the production of coal tubs at Girdih Workshop resulted not only in non-utilisation of the capacity but also extra expenditure to the Company.

8.41. In this connection the Management have stated that Girdih Workshop can cater only some portion of the total requirement of NCDC and therefore orders for balance tubs had to be placed outside sources. Asked whether any further orders had been placed for procurement of tub from outside sources, it has been stated that orders on MAMC at Rs. 2400 have been placed at present.

8.42. Asked as to why the orders for 50 Nos. of 36 cft. coal tubs could not be placed with MAMC, the Chairman, CMAL stated during evidence that MAMC had been booked to full capacity. He informed the Committee that cost of the Girdih workshop was much lower than what MAMC were charging. Cost of manufacturing tubs in Girdih was substantially lower than the market price.

8.43. Asked about the steps taken to procure the required type of steel and other materials, it was stated that the position has improved and now there is regular flow of steel materials to Girdih Workshop with a view to utilising the capacity to the maximum extent possible.

8.44. The Committee find that the Girdih Workshop was set up mainly to cater to the needs of Girdih Collieries. Manufacture of coal tubs for NCDC is the other main activity of this workshop. The Committee, however, find that manufacture of coal tubs, which is the most profitable item, gradually came down owing to shortage of steel plates and other iron and steel materials with the result that the Management had to place orders in August, 1970 on a private firm for the supply of 50 tubs at the rate of Rs. 950 per tub whereas the unit cost of production in Girdih Workshop during 1970-71 was Rs. 714. The Committee regret to note that this resulted not only non-utilisation of the capacity at Girdih Workshop but also put the NCDC to an extra expenditure.

8.45. The Committee fail to understand why adequate steps were not taken in time to provide the requisite quality and quantity of steel and other materials for the manufacture of tubs in the Girdih Workshop and thus avoid the less.

8.46. The Committee would like that this matter should be examined and steps taken to set right system of material management in the workshop.

8.47. They would also like the Corporation to identify the causes which accounted for the non-availability of steel and other material at the workshop for the manufacture of coal tubs while it was available with the private firm.

IX

MARKETING

A. Order Position

9.1. The position of orders received and the actual despatches of coal during the years 1969-70 to 1973-74 as under:—

(In million tonnes)

	1969-70	1970-71	1971-72	1972-73	1973-74
(i) Coal field orders .	16·22	17·54	20·16	22·68	20·61
(ii) Total despatches .	13·32	13·22	14·13	15·88	17·10
(iii) Shortfall in despatches	2·90	4·32	6·03	6·80	3·51

NOTE :—Coal field orders represent the despatch programmes sanctioned by the Railways plus the actual despatches by means other than the Railways to consumers.

9.2. The shortfall in despatches against the orders has been attributed to (i) transport difficulties and (ii) variations in the volume of orders and in the ratio thereof between steam and slack coal from month to month on different collieries. The transport difficulties are also aggravated by the fact that under the revised traffic pattern of Railways the Company has to load single rakes of 42 box wagons each. On the other hand a number of private sector collieries are allowed to pool their loading to cater to the same customer. As a result, the Company is unable to cater to the requirements of small consumers.

9.3. About the transport difficulties the representative of the Ministry informed the Committee during evidence that NCDC had from the very beginning senior railway officials on deputation in NCDC. The day-to-day liaison with the Railways was very good, and at various stages, the matter was taken up with the Railways direct as also through the Ministry. Subsequently, the Railway officers were also on the Board of NCDC.

9.4. The Committee enquired if any attempt was made by the Management to sort out the difficulty with the Railways in regard to loading of rakes of 42 box wagons. In a note submitted to the Committee the Management stated as follows:—

> "Repeated efforts were made to sort out with the Railways the question of their insistence on N.C.D.C. for loading box wagons rakes at single sidings. There was not much success however, as they insisted that N.C.D.C. as a large public sector undertaking, with large mines and having facilities for mechanical handling, must set the pace of the pattern of coal movement envisaged by the Railways for meeting the anticipated growth in the demand for rail traffic. The Ministry was also aware of this fact."

9.5. The Committee are surprised to find that while on the one hand there was shortfall in production of coal on account of lack of orders, on the other hand the Corporation was unable to meet all the orders received. The shortfall in despatches against the orders was to the extent of 6.03, 6.80 and 3.51 million tonnes during the years 1971-72, 1972-73 and 1973-74 respectively. This shortfall has been attributed to transport difficulties and variations in the volume of orders and the ratio thereof between steam and slack coal from month to month on different collieries.

9.6. The Corporation was also unable to cater to the requirement of small consumers because they had to load single rakes of 42 box wagons each whereas the private sector collieries were allowed to pool their loading to the same customer. The Committee are not sure how far the Ministry of Railways was justified in insisting on the N.C.D.C. to load box wagons rakes at single sidings especially when in the process which verged on discrimination against N.C.D.C. as compared to the then private sector collieries, it was the small consumers and the public sector undertaking who suffered. The Committee would like that the matter should be thoroughly investigated by the Ministry of Railways to find out as to why such a discrimination was made against a public sector undertaking in this regard. The Committee would like to be informed of the results of enquiry.

9.7. The Committee need hardly stress the need for sorting out all the difficulties relating to the transportation of coal at the highest level and on a top priority basis. The Committee hope that

the Ministry of Railways would not be indifferent to the difficulties of NCDC in this regard, and would not hesitate to adjust as far as possible the traffic pattern to take care of the Corporation's difficulties and would also ensure speedy and timely availability of wagons for transportation of coal. They would also like NCDC to examine the impediments in the way of its following the traffic pattern adopted by the Railways and devise ways and means of removing the impediments and streamlining the loading system so as to ensure that there is no shortfall in despatches against the orders received. The Committee would also like the Ministry of Energy (Department of Coal) to help NCDC sort out the difficulties which it faces in transporting the coal through Railways.

B. Sales through middlemen

9.8. The sale of coal made direct to the customers and that made through middlemen during 1969-70 to 1973-74 is given below:—

(Rs. in lakhs)

Year	Total sales	Direct sales	Sales through middlemen	Percentage of direct sales to total sales
1	2	3	4	5
1969-70	4,784·52	4,075·62	708·90	85·2
1970-71	4,823·32	4,141·63	681·69	85·9
1971-72	5,145·68	4,444·64	701·04	86·4
1972-73	6,210·02	5,313·79	896·23	85·6
1973-74	7,094·33	6,019·91	1074·42	85

9.9. It will be seen that the direct sales to the customers ranged between 85 per cent and 86.4 per cent of the total sales. The sales through the middlemen ranged between 13.6 per cent. and 15 per cent. There were 42 middlemen having business with the Company as on 31st March, 1974.

9.10. Out of the sales made through middlemen, the sales to Government departments/Government institutions are indicated below:—

(Rs. in lakhs)

Year	Total sales through middlemen	Sales to Government Department/ Government institution	Percentage of Col. 3 to Col. 2
1	2	3	4
1969-70 .	708·90	259·12	36·5
1970-71 . .	681·69	291·37	42·7
1971-72 . .	701·04	319·80	45·6
1972-73 . .	896·23	295·37	32·9
1973-74 .	1,074·42	141·29	13·15

9.11. The total commission paid to the middlemen and that paid in respect of sales made to public sector undertakings/Government Departments during 1969-70 to 1973-74 is given below:—

(Rs. in lakhs)

Year	Total commission paid	Commission paid in respect of sales to public sector undertakings/Government departments
1969-70	7·42	4·78
1970-71	4·41	1·81
1971-72	6·16	2·60
1972-73	13·06	3·84
1973-74	11·49	3·08
	42·54	16·31

9.12. In pursuance of a recommendation made by the Committee on Public Undertakings in their Tenth Report (4th Lok Sabha) the Ministry issued a circular in June, 1968 to all State Government/ Union Territories and the Ministries/Departments of the Government of India requesting them to issue suitable instructions to all the Undertakings/Departments under their control to make purchases direct from the Company instead of through middlemen. It is, however, observed that some of the Government customers will prefer to make their purchases through middlemen; these customers are Bargarh Cement Factory of Orissa Government, Churk Cement Factory of U.P. Government, Harduaganj, KESA, Panki, Sohwal, Mau and Gorakhpur Power houses of UPSEB and Delhi Electric Supply Undertaking.

9.13. In March, 1972 the pros and cons of continuing the business through middlemen was considered by the Board of Directors and it was decided that the Company should continue to avail of the services of the middlemen on account of the following considerations:—

(i) In certain cases the middlemen acted as chosen agents of the big consumers requiring producers of coal to do business through them only.

(ii) In other cases they provided services like:

(a) taking care of quality complaints;

(b) taking responsibility for missing wagons; and

(c) obtaining timely payment to the Company for which purpose the Company did not have adequate field organisation.

9.14. It was, however, also decided that efforts should be made to gradually dispense with the middlemen particularly in respect of supplies to Government Undertakings.

9.15. In this connection the Management stated as follows:—

"The Board's decision on the question really intended that while efforts should continue to be made to gradually do away with middleman, particularly for supplies to Government undertakings but the commercial interests of the Corporation should be carefully taken into account. In other words, the Board noted the necessity of dispensing with the services of middleman as far as practicable but also appreciating the realities of the position took note of the fact that a total elimination at that stage would not be in the commercial interest of the Corporation."

9.16. Explaining the reasons as to why it was not possible for the Corporation to dispense with the services of middlemen the Management have stated that:

> "The market was entirely a buyers' market with a fierce competition amongst the producers. Middlemen were the established channel for coal marketing. They were fully entrenched and had their offices already located all over the country. They also had developed very close business relations with the consumers, the producers and the Railways over the years and had established their usefulness to the consumers over decades, in the matter of ensuring supply of coal in quantities and of the quality required by the consumers. N.C.D.C. was a late entrant in the field."

9.17. Asked about the steps taken to gradually dispense with the services of middlemen particularly in respect of supplies to Government undertakings, it has been stated that currently NCDC is not paying any commission to the middlemen at all due to the change in the complexion of the market. Even then, the consumers, including a few State Undertakings are not giving up the system of buying through them even by paying commission to them and approving them as their own purchasing agents.

9.18. It has been added that sales through middlemen to the Government departments which were of the order of over 45.1 per cent of the total sale through middlemen in 1971-72 were brought down to 32.9 per cent in 1972-73 and 13.15 per cent in 1973-74.

9.19. The Committee find that the sale of coal through middlemen ranged between 13.6 per cent to 14.8 per cent of the total sales during the years 1969-70 to 1973-74. Out of the total sales through middlemen sales to Government Departments Government institutions ranged from 13.15 per cent to 45.6 per cent during this period. The total commission paid to middlemen during 1969-70 to 1973-74 amounted to Rs. 42.54 lakhs out of which Rs. 16.31 lakhs was in respect of sales to Public Undertakings/Government Departments.

9.20. The sale of coal to Public Sector Undertakings/Government Departments through middlemen was adversely commented upon by the Committee in their Tenth Report on NCDC (Fourth Lok Sabha). In pursuance of the recommendation made by the Committee the Ministry had issued a circular in June, 1968 to all State

Government, Union Territories and Ministries/Departments of the Government of India requesting them to issue suitable instructions to all the Government Undertakings/Departments under their control to make purchases direct from the NCDC instead of through middlemen. The Committee regret to note that some of the Government Departments/Undertakings continued to purchase coal from NCDC through middlemen and that even the Board of Directors of the NCDC decided in 1972 to continue to avail of the services of the middlemen though the Board also decided that efforts should be made gradually to dispense with the middlemen particularly in respect of supplies to Government undertakings. Though currently NCDC is not paying any commission to the middlemen at all due to change in the complexion of the market, certain public undertakings are not giving up the system of buying through them even by paying commission.

9.21. The Committee are surprised to note that even with the change in the complexion of market and the nationalisation of coal industry, the public sector undertakings|institutions should still prefer to deal with the NCDC, also a public sector undertaking, not directly, but through the middlemen in private sector. They cannot too strongly deprecate this practice. The Committee are unhappy to note that inspite of their earlier recommendation the services of middlemen continued to be utilised in dealing with the public undertakings. They would like that the matter should be thoroughly investigated and responsibility fixed. They recommend that Government should issue suitable instructions so that the public undertakings/ State Governments concerned are required to give up the practice of dealing with another public sector undertaking (NCDC) through the agency of middlemen.

C. Financial Arrangements with Middlemen

9.22. The position of outstandings against some of principal middlemen/selling agents as at the end of March, 1974 is indicated in the statement given at Appendix V.

9.23. In January, 1963 the Company decided that the level of business with a middleman should not exceed double the amount of bank guarantee given by way of security. It will, however, be seen from the statement that outstandings against certain parties exceeded not only the credit period but also double the amount of the bank guarantees given as security.

9.24. The Committee on Public Undertakings desired (Para 143 of their Tenth Report-4th Lok Sabha) that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantees and should not in future be allowed to exceed the amount of total financial coverage. Government informed the Committee in April, 1969 that they had been regularly advising the Company to ensure that the outstandings against the middlemen were reduced and fully covered by bank guarantee. The Management have, however, pleaded ignorance of any such advice being received from Government.

9.25. In this connection the Secretary of the Ministry stated during evidence as follows:—

> "The fact remains that advice was given to the Board personally and at meetings with the Secretary and the Minister and by the Government Directors also. But the marketing conditions were different and today the position is that the outstandings with the middlemen have come down considerably whereas the outstandings with the Government parties and the public sector undertakings have gone up very very high."

9.26. The Committee enquired as to why in majority of cases the Corporation's own decision that the level of business with middlemen should not exceed double the amount of the bank guarantee could not be followed. The Management have in a note submitted to the Committee stated that:—

> "The main reason for which the level of business could not be restricted to the limit envisaged was the desperate need of NCDC to boost up its production and sales on the one hand and the fierecely competitive nature of the prevalent market. In order to keep a close watch on the position of outstandings of middlemen, however, the sales accounts were mechanised and a continuous review of the position of outstandings and financial coverage against individual parties was also periodically reported to the Board."

9.27. During evidence, the representative of the Corporation informed the Committee that in 1971-72 the situation started improving and after nationalisation, NCDC had been able to mop up these dues gradually. The position even now was not satisfactory. But the Management was in the process of taking care of it.

9.28. The Committee find that on 31st March, 1974 as against a total of bank guarantees amounting to Rs. 31.50 lakhs a sum of more than Rs. 182 lakhs was outstanding against middlemen of which a sum of over Rs. 142 lakhs was outstanding beyond the credit period. Although the Corporation had decided in January, 1963 that the level of business with middlemen should not exceed double the amount of bank guarantee given by way of security, they find that outstandings against some of the middlemen far exceeded the stipulated limit.

9.29. The Committee in their Tenth Report on NCDC (Fourth Lok Sabha) desired that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantee and the outstandings should not be allowed to exceed the amount of total financial coverage. Government informed the Committee in April, 1969 that they had been regularly advising the Corporation to ensure that the outstandings against the middlemen were reduced and fully covered by bank guarantee. The Committee are surprised to note that the Management had pleaded ignorance of any such advice being received from Government.

9.30. The Committee would like the Government to go into the conflicting statements made by the Ministry and the Corporation and determine whether or not any advice in the matter was given by the Ministry and received by the Corporation and fix responsibility for not implementing the recommendation of the Committee made as far back as 1968.

9.31. The Committee would also like the Government to investigate the cases where the outstanding against the middlemen have been allowed by the Management to exceed the limits set by the Corporation itself with a view to fixing the responsibility.

9.32. The Committee would also like to reiterate their recommendation made in para 143 of their 10th Report (4th Lok Sabha) that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantees within the shortest possible time and the outstandings should not in future be allowed to exceed the amount of total financial coverage. They expect that atleast now this recommendation will be viewed seriously and implemented scrupulously.

D. Outstanding against M/s. Kahansons and Company

9.33. Of all the middlemen, the amount outstanding against M/s. Kahansons and Company has always been the largest. Company's handling of the outstanding dues against the firm was adversely commented upon by the Committee on Public Undertakings in Paras 130-132 of their Tenth Report (Fourth Lok Sabha).

9.34. In April, 1969, the Ministry informed the Committee on Public Undertakings that the firm had not only increased the bank guarantees to Rs. 10 lakhs but had also offered for hypothecation unencumbered properties valued at over Rs. 11 lakhs besides the quarterly payment of Rs. 1.50 lakhs and adjustment of the commission on current sales against old outstandings. The firm had also agreed to assign a decree for Rs. 15 lakhs secured by it under the orders of Calcutta High Court; the level of current business with the firm had been restricted to Rs. 7 lakhs per month excluding supplies to Harduaganj Power House which was making direct payments to the Company.

9.35. Sale of coal through this firm to customers continued and the amount outstanding gradually increased from year to year. Some of the customers were the Government power houses such as Harduaganj Power Houses 'A' and 'B', Pinki Thermal Power Station, Sohwal Steam Power Station (All of UPSEB), Kanpur Electric Supply Administration and Delhi Electric Supply Undertaking. The system of receiving direct payments from these customers could, however, be introduced only from November, 1969, with the consent of all concerned, on account of the technical difficulties arising from the agreements already concluded between M/s. Kahansons and the customers.

9.36. In April, 1970 the Board appointed a Committee of Directors to examine the circumstances under which large amounts got accumulated against this firm during June, 1969 to March, 1970 and to suggest measures to prevent recurrence of such cases in future. The Committee was also asked to fix responsibility for lapses or failure on the part of any officer/officers dealing with the case.

9.37. In its report submitted in February, 1971, the Committee made the following observations:—

(a) In periodical reviews/appraisals, the Management focussed attention mainly on overdues rather than on total liability (including amounts due within the credit period).

(b) Supplies made during April, 1968 to May, 1969 to Harduaganj 'B' Power Station (U.P.) which was making payments through the firm, were booked (Rs. 16.02 lakhs) against Harduaganj 'A' Power Station which was making payments directly to the Company. The error, which was corrected in June, 1969, had the effect of exhibiting reduced outstandings against M/s Kahansons. Similar mistake was made in respect of supplies to Harduaganj 'B' Power Station during July and August, 1969 (Rs. 9.23 lakhs) and was rectified in September, 1969.

(c) By and large, the Management perhaps, would not have acted in a very different manner than what it has really done. In coming to this conclusion the Committee have also taken note of considerede legal advice given to the Management which had been in favour of clearing the dues in the manner arranged by the Corporation. This does not, in the opinion of the Committee, however, mean that the present system of watching transaction cannot be improved."

(d) "Perhaps inevitably, a risk had to be taken by the Corporation, if not consciously, to continue business with the party. At least by doing so the position is not worse than it would have been if a decision to close the issue had been taken in 1965-66 or soon thereafter."

9.38. The total amount outstanding against this firm as on 31st March, 1974 was Rs. 63.66 lakhs out of which Rs. 19.75 lakhs (Rs. 18.14 lakhs within credit period and Rs 1.61 lakhs beyond credit period) related to consignees who were making payments directly to the Company and the remaining Rs. 43.91 lakhs (all beyond credit period) related to the Party's own account.

9.39. The following coverage was available with the Company against the outstanding of Rs. 43.91 lakhs.

(Rs. in Lakhs)

(a) Bank guarantee	8·50
(b) Decree assigned in favour of N. C. D. C. Ltd.	15·00
(c) Title deeds of property deposited with the NCDC Ltd.	2·50
	26·00

9.40. The decree of Rs. 15 lakhs referred to above was assigned by the party to the Company in December, 1971 but an appeal filed against the decree is pending in the Calcutta High Court (June, 1973).

9.41. The Committee enquired about the improvement made in watching the transactions with this firm, the Management have stated as follows:—

> "All business through this firm from December, 1969 onwards was put on the basis of direct payment by consumers. The coal sales accounts were mechanised and the position of outstandings, particularly against middleman was continuously reviewed. A monthly report on sales realisation and outstandings was also submitted to the higher management. Currently, no commission is paid to any middleman nor is any credit allowed."

9.42. The Committee find that of all the middlemen, the amount outstanding against M/s. Kahansons and Company has always been the largest. As on 31st March, 1974 the total amount outstanding against this firm was Rs. 63.66 lakhs out of which Rs. 19.75 lakhs related to consignees who were making payments directly to the Corporation and the remaining Rs. 43.91 lakhs (all beyond credit period) related to party's own account. A coverage of only Rs. 26 lakhs was available with the Corporation against this amount. This coverage included a decree of Rs. 15 lakhs assigned by the Party to the Corporation in December, 1971 but an appeal filed against the decree is pending in the Calcutta High Court.

9.43. The Committee in their Tenth Report on NCDC (Fourth Lok Sabha) adversely commented upon the Corporation's handling of the outstandings against this firm. In spite of this, sale of coal through this firm gradually increased from year to year. In April, 1970 the Board appointed a Committee of Directors to examine the circumstances under which large amount got accumulated against this firm during June, 1969 to March, 1970 and to suggest measures to prevent recurrence of such cases in future. The Committee of Directors inter alia **observed in their Report submitted in February, 1971 that "by and large, the Management perhaps would not have acted in a very different manner than what it has really done". The Committee are not satisfied with this view.**

9.44. The Committee recommend that sale of coal through this firm and accumulation of outstanding from March, 1971 onwards should be thoroughly examined by Government in order to find out as to what extent business through this firm was unavoidable and to what extent outstandings could have been avoided by taking suitable action at the appropriate time. They also recommend that immediate action should be taken to recover the balance of amount

from M/s Kahansons and Company and the progress reported to the Committee.

E. Outstanding dues

9.45. (a) (i) The figure of sundry debtors as at the end of the years 1969-70 to 1973-74 the debts considered doubtful and the provision made therefor are indicated below:—

(Rs. in Crores)

Year	Gross debts outstanding	Debts considered doubtful	Provision made for doubtful debts
1969-70 .	14·66	1·34*	0.88
1970-71 .	13·95	3·08*	1·30
1971-72 .	15·71	2·89*	2·49
1972-73 .	17·11	3·08*	2·76
1973-74 .	18·12	3·19	3·10

NOTE: *Represents debts considered doubtful and/or under legal proceedings.

9.46. A statement showing the names of parties against whom the amount of outstanding as on 31st March, 1974 was Rs. 5 lakhs and more is given in Appendix VI.

9.47. As against the total outstandings of Rs. 18.12 crores as on 31st March, 1974 the amount outstanding beyond credit period was Rs. 8.22 crores. To meet its working capital requirements, the Company has a cash credit arrangement with the State Bank of India on which it pays interest at the rate of 9.75 per cent per annum. The Company is not charging interest on overdue amounts from its customers and the cost of excess credit enjoyed by the customers comes to about Rs. 80 lakhs per annum (9.75 per cent on the amount outstanding beyond credit period of Rs. 8.82 crores).

9.48. The Committee on Public Undertakings in their Tenth Report (Fourth Lok Sabha) had recommended (April, 1968) the recovery of interest on overdues from customers and the Board of Directors in its meeting held in May, 1968 decided "that it would be advisable to demand payment of interest in cases of overdues beyond the agreed period of credit. The payment of interest could be waived in suitable cases with the approval of the Managing Director. The Board should be apprised of the working of these arrangements from time to time."

9.49. The above decision was reviewed by the Board of Directors in April, 1970 when a system of prompt payment rebate was introduced and it was decided that interest should be charged on payments received beyond 150 days from the date of billing. The decision has, however, not been implemented.

9.50 In a note submitted to the Committee, the Management have stated that "for Government parties like State Electricity Boards, etc, even though prompt payment is insisted upon, they are defaulting in spite of efforts on all levels, alleged by because of their poor ways and means position."

F. Agreements with State Electricity Boards

9.51. In July, 1968 the Ministry informed the Committee on Public Undertakings that though there was difficulty in concluding agreements with State Electricity Boards, the Company had been advised to finalise such agreements, as far as possible, before the commencement of the supplies of coal. It is, however, observed that firm agreements with the following State Electricity Boards have not been finalised so far (June, 1973) although the suppiles of coal commenced long ago:—

State Electricity Board	Collieries from which supplies are made	Date of commencement of supplies
(*i*) Korba Power Houses (MPEB)	Banki & Surakachar	Sptember, 1966
(*ii*) Khaperkheda Power House (MSEB)	Silewara	November, 1967
(*iii*) Power Houses under UPSEB except Obra Power House	Jhingurda	N.A.
(*iv*) Patratu Thermal Power House (BSEB)	Karanpura Collieries	December, 1965

9.52. The Management have stated (May, 1972) as under:—

"Conclusion of agreements with big buyers like State Electricity Boards, DVC, etc. is a protected process preceded by a series of discussions|negotiations. Such discussions| negotiations in most of the cases started before commencement of despatches and have been going on since then.

..........Also, it is neither necessary nor possible that commencement of despatches to power houses should await conclusion of formal agreements.

9.53. While explaining the reasons for price disputes between the company and its customers (which include the power houses also) the Management have also stated that:—

"In our opinion, agreements between one Government Undertaking and another are not only redundant but tend to create a lot of mischief".

9.54. During evidence the representative of NCDC however, stated as follows:—

"I do not know how this statement has appeared. It appears to have been made in connection with the price dispute and I apologise for it. What is perhaps meant here is that an agreement which goes into very great details between one Government Undertaking and another Government Department, tends to create problems at the lower level. It would be better perhaps if this agreement is confined to board parameters of terms and conditions of the supply."

9.55. The Committee pointed out that firm agreements with some of the State Electricity Boards had not been finalised although the supplies of coal commenced long ago. The witness stated as follows:—

"There is realy no justification for it except that in actual practice we find that it is almost impossible to come to an agreement with the State Electricity Board and if it is at all possible it takes years."

9.56. Asked as to who was responsible for this, it was stated as under:—

"It all depends on the state of the market and the period to which we are referring was a biased market. The State Electricity Boards were going in for a tender. We were competing and we were engaged in fierce competition with the private sector who were offering heavy rebates and were operating through middlemen and we found it very difficult to come to terms with the State Electricity

Boards. Of course, in the last two years, after nationalisation, things have been changing. Now, we have finalised the agreements practically with all the Electricity Boards. But here by agreement we mean meetings and minutes of the meetings and formal exchange of letters."

9.57. In regard to settlement of disputes with the different state Electricity Boards the Ministry have in a note submitted to the Committee, stated as follows:—

"In a meeting held by the Department of Coal in which the representatives of the Department of Power, Central Electricity Authority, Coal Producing Agencies and the Ministry of Finance were present a draft guideline indicating terms for supply of coal to power stations has been prepared. This guideline provides important clauses in respect of quantity and quality, sampling of analysis, price, bonus|penalty, weighment, payment and period of validity of agreement. These guidelines have been circulated by the Central Electricity Authority to all the Chairmen of the State Electricity Boards for their comments. The draft guideline which is expected to be finalised shortly will be a major step in the direction of eliminating disputes on account of prices and quality of coal."

G. Provision for Doubtful debts

9.58. It will be seen from page 371 that as on 31st March, 1974 a provision of Rs. 3.10 crores was made by the Management for debts considered to be doubtful.

Party-wise break-up of the provision of Rs. 3.10 crores made in the Account for 1973-74 is given below:—

(Figures in Lakhs)

Party	Provision made
(i) Railways	23·86
(i) Central Government Undertakings and Departments other than Defence Department	15·14
(iii) State Government Undertakings (including DVC) and Electricity Boards	102·43
(iv) State Goverment Departments and Defence Departments	25·76
(v) Middlemen	43·26
(vi) Other private parties excluding Renusagar Power Co., Ltd.	99·32
	309·47

9.59. The provision for doubtful debts pertaining to coal sales is made by the Company at the end of each year after making a review of the outstanding balances. The provision made in the previous year is written back in full and a fresh provision, as is considered necessary on the basis of the review of the outstanding balances, is made. It is, therefore, difficult to locate the particular items for which the provision had been made continuously year after year.

9.60. The Committee enquired as to why this system of making provision for doubtful debts was being followed. The Management have stated as follows:—

> "It has been our experience that 4 to 5 per cent of the billed amount is deducted by the consumers at the time of making initial payments. Part of these deductions is in accordance with the terms of agreement and the balance is arbitrary. The former have to be settled|adjusted after reconciliation of the weight and analysis results etc. of the coal supplied and the latter have to be settled by negotiations. Having deducted the amounts the consumers do not share our sense of urgency and anxiety to settle these deducted|disputed amounts promptly. There is also a general tendency on the part of the consumers to stick to their stand and to justify the deductions. Besides, our experience is that decisions regarding the refund/settlement of the deducted amounts have to be taken in meetings at the highest levels of the two organisations. There are thus prolonged delays in final settlement of cases of deductions|disputes. Until such time as the deductions are finally settled and adjusted the amounts appear as outstandings in the accounts. In order to reflect the correct position of assets under the head 'Sundry Debtors' in the annual accounts it becomes necessary to make an assessment of the amount which may not be ultimately realised and to make a suitable provision for the same under doubtful debts with a view to reflect the correct position in the accounts."

H. Disputed amounts

9.61. The deductions made by the customers were mostly on account of disputes regarding rates, quality complaints, underloading of wagons, missing wagons, unlinked wagons, shortfall in calorific value, defects in weightometre etc. The position in respect of customers who have disputed heavy amounts is indicated below:—

in (Rs. lakhs)

Name of the Party	Amount deducted upto 31-3-1974	Reasons for deductions
1 Renusagar Power Co.	151·64	Mainly due to difference in rate.
2 Talcher Thermal Power Station .	2·38	Price dispute.
3 M. P. E.B. .	15·78	Difference in rate, R. Krishna Award, Breaking Charges, etc.
4 Maharashtra Electricity Board. .	91·48	Shortfall in CV quantity disallowed, difference in rate and sales tax, rebate, etc.
5 UPSEB (Obra TPS) .	2·98	Over-load, low CV, liquidated damage, missing wagons etc.
6 Railways	17·43	Alleged inferior quality, non weighment of wagons, difference in rate, etc.
7 D.V.C. .	29·00	Defects in weightometer, excess ash and moisture, etc.
8 Central Government Undertakings and Departments other than Defence Deptts.	34·72	Underloading charges, penalty, quantity, disallowed, non-receipt of R/R etc.
9 Private parties other than M/s. S. K. Kahansons, Renusagar Power Supply.	43·73	Inferior quality, missing wagons, rebate etc.

9.62. The Committee enquired about the means adopted for prompt settlement of cases. The Management have stated as follows:—

> "The Management do strongly feel that some means should be devised for prompt settlement of the disputed cases but frequent discussion and negotiations at the top level seems to be the only practical and effective method."

9.63. During evidence the representative of the Corporation explained the position as follows:—

"The various parties to whom the coal was supplied, particularly during the period when we were having this competitive market made deductions from the bills on various counts, I would like to give a few examples. It is sometimes found that in the course of movement of a rake from the colliery to the consumer end, certain wagons get detached.

They do not reach the consignee. The consignees do not make payment in such cases till they receive the wagons; or till they receive payment from the Railways for the claims filed. We have been arguing that once we load the wagons our responsibility ceases; and that if the wagon is lost in transit, it is the consignees responsibility to follow up with the railways. While they did not have much of legal ground to offer, the market was in their favour. They said that unless they received the coal, they would not pay. They had an alternative source from which they could get coal on such terms. There are certain other cases wherein consumer 'A' is sent coal, which is diverted to consumer 'B'. We prefer a bill on consumer 'A' supported by R. R. on him; but he is not prepared to pay on the ground that he did not receive the coal. If we go to consumer 'B' he wants an RR in his favour before he can pay. The number of such cases have increased considerably during the last 1½ years, resulting the prolonged hold-ups. The Coal Mines Authority is affected to the extent of more than Rs. 1 crore due to such cases. I have been following it up with the Railways at their Board's level. It has taken time; and it will take some more time. Another type of case leading to greater problems in this buyer's market is that; coal is a natural product whose quality varies from foot to foot in a seam and from patch to patch in an area. In several places, we are working on more than one seam. They affected the quality of coal loaded from time to time. While the loading is on the basis of one sample, there is greater variation, depending on the patch and seam we are mining. The complaints relate to size, and quality on different occasions. And the consumers made deductions, because it was very easy for them since. They had to pay us large sums of money at all points of time. It becomes a very difficult job to settle these deductions. One reason for it is that the party takes a stand that he has suffered loss due to the coal size or quality being different and that he was going to recover that loss and was entitled to do so. Secondly, now when the mines are nationalized and there is monopoly, we find that there is a problem in realizing money from customers, particularly from the public sector. I think they are reasonably assured that we cannot stop supplies, whether they make payment or not. The position of payment has deteriorated after nationalisation, as far as the public sector is concerned. Nearly 80 per cent to 85 per cent of the supplies of NCDC were being made to Government parties. Even part of the remaining 15 per cent going through middlemen, is also going to Government parties. The manner in which these deductions are made and the attitudes we faced with, are not conducive to very early settlement. As a result when we review the position of outstandings at the end of a year, we are well aware that what appears in our books as dues, are not really due. We know that it is not possible to realize the whole lot. In order to satisfy the basic requirements of Audit, it is necessary to bring the dues within realistic limits. Therefore, we make assessments to see what we are likely to receive and what we are not. We make provisions accordingly; but it does not mean that we would not make efforts for the recovery of the latter amounts, because it is only an estimate, we do not make adjustments. We do not write off till we are satisfied that there is no hope of getting the money."

9.64. While explaining the background of coal marketing conditions in which the sales Department of NCDC had to function during the period under review the Management have stated that the Corporation had to face the following serious handicaps:

(i) Most of N.C.D.C.'s increased production came from mines which were new and the consumers were not familiar with the coal and its suitability for their use. There was thus an inherent resistance to give up their established sources of supply which had been found to be suitable over the years.

(ii) Raniganj coal enjoys a premier position amongst Indian non-coking coals. Even today most coal consumers prefer a grade lower Raniganj coal to better coals from other fields. NCDC did not have a single mine in the Raniganj field.

(iii) N.C.D.C. commanded a very little of selected Grade coal production. This denied to NCDC the opportunity of negotiating package deals for disposal of its other coals.

(iv) The cost of production in private mines was much lower than the NCDC mines for various reasons, which gave them an edge in the prevalent competitive market. As far as is known the statutory prices during the period of price control were based on the lower capital investment of the private sector and this practice continued, particularly in respect of non-coking coal, even afterwards, till nationalisation. The policy followed by the private sector, with few exceptions, about payment of fair wages to workmen, is too well known to need recapitulation.

(v) A large number of new NCDC mines particularly in the Central India coalfield suffered from a freight disadvantage, varying up to Rs. 7|- per tonne, in comparison with the Pench and Chanda with which they had to compete.

(vi) In the private sector the question of financial coverage for sales was not insisted upon in a majority of cases.

(vii) As a public sector unit NCDC did not have the same flexibility in its operation as the private commercial organisations. During the days of control on coal prices it also had to strictly follow the statutory price. This made the competition somewhat uneven, as private collieries were openly violating the colliery control order by offering heavy rebates by way of 'supervision charges', 'quality rebates' etc. to consumers.

(viii) Export market, Southern India and the large down-country markets were inaccessible to NCDC in terms of the Railways' Rationalisation Rules.

(ix) In all the new mines developed by NCDC mechanical leading arrangements are provided and, therefore, these collieries were required to arrange loading in box rakes (*i.e.* full train load of box wagons) with the exception of certain old taken over collieries. These collieries could not cater for consumers who took coal supplies in smaller lots and in 4 wheeler wagons. Most of the private sector collieries were, however, more favourably placed to expand the market because they are allowed to load the wagons piece-meal.

It would thus be obvious that NCDC was rather disadvantageously placed *vis-a-vis* the private sector, both in respect of the quality of coal, the cost of production and the location of its mines (in relation to railway freight). But NCDC was geared up to a large scale expansion programme and had invested sizeable funds in new projects. Its economy was, therefore, closely dependent on capturing a major share of the increase in coal demand. The sales policy had to ensure the achievement of this primary objective.

Under the circumstances, despite the very best efforts, NCDC failed to secure full coverage against its coal sales dues, to charge interest when payments were delayed and to do away with the middlemen. But this was perhaps the price which had unavoidably to be paid to achieve the larger objective of capturing a major share of the coal demand on the face of the prevalent market conditions. Delays in settlement of cases of deductions are also not wholly unconnected with the market conditions as it was the buyer who called the tune and suspension of despatches could be ill-afforded by NCDC.

9.65. The Committee find that as on 31st March, 1974 the gross debts outstanding against the customers of NCDC amounted to Rs. 18.12 crores out of which debts amounting to Rs. 8.22 crores were outstanding beyond the credit period.

9.66. The Committee in their Tenth Report (Fourth Lok Sabha) had recommended the recovery of interest on overdues from the

customers. In pursuance of this recommendation the Board of Directors decided in May, 1968 that it would be advisable to demand payment of interest in cases of overdues beyond the agreed period of credit. The decision was reviewed by the Board of Directors in April, 1970 when a system of prompt payment rebate was introduced. The Committee are unhappy to note that the Management did not care to implement the recommendation of the Parliamentary Committee relating to recovery of interest on overdues from the customers.

The decision of Board of Directors about the introduction of a system of prompt payment rebate also remained unimplemented. The Committee would like that the matter should be thoroughly investigated in order to fix responsibility for not implementing the recommendations/decisions in this regard so far. While reiterating their earlier recommendation to charge interest on overdues, the Committee would also like to stress the need to evolve a suitable method to ensure that payments due from customers do not fall in arrears and are realised within the agreed period of credit. They also recommend that all out efforts should be made to realise the huge amount of outstandings as early as possible.

9.67. The Committee are surprised to note that 4 to 5 per cent. of the billed amount is deducted by the consumers at the time of making initial payments. Part of these deductions is in accordance with the terms of agreement and the balance is arbitrary. A sum of Rs. 3.19 crores has been shown in the accounts for 1973-74 as doubtful debts. Deductions made by the customers were mostly on account of disputes regarding rates, quality complaints, underloading of wagons, missing wagons, unlinked wagons, shortfall in calorific value defects in weightometer, etc. It has been stated that there were prolonged delays in the final settlement of cases of deductions|disputes as there is a general tendency on the part of the customers to stick to their stand and to justify the deductions. Although the management feel that some means should be devised for prompt settlement of the disputed cases, yet no permanent solution appears to have been found so far to deal with and settle such cases.

9.68. The Committee would like that all the important cases of deductions|disputes should be reviewed in order to find out how far such cases could have been avoided if the Management had acted with alterness in attending to the customer's complaints promptly and in the light of the experience gained, suitable steps taken to avoid arbitrary deductions from bills and all out efforts should be made to settle the disputes and realise the full amounts of the bills without avoidable delay. The Committee would also like that the procedure for payment by the consumers should also be reviewed so as to keep deductions from bills to the minimum.

9.69. The Committee are informed that Government parties like State Electricity Boards were amongst the main defaulters in making prompt payments and settling disputes. Outstandings against State Electricity Boards and Power Houses alone are stated to be over Rs. 483 lakhs.

9.70. Although the Committee in their Tenth Report on NCDC had recommended that the Management should enter into firm agreements with State Electricity Boards and although the Ministry advised the Corporation to finalise such agreements as far as possible before commencement of the supplies of coal, the Committee regret to find that firm agreements had not been entered into with many of the State Electricity Boards|Thermal Power Stations though supplies of coal had commenced long ago.

9.71. The representative of the Corporation stated during evidence that 'there is really no justification for it except that in actual practice we find that it is almost impossible to come to an agreement with the State Electricity Boards and if it is possible it takes years'. They are however, informed that the NCDC has now finalised the terms of supply and payments with practically all the Electricity Boards through meetings and minutes of meetings and formal exchange of letters.

9.72. The Committee are, however, not sure how in the absence of firm enforceable agreements signed with the Electricity Boards, the mere exchange of letters will help the NCDC realise dues from the Electricity Boards or others within the agreed period of credit. They would like that the Government/NCDC should review the whole question and ensure that formal enforceable agreements are signed with State Electricity Board and other parties, so that dispute may not arise at a later stage. The Committee also recommend that the Government/NCDC should review as to how for it is commercially prudent for the NCDC to continue to supply coal to such Electricity Boards/others parties as fail to honour their commitments in the matter of making payments in time.

9.73. The Committee are informed that the Ministry has also now evolved a draft guidelines indicating the terms for supply of coal to power stations. It has been stated that the guidelines which provide important clauses in respect of quantity and quality, sampling of analysis, price, bonus/penalty, weighment, payment and period of validity of agreement etc. have been circulated by the Central Electricity Authority to all the Chairmen of the State Electricity Boards for comments. The Committee recommend that the guidelines should be finalised without delay. They would also like to recommend that such guidelines should be evolved for other major customers also. The Committee need hardly stress that the guidelines issued by the Ministry should be meticulously followed by the Management to ensure that there is no further accumulation of outstandings and eliminate any further chances of disputes on account of price, quality of coal etc.

9.74. According to the Management NCDC failed to secure full coverage against its coal sales dues, to charge interest when payments were delayed, to do away with midlemen and to enter into long term and firm agreements with State Electricity Boards due to fierce competition with the private sector collieries who were offering heavy rebates and were operating through middlemen. NCDC was stated to be rather disadvantageously placed vis-a-vis the private sector, both in respect of the quality of coal, the cost of production and location of its mines. It has been stated that delays in settlement of cases of deductions were also not wholly unconnected with market conditions.

9.75. The Committee have been informed during evidence that even now when the mines are nationalised and there is monopoly there is still the problem of realising money from customers particularly from the Public Sector as they (customers) feel reasonably assured that the Corporation cannot stop supplies whether they make payment or not. The position of payment has deteriorated after nationalisation as far as the public sector is concerned.

9.76. The Committee have already recommended elsewhere in this Report that Government should set up a standing machinery for sorting out various problems which might arise between the Corporation and consuming agencies in the public sector like power stations, steel plants etc. The Committee would like to stress that Government should issue suitable instructions to all the Central Government Public Undertakings that they should act as model customers and suppliers and be prompt in settling the dues of, and resolving disputes with, one another in the interest of the success of public sector. In the event of dues or disputes remaining outstanding beyond a reasonable period, the matter should be referred to the standing machinery for the settlement of disputes without avoidable delay. Pending the setting up of such a machinery the Committee would like the NCDC to take advantage of the present situation when coal & power are under one Ministry, to resolve such disputes with State Electricity Boards and others and they hope that the Ministry would render all possible assistance to the Corporation in this regard.

X

FINANCIAL MATTERS

A. Capital Structure and Profitability Analysis

As on 31st March, 1974 the authorised capital of the Company was Rs. 135 crores against which the paid-up capital amounted to Rs. 134.37 crores. In addition, Government granted long-term loans from time to time and the amount outstanding there against on 31st March, 1974 was Rs. 96.76 crores. The debt equity ratio of the Company as on 31st March, 1974 was 0.71:1.

10.2. The Management submitted to Government in April, 1969 a proposal for the reconstruction of its capital structure.

10.3. The Government desired (May, 1969) that a reasonable forecast of the working results of the Company should be made alongwith recommendations as to how the capital structure could be remodelled with a view to reducing the burden of interest charges on the loan liability. This work was entrusted (May, 1969) to the Committee on Rationalisation of the Accounting System which had already been set up in February, 1969.

10.4. That Committee submitted its report in August, 1969 and estimated that the working results of the Company from 1969-70 to 1973-74 would be as follows if it had to continue to function with the existing burden of unproductive capital:—

(Rs. in crores)

	1969-70	1970-71	1971-72	1972-73	1973-74
1. Output of coal (Million tonnes)	13·63	15·51	18·19	22·57	25·48
2. Sales value.	44·97	51·27	60·26	74·17	83·22
3. Expenditure	43·51	48·24	57·10	69·06	75·36
4 Profit from Collieries under revenue	1·46	3·03	3·16	5·11	7·86
5. Profit from Washery	0·28	0·28	0·28	1·09	1·09
6. Total profit	1·74	3·31	3·14	6·20	8·95

	1969-70	1970-71	1971-72	1972-73	1973-74
7. Less : Other financial adjustment :—					
(a) Maintenance, interest and depreciation of Gidi, Swang and a Kathara washeries for not being commissioned in the absence of linkage.	..	1·60	1·60	0·60	0·60
(b) *Write off of the infructuous expenditure on prospecting and boring . . .	0·88	0·88	0·88	0·88	0·87
(c) Maintenance, interest and write off of the unproductive capital on closed suspended mines. . .	0·50	0·50	0·51	0·51	0·52
(d) Other items	..	0·70	0·70	0·50	..
8. Net surplus	0·36	(—)0·37	(—)0·25	3·71	6·96
9. Percentage of return on equility capital . . .	0·3	..	..	2·8	5·3

*Represents expenditure incurred upto the end of March, 1968 on investigation in areas which are not likely to be taken up for development in the foreseable future. According to the Company this expenditure is neither related not relatable to its existing commercial expenditure and should, therefore, be treated as infructuous.

10.5. In order to ensure a fair return on the equity capital (after payment of interest) and to generate adequate internal resources for plough back, the Rationalisation Committee recommended that the Company should be given the following relief:—

(a) Equity capital of Rs. 25 crores as on 31st March, 1970 representing unremunerative investment on the following projects should be written off:—

Item	Amount (Rs. in crores)
1. Giridih losses	5·61
2. Kargali loss	2·34
3. Gidi Washery-capital cost . .	8·50
4. Investment on closed suspended mines. . . .	4·39
5. Expenditure on prospecting and boring . . .	4.39
TOTAL	25.23

(b) A grant of Rs. 1 crore each for the years 1970-71 and 1971-72 should be given to meet the maintenance charges, interest and depreciation on Sawang and Kathara Washeries.

(c) Future financing for plan project during 1970-71 to 1973-74 estimated to be of the order of Rs. 24.17 crores should be provided in the shape of equity capital.

10.6. After taking into account the above relief the profitability of the Company was expected to be as follows:—

(Rs. in crores)

	1969-70	1970-71	1971-72	1972-73	1973-74
1. Working results [vide item(6) minus item 7(d) of the table given above].	1·74	2·61	2·74	5·70	8·95
2. *Add* : Relief by way of interest on loan of Rs. 24 crores if given as equity		0·43	0·93	1·35	1·63
3. Total Profit.	1·74	3·04	3·67	7·05	10·58
4. Equity capital	82·58	95·04	110·33	122·72	130·92
5. Return on equity	2·1%	3·2%	3·3%	5·7%	8·1%

10.7. The recommendations of Rationalisation Committee were accepted by the Board of Directors in January, 1970 and were forwarded to Government in February, 1970.

The Management have stated (July, 1973) as under:—

"......the Government have since communicated the sanction of the President to the reimbursement to the N.C.D.C. of cash losses amounting to Rs. 5.02 crores on running of Giridih group of Collieries......In addition the Government have also communicated their decision for conversion of loan into equity capital of a sum of Rs. 9 crores for the expenditure incurred on township by the Corporation w.e.f. 1st April, 1972. The other recommendations of the Accounts Rationalisation Committee are under the consideration of the Government of India and their decision in that respect is still awaited."

10.8. During evidence, the Secretary of the Ministry informed the Committee that so far as losses suffered by the NCDC on account of the directive issued to Giridih mines are concerned, a sum of Rs. 5.02 crores has been written off, secondly the Government have converted loans amounting to Rs. 9 crores into share capital on account of expenditure on township.

So far as other things are concerned, that is, for instance, the Gidi Washery, the closed and suspended mines and some mines work which was suspended by the Corporation on account of not being able to take up and mines which were taken up earlier in the Second Plan in accordance with the targets fixed by the Government—these were all matters which are receiving the attention of the Government.

10.9. In regard to the reorganisation of capital structure the Management have in a note submitted to the Committee stated that upto 1972 the Corporation had an authorised share capital of Rs. 125 crores.

10.10. The requirement for further authorised share capital was assessed in the third quarter of the year 1970 at Rs. 65 crores, raising the level of authorised share capital to Rs. 190 crores. This was approved by the Board of Directors at their meeting held on 28th September, 1970, and the matter was referred to Government for their approval on 3rd October, 1970. Against this requirement Government approved an increase of only Rs. 10 crores, raising the authorised share capital to Rs. 135 crores [Ministry of Steel and Mines letter No. C5-3(10)/70, dated 29th March, 1972].

10.11. Effect to this increase was given after compliance with the necessary formalities under the Companies Act and simultaneously the Government were requested to agree to a further increase in the share capital upto the level of Rs. 190 crores, already approved by the Board of Directors of the Company. This request was sent to the Ministry on 4th August, 1972.

10.12. The matter was thereafter, under correspondence with the Government of India at various levels, including that of the Chairman. The matter was also discussed by the Chairman of the Corporation with the officers concerned of the Government of India from time to time.

10.13. During evidence the Committee pointed out that the Corporation had from time to time requested for an increase in the share capital. They enquired about the reasons for delay in taking decision. The Secretary of the Ministry stated as follows:—

> "The Corporation's present capital is Rs. 135 crores which they want to raise to Rs. 190 crores. On account of the fact that the NCDC is a subsidiary of the CMA and the Government does not directly invest the money on NCDC but through the Coal Mines Authority, the CMA's capital itself has got to be increased which is currently under discussion with the Finance and we expect that we will be able to take a decision quite early in the matter because in accordance with the Fifth Plan programme the capital has got to be increased."

10.14. The Committee note that in April, 1969 the Management submitted to Government a proposal for the reconstruction of its capital structure. The Government desired that a reasonable forecast of the working of the Corporation should be made alongwith recommendations as to how the capital structure could be remodelled with a view to reducing the burden of interest charges on the loan liability. This work was entrusted to a Committee on Rationalisation of the Accounting System. In their report submitted in August, 1969 the aforesaid Committee recommended that equity capital of Rs. 25 crores as on 31st March, 1970 representing unremunerative investment on account of Giridih losses (Rs. 5.61 crores), Kargali losses (Rs. 2.34 crores), Gidi washery capital cost (Rs. 8.50 crores). Investment on closed/suspended mines (Rs. 4.39 crores) and expenditure on prospecting and boring (Rs. 4.39 crores) should be written off. They also recommended that a grant of Rs. 1 crore each for the two years 1970-71 and 1971-72 should be given to meet the maintenance charges, interest and depreciation on Sawang and Kathara Washeries. The Recommendations of the Rationalisation Committee were accepted by the Board of Directors and were forwarded to Government in February, 1970.

10.15. The Committee are informed that the losses amounting to Rs. 5.02 crores on Giridih group of collieries have been written off. Government have also converted loans amounting to Rs. 9 crores into share capital on account of expenditure on township.

10.16. The Committee are surprised to note that even after a lapse of about 5 years all other matters on which the Committee on Rationalisation of the Accounting system had made recommendations in August, 1969 are still under consideration of the Government.

1301 LS—16.

10.17. The Committee also find that the matter regarding raising the authorised share capital of the Corporation from Rs. 125 crores to Rs. 190 crores was approved by the Board of Directors and referred to Government in October, 1970. Against this requirement, Government approved an increase of only Rs. 10 crores, raising the authorised share capital to Rs. 135 crores. The Board of Directors again requested the Government in August, 1972 to agree to an increase in the share capital to the level of Rs. 190 crores as already approved by the Board. This matter is still under correspondence with the Government of India.

10.18. The Committee note that the various questions regarding the reorganisation of capital structure and having a bearing on the profitability of the Corporation have been under the consideration of the Government for about 5 years but final decisions are yet to be taken on several issues. They recommend that Government should expedite their final decision on all these questions keeping in view the present position of NCDC vis-a-vis CMA and keep the Committee informed of the decision.

B. Financial Position

10·19 The financial position of the Company under broad headings for the year 1969-70 to 1973-74 are given below:—

(*Rs. in Lakhs.*)

Liabilities	1969-70	1970-71	1971-72	1972-73	1973-74
(a) Paid up capital (including advance for shares)	10692·46	12201·18	12231·58	14092·20	14395·49
(b) Reserves and surplus	137·52	662·82	635·76	635·76	634·86
(c) Borowings :					
(i) From Government of India.	7720·05	7168·08	8310·93	7929·66	9675·65
(ii) From Banks	445·97	681·06	784·87	697·96	695·78
(iii) From Foreign Govt. (deferred credit)	69·02	116·35	330·82	458·75	525·61
(d) Trade dues and other current liabilities (including provisions)	2013·59	1951·82	2664·28	2603·13	2856·61
(e) Government provident fund (including interest)	54·62	57·54	60·77	...	..
(f) capital suspenses	..	..	..	..	60·57
TOTAL	21133·23	22838·85	25019·01	26417·46	28844·57

Assets	1969-70	1970-71	1971-72	1972-73	1973-74
(g) Gross block	17653·65	19162·64	21059·87	23301·78	25087·64
(h) Less depreciation	5141·74	5141·44	5929·55	6638·11	7550·20
(i) Net fixed assets	12511·91	14021·20	15130·32	16663·67	17537·44
(j) Deferred revenue expenditure	1009·19	870·57	843·78	646·64	524·64
(k) Plant and Machinery in stores and in transit	1250·41	1130·55	1088·94	789·84	956·03
(l) Current assets, loans and advances	5059·22	514·62	6082·41	6972·30	7694·35
(m) Other assets	513·28	514·27	345·98	129·93	116·29
(n) Investment	224·27	251·97	251·97	254·91	254·91
(o) Government provident fund investment and interest accrued	55·61	60·31	63·15	6·63	0·01
(p) Unlike suspense	..	..	..	..	118·22
(q) Loss	509·34	575·36	1212·46	953·54	1612·68
TOTAL	21133·23	22838·85	25019·01	26417·46	28844·57
Capital employed	16566·73	18354·57	19392·23	21479·18	22899·82
Net Worth	10320·64	12288·64	11308·90	13644·49	13153·16

NOTES: 1. Capital employed represents fixed net assets plus deferred revenue expenditure plus working capital. Assets relating to units under development and non-operating revenue account have not been separated in working out the capital employed.

2. Net worth represents paid-up capital plus reserves less intangible assets.

3. Figures for 1972-73 have been revised wherever necessary as a result of regrouping done in the accounts of 1973-74.

10.20. The break-up of the gross block as invested in productive, unproductive and development activities of the Company during the years 1969-70 to 1973-74 is given below:

(*Rs. in Crores*)

	As on 31-3-70	As on 31-3-71	As on 31-3-72	As on 31-3-73	As on 31-3-74
(a) *Productive*					
Investment on revenue earning projects	112·87	121·02	141·90	155·22	180·83
(b) *Development*					
Investment on projects under development	65·24	71·65	69·06	77·74	75·25
(c) *Unproductive*					
(i) Investment on closed/suspended projects	6·33	5·73	5·70	4·08	4·19
(ii) Investment on prospecting and boring not to be used commercially	4·35	4·53	4·83	3·88	
TOTAL :	188·97	202·93	221·49	240·92	260·27

10.21. It will be seen that out of the total investment of Rs. 260.27 crores on 31st March, 1974 on the gross block, only 69 per cent had been invested on revenue earning projects and the balance was accounted for by the projects under development 29 per cent and the unproductive projects 2 per cent.

C. Working Results

10.22. Up to the end of March, 1974 the Company incurred a cumulative loss of Rs. 16.13 crores. The working results of the Company during 1969-70 to 1973-74 are—

(*Rs. in Lakhs*)

	1969-70	1970-71	1971-72	1972-73	1973-74
(i) Profit/loss as per profit and loss account	+106·42	−102·04	−572·01	−160·20	(−) 468·12
(ii) Prior period adjustments/ other adjustment	−108·95	−71·15	−81·44	−82·88	(−) 191·02
(iii) Net profit/loss for the year	−2·53	−173·19	−653·45	−243·08	(−) 659·14

10.23. The above profits/losses have been arrived at after taking credit for subsidies from Government on account of sand stowing, difficult mining conditions, hospital subsidy, etc. which amounted to Rs. 108.22 lakhs, Rs. 176.69 lakhs, Rs. 129.41 lakhs, Rs. 136.68 lakhs and Rs. 113.55 lakhs during the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively.

10.24. A statement showing the break-up of the working results colliery-wise for the years 1969-70 to 1973-74 is given in Appendix VII.

10.25. In regard to the profitability of the Corporation, the Management stated (July, 1974) as follows:—

"It may be noted that the profitability of the Company has suffered because of certain important extraneous factors beyond its control, viz.:—

(i) The Corporation had to develop capacity for coal production in the initial years, particularly during the 2nd and 3rd Five Year Plans, according to an integrated national plan based on certain estimates of demand for coal which, in fact, ultimately did not meterialise fully in view of slow progress in power, steel and other sectors, and consequent impact on the economy.

(ii) The Company had to operate, particularly during the period of price control, under a system of coal pricing which was evolved at a time when the private sector dominated the industry. The Coal Price Revision Committee recommended the prices on the basis of the capital employed in the bulk of the private sector mines, which was only Rs. 16 per tonnes, whereas in the NCDC, as much of the production was developed during 2nd Five Year Plan, the capital employed per tonne was as high as Rs. 80 per tonne.

(iii) The Company has suffered on account of non-availability of wagons as it could not utilise its available capacity. **Nevertheless, this has been so in spite of the best liaison** it has maintained with the Railways."

10.26. The Committee find that the Corporation suffered a loss of Rs. 2.53 lakhs, Rs. 173.19 lakhs, Rs. 653.45 lakhs, Rs. 243.08 lakhs and Rs. 659 lakhs during the years 1969-70, 1970-71, 1971-72, 1972-73, and

1973-74 respectively. The Committee also note that upto the end of March, 1974 the Corporation incurred a cumulative loss of Rs. 16.13 crores. They are informed that the profitability of the Corporation since its inception had suffered because of certain extraneous factors beyond its control. The actual demand of coal during the 2nd and 3rd Plan periods was far less than the estimates of demands. The system of coal pricing followed by Government was unfavourable to the Corporation in comparison with the private sector collieries, inasmuch as the Coal Price Revision Committee recommended prices on the basis of capital employed in the bulk of private sector mines which was Rs. 16 per tonne, whereas the capital employed in the NCDC was as high as Rs. 80 per tonne. The Corporation also suffered on account of non-availability of wagons and it could not utilise its available capacity.

10.27. The Committee also find that the loss in NCDC was mainly on account of persistent poor production performance and under-utilisation of capacity in certain collieries. The Committee recommend that a detailed analysis of the collieries which are working continuously in loss should be made in order to pin-point the basic deficiencies and concerted efforts should be made to remove such deficiencies and improve production and productivity of these collieries by re-organisation, provision of balancing/additional equipments for increasing production and strict manpower and financial control. The Committee have already recommended that the Government/Corporation should ensure full utilisation of capacity of the Washeries of NCDC in order to improve its profitability.

10.28. Now that there is much greater demand for coal and the coal prices have also been raised by Government and since according to the management there is substantial improvement in the availability of wagons, the Committee feel it should not be difficult for the Corporation to increase production and productivity in the mines Washeries of NCDC and to reduce the cost production. The Committee need hardly stress that the Government/Corporation should take suitable measures to ensure that the NCDC turns the corner and become a profitable concern.

D. Accounting System

10.29. Apart from the compilation of annual accounts, Company introduced the preparation of quarterly accounts in 1969-70 and monthly accounts in 1970-71. The periodical accounts are, however, not being prepared uniformly and regularly and there was considerable time lag between the period of accounts and the dates of their preparation.

10.30. The accounting system followed by the Company is laid down in the Accounts Manual which was introduced in June, 1964 and has been supplemented from time to time. In their Reports on the accounts for 1971-72, the Company Auditors pointed out the following important deficiencies in the existing accounting system:—

(a) Due to inadequacy in the recording of fixed assets, different classes of fixed assets including those in stores and in-transit could not be verified nor could be the correctness of their valuation and depreciation provided thereon be checked.

(b) The plant cards in respect of plant and machinery have not been reconciled with financial Books.

(c) In the absence of complete details of loans and advances and miscellaneous debtors, the adequacy of the provision for doubtful debts could not be verified.

(d) Sundry Creditors and other liabilities have been shown after deducting debit balances under these heads. Full details of Sundry Creditors and other liabilities at various units were not made available.

(e) There is no proper system of periodical reconciliation of the records of stocks of stores and stores in transit and plant and machinery in stores and in-transit, maintained in the area offices and Head Office. The reconciliation between priced, numerical and financial ledgers in respect of stock stores and plant and machinery in stores was also not made. Many of the subsidiary registers had not been completed and reconciled with the control accounts.

(f) Due to inadequacy in the system of providing for outstanding liabilities, substantial debits and credits pertaining to previous years were included, year after year, in the profit and loss account of the current year thereby vitiating the working results of the year under report.

(g) A large number of credit balances appeared under the heads plant and machinery in-transit and depot stores in transit in the books of the receiving units, mainly on account of:

(i) non-accountal of the transfers by the transferring units; and

(ii) wrong and incomplete adjustments in the books of either the transferring or the receiving units.

10.31. In some cases, the plant and machinery, though shown in transit, were found to have been surveyed off.

10.32. In a note submitted to the Committee the Management have now stated as follows:—

"Periodical accounts were not prepared in 1972-73 and 1973-74. Prior to that periodical accounts were prepared regularly. The reasons for non-preparation of periodical accounts during the years 1972-73, 1973-74 is this that the Corporation diverted all their attention for removal of various deficiencies in accounts as pointed out by the Statutory Auditors and which were rectified in 1973-74 to a very great extent. This was also due to Staff and Officers being deputed for purposes of taken-over mines due to Nationalisation of Coking and Non-Coking Coal Mines. Act on is being taken now to prepare the periodical accounts regularly.

Most of the defects pointed out by the Auditors on 72|73 accounts were rectified during the course of 73|74 and efforts are being made to remove them completely before 74|75 accounts are over."

10.33. The Committee regret to note that the periodical accounts were not being prepared uniformly and regularly and there was considerable time lag between the period of accounts and the dates of their preparation. It has been stated that periodical accounts were not prepared in 1972-73 and 1973-74 as the Corporation had diverted all their attention for removal of various deficiencies in accounts as pointed out by the Statutory Auditors in the accounts for 1971-72. This was also due to staff and officers being deputed for the purposes of taken over mines due to nationalisation of coal mines. The Committee are not convinced by the arguments advanced by the Corporation for not preparing the periodical accounts, as in their opinion absence of such periodical accounts only indicates lack of financial

control. The Committee need hardly stress that maintenance of proper accounts, is the primary and important function of an efficient organisation which should not have been neglected.

10.34. The Committee recommend that the Board of Management should ensure that position regarding periodical accounts is brought through the reports placed before them so as to prevent this work falling into arrears.

10.35. The Committee also note that the deficiencies pointed out by the Company Auditors in their reports on the accounts for 1971-72 are very serious in nature. They are informed that most of the defects pointed out by the Auditors had been rectified during the course of 1973-74 and efforts were being made to remove them completely before 1974-75 accounts are over. The Committee would like to be informed of the progress.

E. Accounting of development expenditure

10.36. All the expenses, other than those on the acquisition|installation of fixed assets, incurred during the period of development of a project before it is brought on revenue account are booked under the following heads:

A. DEVELOPMENT EXPENSES

(i) Capital outlay in mines.

(ii) Roads and culverts.

(iii) Water Supply arrangements, and

B. DEVELOPMENT—OTHERS

10.37. Expenditure of revenue nature incurred during development but not booked under sub-heads A (i), A (ii), and A (iii) and also the credits for receipts like sale proceeds of coal, subsidies, miscellaneous receipts are accounted for under B—Development—Others.

10.38. The entire expenditure booked under the main head "Development" is written off in 20 years or during the life of the project whichever is less, counted from the date of the project is brought on revenue account.

10.39. The Company has not laid down any norm|yard-stick for determination of the date from which a project should be brought on revenue account. As a result, it has not followed a uniform policy in bringing the different projects to revenue account e.g. on the one hand, the Chalkari and Jamuna Projects were brought on revenue account when their production was only 16 per cent and 13 per cent of the rated capacity and these were still incurring losses, on the other hand Sawang and Kathara Washeries were retained under development upto 1970-71 for want of market for washed coal although the former was ready for commissioning from April, 1969 and the latter from January, 1970. These Washeries produced washed coal to the extent of 25 per cent and 12 per cent of their rated capacities in 1970-71. Similarly, Surakachar Colliery was not brought on to revenue account until April, 1973 although its development was practically complete in 1969-70 and produced coal to the extent of 30 per cent of its rated capacity in 1972-73.

10.40. During evidence, the Committee enquired if there was no definite criterion laid down by the Management bringing the newly developed project on revenue account so as to maintain uniformity in this matter. The Chairman, CMAL stated as follows:—

> "The Board has considered this matter as to when the newly developed project should be brought to revenue account. But, even Board has not laid down any definite criteria as such but merely said that every case should be decided on its own merits. And this is the difficulty one may express while laying down the specific criteria for the mining industry as to when a project should be brought on revenue."

He added that—

> "It was a general criteria that in an open cast mine when the project reached 33 per cent of the Projected target production, it might be brought on revenue account. In the case of underground mines, when it reached 40 per cent of the projected target production, this could be brought to revenue account. This has been the policy generally expressed."

10.41. Asked whether the matter had not been brought to the notice of the Board of Directors. The Chairman, CMAL stated as follows:—

> "It was brought to the notice of the Board. The Kamat Committee itself dealt with this particular problem at para 3, page 108. It may also be mentioned that in many

projects coal becomes available for extraction and sale even when the mine is under development. The cost of mining such coal is debited to the capital account and the sale proceeds are credited to the resulting loss of profit and this gets reflected in the capital cost of project. It is important therefore to determine precisely when the mine should be brought on the revenue account. It is not possible to lay down any hard and fast rule in this respect beyond stating that the date on which the mines should be brought on the revenue account should be determined on the basis of factors applicable to particular projects. This problem has been referred to us in the report and we have suggested that in each case the position should be reviewed periodically. The date from which the projects should be put on revenue account should first be projected in the project report itself and reviewed from time to time in the light of progress of and experience in each project. That is what we are now doing."

10.42. The Secretary of the Ministry explained the position as follows:—

"This is an area in which a lot of views have been expressed. A number of committees have gone into that question, and even the Bureau of Public Enterprises has gone into that question.

..

So far as factories and plants are concerned, it has been said that as soon as the planned investments are complete. Whether they are commissioned or not is another matter, they should be brought on to the revenue account. But so far as the mines are concerned, there is a certain amount of production even during the period of development and so it could be brought on to the revenue account even from an earlier period, when some sizeable production is available. Normally, what happens in a project is that at the time the project report is prepared the planners say that this mine should come into production from such and such a date but the date on which it should be brought into the revenue account is kept open. Normally, when there is no delay there should not be any difficulty at all in this regard. However, when a project gets delayed, as has happened in the case of the Sudamdih and Surakachar projects, it leads to a considerable distortion of the whole picture.

Now, you have correctly raised the point whether the losses should not be taken for accounting within that year or whether they should be taken over to the capital side. I would now give some arguments in this regard, which could be advanced why it should not go into the revenue account. Suppose there are ten projects, and some of them are doing well under the corporation, but on account of certain delays one of them suppose makes a loss of Rs. 4 crores, then, if this is shown on the revenue account, then you present a distorted image of the corporation as then the loss has to be borne by the Government. What happens when they try to write off the loss on their side, is but ultimately the public exchequer has to bear this loss. If, on the other hand, I deliberately tell them that this is something which has happened, and it must not be capitalised, then it means that the Corporation has to take the responsibility on itself for wiping it out by better performance in future. That means, the corporation assume on itself the responsibility for wiping it out, in course of time. The colliery manager, for instance, is the person who actually would be interested in writing it off during the year itself because he would then not have to pay it back as he would have to if it is shown on the capital account. But I personally from the Government side would be interested in seeing that the losses are not written off but instead the Corporation pays it back from its future earnings so that the public is benefited.

Here, I would like to make one suggestion. For instance, let it be provided in the project report as to when will come on the revenue account, and let the project report and along with that, the date of coming to revenue be approved by Government. If any change is considered necessary or desirable in the date, or if it becomes necessary to capitalise it, then the matter should come up to Government and it should be done only with the approval of Government."

10.43. The witness further stated that:—

"The matter had also come up on one or two occasions before the CMA Board. The suggestion made by Secretary is that a specific date should be indicated in the Project Report and if there is any deviation from that date, that should be considered by the Government because when it goes to the Board and the Government, at the time, it would give an opportunity to the authorities a review of the progress the project has made and find out the reasons for the delay and take a view both in regard to the revised cost of the project as well as the date of bringing it under revenue account. It would say that when the development work is completed and a good portion of the equipment has been installed and also some production is coming up, there might be a feeling that should be the date on which the coal mine should be brought under revenue account."

10.44. In a note submitted to the Committee the Ministry stated that—

"It is proposed now to instruct the coal companies that every project report should indicate the date from which the project should be brought on the revenue account. It is quite likely that deviations would occur, but all such deviations would have to be reported to the authority who originally sanctioned the project (the Board of Directors or the Government, as the case may be) and their approval obtained."

10.45. The Committee regret to note that so far the Corporation has not laid down any norm or yard stick for determination of the date from which a project should be brought on to revenue account. No uniform policy has been followed by the Corporation in bringing the different projects on revenue account. Although the matter was considered by the Board of Directors but they have merely said that every case should be decided on its own merits. The Committee are informed that a number of Committees have gone into this question and the Bureau of Public Enterprises has also examined the matter. They are very much astonished that inspite of all the detailed examination of the subject the Government and the Corporation have not been able to evolve effective guidelines in this regard.

10.46. The Committee note that the Ministry has now proposed to the Coal Companies that a specific date as to when a project should be brought on revenue account should be indicated in the project Report and if there is any deviation from that date, it should be reported to the authority who originally sanctioned the project, the Board of Directors or the Government as the case may be and their approval obtained.

10.47. The Committee recommend that the Government should arrive at a decision in the matter in consultation with C&AG and issue necessary guidelines in this regard to all the public sector undertakings in the coal mines sector in order to ensure that this procedure is uniformly followed by all of them in all their projects.

F. Delay in adjustment of advances for local purchases

10.48. The advances given to the staff and Officers for making local purchases are not being adjusted promptly. In January, 1970 instructions were issued that these advances should be adjusted within 4 weeks of their drawal failing which the amount should be deducted from the pay of the concerned Officials after allowing a grace period of 2 weeks. These instructions are not being strictly followed.

10.49. All the collieries of the Company had been divided into 10 areas each headed by an Area General Manager. Out of these 10 areas, the information furnished by the Management in respect of 7 areas revealed that as on 31st March, 1974 a sum of Rs. 44.77 lakhs was outstanding for a long time; the details are given below:—

Year	(Rs. in Lakhs)
1965-66	0·003
1966-67	0·137
1967-68	0·218
1968-69	0·998
1969-70	1·629
1970-71	1·070
1971-72	3 103
1972-73	10·402
1973-74	27·210
	44·770

10.50. In this connection the Management have stated as follows:

The local purchase advances outstanding against individuals are regularly reviewed and the AGMs have been asked to take necessary action to enforce these instructions and recovery of the adjustments of the local purchase advances. However, action could not be taken till now against defaulters due to practical administrative difficulties, and this aspect is being further examined.

10.51. The Committee regret to note that the advances given to staff and officers for making local purchases are not being adjusted promptly. They find that all the collieries of the Corporation have been divided into 10 areas and the information furnished in respect of 7 of these areas revealed that as on 31st March, 1974 a sum of Rs. 44.71 lakhs was outstanding for a long time. The Committee fail to understand as to why information regarding outstandings could not be collected from all the areas. The Committee also note that the outstandings have been gradually increasing from year to year. As against the outstandings of Rs. 17.56 lakhs as at the end of 1972-73, the outstandings during 1973-74 were of the order of 44.77 lakhs. It has been stated that no action could be taken in this regard till now against defaulters due to practical administrative difficulties.

10.52. The Committee are distressed at the casual and indifferent attitude adopted by the Management towards the defaulters who were allowed to contravene the instructions issued in this regard in 1970 with impunity. They cannot but express their deep concern at the utter lack of financial discipline in the organisation resulting in huge amounts of public money remaining outstanding with the officers and staff of the Corporation for long periods. They also recommend that the officers and the staff concerned should be asked to give proper amounts of the advances given to them promptly and in the event of their failure to do so, the outstanding amounts should be deducted from their salaries forthwith. They recommend that the reasons for non-recovery/non-adjustment should be analysed and steps taken to improve the procedure to ensure that such things do not occur in future.

G. Internal Audit

10.53. The Internal Audit Department of the Company was formed in 1961 mainly for:—

(a) scrutiny of the records maintained at the collieries and other units;

(b) special investigations when directed by the Management;

(c) follow up action on points raised by Commercial Audit; and

(d) physical verification of each of all the collieries/units at the end of each financial year.

10.54. The scope and functions of the Internal Audit Department were enlarged and approved by the Board of Directors in July, 1968. These included:

(a) audit of the accounts of the Company; and

(b) audit of the efficiency of internal check applied by the Accounts Department.

10.55. A scheme for reorganisation of the Internal Audit Department was approved by the Board of Directors in February, 1969 and additional staff was posted raising the strength from 7 officers and 16 staff members in 1968-69 to 8 officers and 27 staff members in 1970-71.

10.56. The number of officers was reduced to 5 during 1972-73. As on 31st March, 1974 there were only 4 officers (including Joint Chief Accounts, officer, I.A.).

10.57. The internal audit conducted is also not adequate. As on 31st March, 1974 there were 85 revenue units. The Internal audit parties visited only 18, 28, 27, 32, and 49 units during 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively. Upto 1969-70 no verification of cash was done in any of the units and in 1970-71, 1971-72, 1972-73 such verification was done only in 12, 14 and 18 units. The test verificatoin of cash was not done in any unit during 1973-74. The following types of irregularities were noticed in the units visited by the internal audit parties.

(i) Sanctioned strength of staff/workers had been exceeded by engaging monthly rated/time-rated/piece-rated workers.

(ii) DPR's had not been prepared at all or there was delay in preparation.

(iii) Idle plant and machinery worth lakhs of rupees was lying in colliery stores for years.

(iv) Log books of plant and machinery were not maintained or were maintained improperly.

10.58. TA registers for advance adjustment thereon were either not found up-to-date or in some cases were not maintained.

10.59. Outstanding towards local purchase advances were found to be heavy in some cases and adjustments of such advances were in arrears.

Register showing the total number of quarters allotted and occupation thereof was not up-to-date in most of the cases.

10.60. Realisation of rent for occupation of quarters and electricity charges recoverable from outsiders and State and Central Agencies was in arrears. Leave account and service records were found incomplete in many cases.

(b) The internal audit parties also checked the local purchases made by the Units. During the course of test check of these purchases conducted during November, 1969 to March, 1971 the following types of irregularities were noticed:—

Nature of irregularrities	*Name of units*
Purchase of spares and stores when enough stock was available	Sudamdih /Kathara/Gidi 'A'/ Jhingurda/ Churcha/Saweng Washery.
Advances for purchases remaining unutilised for considerable time.	Sudamdih/Kathara/Banki/Surakachar/Bisrampur.
Purchases sanctioned by the project officers in excess of financial powers delegated to them.	South Balanda/Central Stores.
Purchases made without obtaining non-availability certificate and/or without taking quotations.	Gidi 'A' /Central Stores/South—Balanda.
Fictitious vouchers or tempering of vouchers. . .	In most of the projects and all the areas visited.

10.61. As regards the adequacy of the internal audit system in vogue, the statutory auditors made the following observations in their supplementary report on the accounts for 1971-72:—

> "In our view the Internal Audit Department should have a more comprehensive programme of inspection, including the verification of entries in Area Accounts Offices and Head Quarter and reconciliation of transactions with control Accounts. It should also examine the system of internal and inter-branch control by Head Office including inventory control. The extent of check exercised by Internal Audit Department is not adequate. The Internal Audit should cover more units and checks exercised by them should be more extensive."

10.62. The Committee note that a scheme of reorganisation of the Internal Audit Department was approved by the Board of Directors in February, 1969 and additional staff was posted raising the

strength from 7 officers and 16 staff members in 1968-69 to 8 officers and 27 staff members in 1970-71. They, however, find that the number of officers was reduced to 5 during 1972-73 and there were only 4 officers as on 31st March, 1974. As a result of the reduced strength the Internal Audit wing could not discharge its duties effectively and could visit only 18, 29, 27, 32, and 49 units out of 85 units during 1969-70, 1970-71, 1971-72, 1972-73, and 1973-74 respectively. Upto 1969-70 no verification of cash was done in any of the units and in 1970-71, 1971-72 and 1972-73 such verification was done only in 12, 14, and 18 units.

Test verification was not done in any unit during 1973-74. In their supplementary report on the accounts for 1971-72 the statutory auditors observed that the extent of check exercised by Internal Department was not adequate and that the Internal Audit should cover more units and checks exercised by them should be more extensive.

10.63. The Committee regret to note that even now the internal audit organisation has not been built up in full measure. The Committee need hardly stress that internal audit being one of the essential tools of management control, the Corporation should activise and strengthen the internal audit and ensure that the Internal Audit Department should have a more comprehensive programme of inspection as recommended by the statutory auditors in supplementary report on account for 1971-72.

10.64. The Committee also note that the internal audit department has pointed out various irregularities and defficiencies during the course of their verifications. The Committee recommend that the reports of internal audit and action taken by the management in regard to each of these irregularities and deficiencies should be reported to the Board of Directors from time to time and suitably reflected in the periodical reports brought out by the Corporation.

XI

INVENTORY CONTROL AND STORES ACCOUNTING

A. Stock of stores and spare parts

The Company has one central store at Barkakana, five regional stores at Saunda, Jarangdih, Korba, Korea and Basrampur and depot stores at each Colliery/Washery. The total holdings of spare parts and other consumable at the end of 1969-70 to 1973-74 are given below:—

Year	(Rs. in crores) Total holding
1969-70	16·52
1970-71	16·75
1971-72	19.87
1972-73	22·14
1973-74	26.22

11.2. The broad analysis of the total inventory holdings for the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 is indicated below:—

(Rs. in crores)

Type of stores	1969-70	1970-71	1971 72	1972-73	1973-74
Spares	9·60	9·59	10·86	10·60	14·14
General consumable stores	5·98	6.13	7.10	10·32	11·40
P.O. L. cement, explosives, etc.	1·03	0·99	1·27	1·12	0·68
	16·61	16·71	19·23	22·04	26·22

NOTE : The figures for 1969-70 to 1971-72 slightly differ from the inventory holdings shown in the preceding sub-para. The difference is due to the fact that the analysis was compiled by the stores department from classified summary statements which did not include minor adjustments arising from price differences, shortages, excesses, etc.

11.3. On the basis of the annual consumption of Rs. 13.77 crores during 1972-73, the inventory holdings at the end of that year represented roughly 19 months' consumption. Considering the stock at the end of 1969-70 as too high, the Management decided in December, 1970 that, as a first step, it should be reduced by at least Rs. 2 crores by 31st March, 1971. However, stores worth Rs. 30.79 lakhs only could either be sold or disposed of by transfer during 1970-71. Similarly, against a target of Rs. 224.50 lakhs and Rs. 143.65 lakhs, surplus stores to the extent of Rs. 158.01 lakhs and Rs. 107.61 lakhs only were disposed of during 1971-72 and 1972-73 respectively. The value of stores declared surplus at the beginning of the financial year 1973-74 was Rs. 19.63 lakhs against which the total value of stores disposed of was Rs. 12.22 lakhs.

11.4. A further analysis of stock of spare parts and consumable stores (as on 1st April, 1972) made by the Management in December, 1972 revealed that as per the norms fixed by the Company on the lines of the Bureau of Public Enterprises, there was excess holding to the extent of Rs. 5.66 crores vide details given below:

	(Rs. in crores)
Imported spares	1·50
Indigenous spares	0·83
Petrol, oil, lubricates etc.	0·84
Other general consumable stores.	2·49
	5·66

NOTE : General consumable stores comprise iron and steel materials, welding and foundary materials, automobile parts, tyres, pipes and fittings, electrical materials, leather and rubber canvas goods etc.

11.5. In this connection, the Management stated (April, 1973) as follows:

> "The accumulation of excess inventory as compared to the norms is due to a multiplicity of factors the chief among them being obsolescence of spare parts pertaining to equipment that have outlived their rated lives, incomplete supply of component spares of current equipment due to which quite a considerable number of otherwise useful spares could not be consumed, and discrepancies in valuation of holdings themselves etc. and host of other factors. These matters are currently engaging the attention of the top Management for devising and taking remedial steps."

One of the main reasons for holdings being in excess of norms based on months of consumption is the presence of a sizeable value of non-moving items. Action has already been taken to identify dead surplus items out of these for taking disposal action. In addition to the earlier ABC and XYZ analysis conducted, lists of all non-moving items whose individual value is in excess of Rs. 1,000 have been prepared for closer examination by the Chief Engineers concerned for weeding them out eventually. Concerted action in this direction stands already initiated."

11.6. The above observation of the Management is, however, not based on any analysis and quantification of the excess holdings.

B. Non-fixation of stock limits

11.7. One of the reasons for heavy inventories is the non-fixation of maximum and minimum limits for different items of stores and spare parts except those held in the five regional stores. An ABC analysis made by the Management in 12 out of 45 depot stores in 1968-69 brought out the following pattern of inventory holdings:—

Category according to value of consumption	No. of items	Percentage to total items in stock	Value of annual consumption (Rs. in lakhs)	Percentage to total consumption of all categories	Value of stock in hand (Rs. in lakhs)	Value of stock as No. of months' consumption
1	2	3	4	5	6	7
Rs. 1000 and above (A) . .	1,537	2·8	276·51	78·7	87·23	3·8
Rs. 200—below Rs. 1000 (B) .	5,197	9·7	36·72	10·4	42·01	13·7
Below Rs. 200 (C) .	24,997	46·4	38·28	10·9	175·66	55·1
Non-moving items .	22,093	41·1	..		115·58	..
Total .	53,824	100·0	351·51	100·0	420·48	14·3

11.8. The value of stock of 'C' items and non-movable items was apparently high. The stock of 'C' items in some of the units as compared with their consumption was excessively high vide details given below:

Unit	Stock of 'C' items in terms of months consumption
Umrer Colliery	558 months
Bokaro colliery	477 months
Regional stores, Jarangdih	407 months
Kathara colliery	355 months
Bisrampur colliery	256 months

11.9. In December, 1970 the Management decided that after retaining 24 months' consumption, the balance quantities of 'C' items should be declared surplus. On the basis the value of surplus 'C' items in these 12 depot stores works out to Rs. 99.10 lakhs. Assuming the same pattern of stock holding in other depot stores, the value of surplus 'C' items for all the depot stores works out to about Rs. 3 crores.

11.10. In June, 1974, the latest position of stock of 'C' items in respect of the five units mentioned above was intimated by the Management as follows:—

	1971-72	1972-73
Umrer colliery	45 months	N. A.
Bokaro colliery	93 months	15 months
Regional stores Jarangdih	12 months	100 months
Kathara colliery	26 months	35 months
Bisrampur colliery	70 months	N.A.

11.11. The ABC analysis was also conducted by the Management in 11 collieries during 1970-71 and 39 projects during 1971-72 the results of which are indicated below:—

Category according to value of consumption	No. of items	Percentage to total items in stock	Value of annual consumption (Rs. in lakhs)	Percentage to total consumption	Value of stock in hand (Rs. in lakhs)	Value of stock as No. of months consumption
1	2	3	4	5	6	7
1970-71						
Rs. 1000 and above (A) . .	2,040	3·84	367·95	89·15	120·87	3·94
Rs. 200-below 1000 (B) . .	5,615	10·58	36·81	8·92	47·35	15·44
Below Rs. 200 (C) .	15,958	30·07	7·98	1·93	18·83	28·32
Non-moving Items .	29,457	55·51	—	—	145·33	—
TOTAL : . .	53,070	100·0	412·74	100·00	332·38	9.66
1971-72						
Rs. 1000 and above (A) . . .	6,625	3·11	1075·96	87·51	385·70	4·3
Rs. 200—below 1000 (B) . .	17,977	8·43	124·62	10·14	202·24	19·4
Below Rs. 200 (C) .	69,945	32·82	28·93	2·35	102·76	42·6
Non- moving items .	1,18,595	55·64	—	—	1,104·87	—
TOTAL : . .	2,13,142	100·00	1,229·51	100·00	1,795·57	17·5

11.12. The Management stated (May, 1972) that investigations regarding 'C' items were being carried out.

11.13. The Committee pointed out that the stock of category 'C' items was very much on the high side. They enquired about the results of investigations which were being carried out regarding these items. The Management stated as follows:—

> "Investigation had started but there has been some difficulty to complete the works. This matter is vigorously being pursued and we hope to be successful in reducing the delay to the minimum possible extent."

C. Surplus in non-moving stores

11.14. During the period from July, 1969 to April, 1971, items of the value of Rs. 2.38 crores were declared surplus in all the central, regional and depot stores.

11.15. Out of these, items worth Rs. 1.15 crores were recommended for disposal. The following table indicates the value of non-moving items, those declared surplus and recommended for disposal:—

(Rs. in lakhs)

Category of stores	Value of items having no consumption for the last 2-3 years (as in April, 1971)	Value of items declared surplus	Value of items recommended for disposal
1	2	3	4
General consumable stores.	117·29	80·88	17·30
Spare parts for mining machinery	100·03	46·81	27·99
Spare parts for excavating machinery	162·92	50·40	10·33
Spare parts for washery equipment	6·11	—	—
Spare parts for drilling equipment	64·50	60·17	60·17
TOTAL :	450·85	238·26	115·79

NOTE : In respect of two regional stores and thirteen colliery stores, the above information is based on partial security of the total number of items in stock.

11.16. In their Supplementary Report on the accounts for 1971-72, the Company Auditors stated that the stores/spares of the value of Rs. 7.33 crores had not moved during the year or for longer period.

11.17. The value of surplus items awaiting disposal as on 31-12-74 was Rs. 24.44 lakhs.

D. Surplus Plant and Machinery

11.18. The value of surplus, obsolete and unserviceable plant and machinery at the end of 1969-70 to 1973-74 is given below:—

At the end of	Book value of new items of machinery	Depreciated value of old items of machinery	Total
1969-70	136.60	44.89	181.49
1970-71	75·66	50·74	126·40
1971-72	77·54	33·94	111.48
1972-73	6·39	24·07	30·46
1973-74	4·83	6·07	10·90

11.19. The reduction in the holdings of surplus plant and machinery was the result of internal utilisation and outright sale to outside parties.

11.20. In December, 1970 the Controller of Stores expressed the following view regarding the disposal of surplus items of stores and spare parts:—

> "Our past experience and that of DGS&D, New Delhi, in the matter of disposal of surplus inventories shows that the ultimate realisation in the sale of surplus stores and spare parts is only about 10 per cent in the case of spare parts ranging at times to 30 per cent of the book value in the case of consumable items. In other words we are not likely to realise anything more than Rs. 20 lakhs to Rs. 40 lakhs roughly on the disposal of Rs. 2 crores worth of inventories. There is, therefore, likely to be a write off to the extent of 70 per cent to 90 per cent of the book value of items for which sanction of the Board of Directors will have to be obtained in due course."

11.21. The Management have not accepted the above view. The items of stores, spare parts and the plant and machinery declared surplus but awaiting disposal are being shown in the accounts at book value without any provision for the anticipated loss.

11.22. The Committee note that the Corporation had a total holding of spare parts and other consumable stores worth Rs. 16.52 crores, Rs. 16.75 crores, Rs. 19.87 crores, Rs. 22.14 crores and Rs. 26.22 crores as at the end of the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively. Considering the stock at the end of 1969-70 as too high the Management decided in December, 1970 that it should be reduced by at least Rs. 2 crores by 31st March, 1971. However, stores worth Rs. 30.79 lakhs only could be disposed of. Similarly against the target of Rs. 224.50 lakhs and Rs. 143.65 lakhs, surplus stores to the extent of Rs. 158.01 lakhs and Rs. 107.61 lakhs only were disposed of during 1971-72 and 1972-73 respectively.

11.23. An analysis of stock, spare parts and consumable stores made by the Management in December, 1972 revealed that as per the norms fixed by the Corporation on the lines suggested by the Bureau of Public Enterprises there was excess holding to the extent of Rs. 5.66 crores as on 1st April, 1972, out of which imported stores alone accounted for Rs. 1.5 crores and general consumable stores like iron and steel, welding and foundry materials, electrical materials etc. about Rs. 2.5 crores.

11.24. The excessive inventory as compared to norms fixed has been attributed by the Management to obsolescence of spare parts pertaining to equipment that have outlived their rated lives, incomplete supply of component of current equipment due to which quite a considerable number of otherwise useful spares could not be consumed and discrepancies in valuation of holdings themselves etc. Another main reason for the holding being in excess of norms is stated to be the presence of a sizeable value of non-moving stores. In their supplementary Report on the accounts for 1971-72, the Company Auditors stated that the stores/spares of the value of Rs. 7.33 crores had not moved during the year or for longer period.

11.25. The Committee also find that an ABC analysis made by the Management in 1968-69 indicated that the stock of category 'C' items (i.e. below Rs. 200) was as high as between 256 months 'consumption to 558 months' consumption in some of the collieries. The Management stated in May, 1972 that investigations regarding 'C' items were being carried out. The Committee are, however, now informed that 'investigations had started but there had been some difficulty to complete the work'.

11.26. The Committee take a very serious view of the unduly long time taken in completing the investigation regarding 'C' items. They are constrained to conclude from this that the management have not realised how important it is to reduce the quantum of stores and spares to a reasonable level in the interest of the profitability of the Corporation and releasing the blocked funds for use elsewhere. They would like the Corporation to take up this work seriously and complete it without delay.

11.27. The Committee find that one of the reasons for heavy inventories was the non-fixation of maximum and minimum limits for different items of stores and spare parts except those held in the five regional stores. They also note that the Management have not made any detailed analysis and quantification of the excess holdings in all the collieries|units.

11.28. The Committee feel that fixation of maximum and minimum limits for different items and categories of stores and spare parts and a detailed analysis of stores and stocks in order to clearly identify the stores in excess of requirement are the basic requirements of stores accounting which the Management cannot afford to neglect. They therefore recommend that the maximum and minimum limits of stores and spares should be fixed immediately and thereafter inventory of the stores and spares should be reviewed in the light of the limits so fixed and the items surplus to requirements should be identified and disposed of in the best interest of the Corporation. The Committee find that though decisions to dispose of surplus stores were taken earlier also, the decisions were not fully and promptly implemented and that is why the Corporation finds itself loaded with such huge stocks of stores and spares. The Committee would like to be informed as to why the decisions were not implemented promptly and recommend that responsibility for this lapse should be fixed.

11.29. The Committee note that the value of surplus, obsolete and unserviceable plant and machinery has been brought down to the level of Rs. 10.90 lakhs as on 31st March, 1974 as compared to Rs. 181.49 lakhs as on 31st March, 1970.

11.30. It has been stated that the reduction in the holding of surplus plant and machinery was the result of internal utilisation and outright sale to outside parties. They hope that the Corporation will continue to pursue this matter till it has disposed of the entire lot of surplus, unserviceable and obsolete plant and machinery.

E. Stores Accounting

11.31. The stores accounts have remained in arrears right from the inception of the Company. There was no reconciliation between the quantity of stores as shown in the price-cum-quantity ledgers maintained in the area accounts offices and that shown in the quantity ledgers maintained by the store units.

11.32. To avoid continuing back log of accounts, new priced stores ledgers were opened by adopting the ground balances as on 1st April, 1968. The value of net difference of Rs. 101.52 lakhs between the balances of the priced stores ledgers and the quantity ledgers as at the end of 1967-68 was transferred to the 'Stores Suspense Account' pending clearance after reconciliation. The balance under this account as at the end of 1972-73 was Rs. 87.39 lakhs and as at the end of 1973-74, it was Rs. 76 lakhs.

11.33. Owing to delay in the completion of priced stores ledgers, no reconciliation of the balances in these ledgers with those in the quantity ledgers could be made even in the subsequent years 1968-69 1969-70, 1970-71, 1971-72 and 1972-73. As a result, the unreconciled balances as per the financial ledgers were treated as closing stock of stores.

11.34. In this connection the Management have stated as follows:—

> "There has been delay in the immediate reconciliation between the quantity of stores as shown in the priced-cum-quantity ledgers maintained in the Accounts Office with that maintained by the Stores Department. We have since completed major portion of the reconciliation. For purposes of reconciliation the priced ledgers are to be completed first and since there is a little delay in printing of the priced ledgers, the reconciliation between these two sets of books could not be completed within the close of the financial year. At present major portion of the reconciliation for the year 1973-74 has been completed."

11.35. The Committee regret to note that stores accounts have remained in arrears right from the inception of the Corporation. There was no reconciliation between the quantity of stores as shown in the price-cum-quantity ledgers maintained in the area accounts offices and that shown in the quantity ledger, maintained by the stores units. To avoid continuing back log of accounts, new priced

stores ledgers were opened by adopting the ground balances on 1st April, 1968. The value of the net difference of Rs. 101.52 lakhs between the balance of the priced stores ledger and the quantity ledgers as at the end of 1967-68 was transferred to the 'Stores Suspense Account' pending clearance after reconciliation. The balance under the account as at the end of 1973-74 was Rs. 76 lakhs. The Management have now stated that they have completed major portion of the reconciliation for the year 1973-74.

11.36. The Committee recommend that the Management should spare no efforts to ensure that the work of reconciliation of the priced store ledgers and quantity store ledgers is completed without further delay. They also like to recommend that the Corporation should review the system of stores control and follow the modern method of perpetual inventory system.

XII

CONCLUSION

The National Coal Development Corporation Limited (NCDC) was incorporated on 5th September, 1956 as a Company under the Companies Act to take over the 11 existing State Collieries and to open new mines, specially in outlying areas, so as to augment the coal production to the requisite level. As on 31st March, 1974 the Corporation had a total number of 36 collieries on revenue account. The total production from the collieries during 1973-74 was 16.90 million tonnes. In addition it has 11 mines at various stages of development. As on that date, the Corporation had also three washeries (Kargali, Kathara and Sawang in Bihar) on commercial production. These washeries produced 22.40 lakh tonnes of washed coal during the year 1973-74. The Fourth Washery at Gidi (also in Bihar) could not be commercially operated due to lack of market. With the take-over of private sector mines in the neighbouring areas, this washery is now being run on trial basis since October, 1973.

12.2. The Committee became a subsidiary of Coal Mines Authority Ltd. (CMA) with effect from 14th June, 1973.

12.3. During the course of examination of National Coal Development Corporation, the Committee found that—

(i) Consequent upon the announcement of the Economic Programme by the Prime Minister after the proclamation of Emergency, the Ministry of Energy (Department of Coal) has evolved and put into operation a '12-point Action Programme' for further increasing production and productivity in the coal industry. The action programme includes enforcement of discipline for ensuring full time work by all employees, imposition of ban on recruitment of workers, redeployment of surplus manpower, working of mines in 4 overlapping shifts, seven day working of mines with staggering holidays for workers, better utilisation of machinery and equipment, elimination of payment of fall back wages to the workers, weeding out of 'dead wood' among officers, staff and workers, enforcement of security measures for workers, measures to ensure law and order and control of illegal mining, welfare measures for workers and participation of workers at various levels.

(ii) A number of steps are being taken by Government|Corporation, such as procurement of plant and equipment in order to bring about mechanisation, large delegation of powers to the Managing Directors and Chairman of the Corporation for approval of the Projects, procurement of rails from Steel Plants, improving availability of wagons and of power etc. in order to step up production.

(iii) Government have set up Linkage Committee for each of the key sectors like Steel, Cement and power plants in order to assess their demands and correlate the production programmes of collieries with the requirements of these sectors.

(iv) The Ministry has also evolved draft guidelines indicating the terms for supply of coal to power stations, such as quantity and quality of coal, sampling of analysis, price, bonus|penalty, weighment, payment and period of validity of agreement etc.

(v) A close coordination is being maintained with the Railways in order to coordinate the day-to-day availability and utilisation of wagons. The detailed proposals for modifications of siding and rationalisation of loading points are stated to be at various stages of formulation and implementation and the question of opening of new branch lines is also stated to have been taken up with the Government. A high level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal.

(vi) The Corporation and the Ministry have taken a number of steps such as training of workers, improving the availability and utilisation of machines, full utilisation of manpower and making available necessary inputs in order to improve productivity. Monthly meetings are held to analyse the output per manshift (OMS) and the reasons for poor performance and remedial measures are taken in the light of such analysis.

(vii) An expert Committee to go into the question of ancillary activities to be undertaken by NCDC has been appointed by Government.

12.4. The Committee have, however, found that—

(i) There had been a wide gap between projections and performance in respect of demand and production of coal during the Third and Fourth Five Year Plan periods. As against the original target of 31 million tonnes to be attained by 1965-66, the actual production of coal by NCDC during that year was only 9.40 million tonnes. NCDC's original target of 26 million tonnes to be attained by the end of Fourth Five Year Plan had to be scaled down to 21 million tonnes. The actual production during the year 1973-74 was, however, only 17.44 million tonnes.

(ii) Although the actual production fell short of the targets fixed by the Corporation from year to year, the pithead stocks in many collieries were more than the norms fixed by the Management.

(iii) Although there was plenty of coal available at pitheads certain sectors were still starving for want of coal. The requirements of domestic consumers and small scale sector of industry were not being met in full even after nationalisation of coal mines.

(iv) The Corporation planned to develop 27 collieries during the Third Five Year Plan. It however, developed 16 collieries upto the end of 1965-66 but had to close down temporarily|finally 7 collieries as a result of mid-term appraisal made in the middle of 1963 which indicated that the effective demand for coal in the country would be much less than the target. Three more collieries were closed/suspended during 1966-67 to 1972-73 due to slump in the coal market. An expenditure of about Rs. 9.22 crores has been incurred on the development of the closed/suspended projects upto 31st March, 1974. Care and maintenance expenditure which has also been capitalised amounted to Rs. 1.28 crores. Depreciation charges amounting to Rs. 2.29

crores, not having been reimbursed by Government, have been written back, to be taken into account when the revised project Reports for these mines are prepared.

(v) The reopening of the closed|suspended projects has been very much delayed.

(vi) Particulars of plant and machinery transferred from the closed|suspended projects, the units to which transferred and the value of each plant and machinery so transferred were not available with the Corporation. In respect of closed|suspended mines which are now proposed to be reopened, the plant and machinery previously transferred to other collieries have either been brought back or purchased afresh. But the information regarding value of the plant and machinery previously transferred and now brought back to these projects, the amount of freight incurred on the transportation to and fro of such plant and machinery is also not available.

(vii) Sudamdih Project which was to achieve full production in 1971-72 as per original Project Report is now expected to achieve the same in 1978-79. As against the original estimate of Rs. 17.57 crores the Sudamdih Project is now expected to cost Rs. 37.93 crores.

(viii) According to the Project Report approved by Government in 1965, Monidih Project was expected to start production in 1969-70 and reach full production in 1973-74. The Project, is, however, now scheduled to attain full production in 1979-80. If the Project had commenced production as per original schedule, the management would have avoided capitalisation of revenue expenditure to the extent of Rs. 7.16 crores which was incurred during 1969-70 to 1973-74.

(ix) The development work in the Surakacher Project which was started in 1963 was completed only in 1969-70. During this period the project reports and estimates were revised several times. No demand study was undertaken by NCDC before undertaking the Project.

(x) Though the Silewara Project was taken up in March, 1964, the Project report was approved by the Board after over a year and by Government after 6 years. As a result of delay in the completion of the Silewara Project, revenue expenditure to the extent of Rs. 2.72 crores was temporarily capitalised during 1967-68 to 1973-74. The total amount of capital invested upto 1973-74 was Rs. 4.97 crores as against the revised project estimates of Rs. 2.20 crores approved in April, 1970. Due to the shortfall in production from this colliery, coal had to be supplied to the Maharashtra State Electricity Board as per agreement from the Umrer Colliery at an extra transportation charge of Rs. 4.29 lakhs.

(xi) In the case of 13 collieries out of 34 taken up for development, there were wide variations in the quantity of coal (in 2 collieries), quality of coal (in 9 collieries), geological structure (in 2 collieries) as indicated in the Project Reports and as actually found.

(xii) The short supply of coal by Patherkhera Colliery to Satpura Power House of the Madhya Pradesh Electricity Board since May, 1969 resulted in non-operation of the power station to its full capacity.

(xiii) The coal reserves of the Naditoli Open cast mine were not properly studied before proposing linkage of the project to Patratu Thermal Station as a result the development of the mine was not taken up as the coal reserves were found to be inadequate. As an alternative the Thermal Power Station was forced to utilise the high grade coal which caused serious operational problems due to heavy slag formation in the furnace and necessitated modifications in the boilers.

(xiv) Systematic records indicating standard utilisation as assessed by the Management and the actual utilisation of some of the heavy earth moving equipments such as coal haulers, dozers, graders and cranes etc. were not being maintained by the Management. The actual utilisation in case of some of the machines was as low as 20 per cent of the standard utilisation.

(xv) The Corporation has not so far laid down any norms for the utilisation of machines purchased for underground mines

(xvi) In some of the collieries under commercial production the number of men employed was more than the number indicated in the Project Reports or the assessment made by the Company's Planning Department although the actual production in these collieries was far less than that envisaged in the D.P.R.

(xvii) The Corporation has not so far evolved any scientific and accurate system of calculating output per manshift (OMS) in the different mines. The Management has not yet been able to evolve standard indices of labour productivity of individual mines keeping in view the actual working conditions and extent of mechanisation.

(xviii) The Management had not fixed the standard cost of production for each mine.

(xix) The actual cost of production had been varying from year to year in NCDC mines except in a few cases. The Management had not been analysing itemwise variations in expenditure though details of fixed and variable costs were being worked out year after year.

(xx) Three Japanese filters of 5 tonnes per hour capacity each were installed as part of the Kargali Washery in 1958 to recover coal fines. But the filters were giving unsatisfactory performance and stopped working from January, 1965 on account of the percentage of fine coal being more than 2 per cent as envisaged in the design. Timely action for their repair could not be taken due to non-availability of spare parts. Owing to the unsatisfactory performance of Japanese filters a part of the slurry had to be recovered manually from January, 1964 onwards. The Corporation had to incur an expenditure of about Rs. 50 lakhs for recovering the fines by manual labour during 1967-68 to 1972-73.

(xxi) A test check of the records for the period from December, 1967 to December, 1970 revealed that an estimated quantity of about 2.17 lakh tonnes of fine coal in slurry valued at about Rs. 1.23 crores flowed into the river Damodar and could not be recovered although there was provision to manually collect the slurry in the ponds constructed outside the washery. Similar loss of fine coal in slurry during 1958 to December, 1963 valued at about Rs. 2.04 crores was pointed out by Kamat Committee appointed by Government in July, 1967.

(xxii) Gidi Washery which had been set up at a capital cost of Rs. 9.5 crores had remained idle for want of market. It was entirely at the insistence of the Government that Gidi Washery was undertaken although NCDC had already expressed its apprehension that the project was not viable and would involve the Corporation into heavy losses. An expenditure of about Rs. 261 lakhs incurred on maintenance, watch and ward etc. during 1970-71 to 1973-74 had been capitalised instead of being charged to the revenue account. At present the Gidi washery is working to a limited capacity. Only about 15 per cent of the available capacity is being utilised.

(xxiii) The Swang Washery which was scheduled to be completed by September, 1967 was actually commissioned in April, 1969. There was further delay in completing the trial runs because of lack of demand for coal and also due to the delay in the commissioning of Bokaro Steel Plant. The built-up capacity remained under-utilised due to lack of demand, as a result of which Corporation suffered a loss of over Rs. 75 lakhs during 1971-72 to 1973-74.

(xxiv) The construction of the Kathara Washery was started in May, 1964 and was completed in December, 1969 at a cost of Rs. 13.93 crores. As in the case of Swang Washery, the Kathara Washery also faced lack of market for clean coal. During the years 1971-72, 1972-73 and 1973-74 the utilisation of the capacity of the washery was only 13.7 per cent, 38.7 per cent and 43.5 per cent respectively, as against the break-even stage of 80 per cent of utilisation. As a result of under-utilisation of capacity the Corporation suffered a loss of over Rs. 206 lakhs during the above years.

(xxv) Sales through middleman continued in spite of the recommendations made by the Committee in their 10th Report (1967-68) on NCDC. The total commission paid to middlemen during 1969-70 to 1973-74 amounted to Rs. 42.54 lakhs out of which Rs. 16.31 lakhs was in respect of sales to Public Undertakings/Government Departments. As on 31st March, 1974 as against a total of bank guarantees amounting to Rs. 31.50 lakhs a sum of more than Rs. 182 lakhs was outstanding against middlemen of which a sum of over Rs. 142 lakhs was outstanding beyond the credit period.

(xxvi) As on 31st March, 1974 the gross debts outstanding against the customers of NCDC amounted to Rs. 18.12 crores out of which debts amounting to Rs. 8.22 crores were outstanding beyond the credit period. The Management did not care to implement the recommendation of the Parliamentary Committee relating to recovery of interest on overdues from the customers. The decision of Board of Directors about the introduction of a system of prompt payment rebate also remained unimplemented.

(xxvii) Firm agreements had not been entered into with many of the State Electricity Boards|Thermal Power Stations though supplies of coal had commenced long ago.

(xxviii) The Corporation had a total holding of spare parts and other consumable stores worth Rs. 16.52 crores, Rs. 16.75 crores, Rs. 19.87 crores, Rs. 22.14 crores and Rs. 26.22 crores as at the end of the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively. An analysis of stock, spare parts and consumable stores made by the Management in December, 1972 revealed that as per the norms fixed by the Corporation on the lines suggested by the Bureau of Public Enterprises there was excess holding to the extent of Rs. 5.66 crores as on 1st April, 1972.

(xxix) Stores accounts have remained in arrears right from the inception of the Corporation. There was no reconciliation between the quantity ledgers maintained in the area accounts offices and that shown in the quantity ledger, maintained by the stores units.

(xxx) The Corporation suffered a loss of Rs. 2.53 lakhs, Rs. 173.19 lakhs, Rs. 653.45 lakhs, Rs. 243.08 lakhs and Rs. 659 lakhs during the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively up to the end of March, 1974, the Corporation incurred a cumulative loss of Rs. 16.13 crores. The loss in NCDC was mainly on account of persistent poor production performance and under-utilisation of capacity in certain collieries.

12.5. The Committee strongly feel that the challenging task before Government/Corporation is to increase production and productivity and reduce cost of production in the collieries and washeries and to take suitable measures to ensure that the NCDC turns the corner and becomes a profitable concern.

12.6. The present fuel crisis has made it necessary to increase production and utilisation of coal as source of energy and reduce consumption of oil. The Committee, therefore, feel that the problems of this industry have got to be carefully analysed and straightened out if acute shortages are to be obviated.

12.7. Extreme care will have to be exercised to fully implement the Fifth Plan targets of coal production. The Committee hope that with the new dynamism and awakening which have been infused in the national life after the proclamation of Emergency which has created an all round realisation of the need for harder work and greater production, the management would take advantage of the new atmosphere and spare no efforts to implement in letter and spirit the '12-point Action Programme' evolved by the Minister of Energy (Department of Coal) in order to improve production, producivity and efficiency. They also hope that implementation of the programme would be regularly monitored, fully coordinated at various levels, results watched through periodical progress reports and reviewed and Government would render all possible assistance to the Management in overcoming the various constraints that they might encounter in translating the programme into action.

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
October 28, 1975
Kartika 6, 1897 (*Saka*).

APPENDIX I

(*Vide* para 4·98, p. 193)

The standard utilisation as assessed by the Management and the actual utilisation as recorded in the log books maintained for Draglines, Shovels and Dumpers during 1969-70 *to* 1972-73.

DRAGLINES

Colliery	Nos. on Roll as on 31-3-73	Percentage of standard utilisation 1969-70	Percentage of actual utilisation 1969-70	Percentage of standard utilisation 1970-71	Percentage of actual utilisation 1970-71	Percentage of standard utilisation 1971-72	Percentage of actual utilisation 1971-72	Percentage of standard utilisation 1972-73	Percentage of actual utilisation 1972-73
Bokaro				..	..	..	..		..
Kargali				..		..	..	..	..
Sawang	..		..				..		..
Kathara	..	..	..	..	..	..	..	..	..
South Balanda	3	79	55	79	45	79	42	79	39
Bhurkunda			..	..					..
Saunda									..
Gidi 'A'	..								
Gidi 'C'	..	..	..	..	..	..	..	..	..
Bisrampur	2	79	11	79	60	79	59	86	67
Kurasia	2	79	56	75	43	77	37	88	46
Manikpur	..	..	..	..	..	..	..	..	..
Umrer	2	79	70	79	51	86	54	79	55
Jhingurda	..	..	..	..	..	..	..	..	..

SHOVELS

Colliery	Nos. on Roll as on 31-3-73	%age of standard utilisation 1969-70	%age of actual utilisation 1969-70	%age of standard utilisation 1970-71	%age of actual utilisation 1970-71	%age of standard utilisation 1971-72	%age of actual utilisation 1971-72	%age of standard utilisation 1972-73	%age of actual utilisation 1972-73
Bokaro	4	58	36	58	32	58	32	58	39
Kargali	5	57	39	57	34	57	41	60	49
Sawang	..	55	45	55	42	55	46	..	..
Kathara	9	61	25	61	23	60	33	60	23
South Balanda	3	55	40	65	32	52	24	52	34
Bhurkunda	6	52	44	63	34	62	55	54	35
Saunda	..	37	..	..	..	..	..	..	..
Gidi 'A'	7	61	53	47	35	60	47	54	44
Gidi 'C'	4	63	35	63	53	54	47	60	55
Bisrampur	4	54	21	54	25	44	23	N.A.	27
Kurasia	3	55	43	46	25	43	27	60	29
Manikpur	4	65	36	65	27	64	30	54	43
Umrer	8	49	22	43	10	58	16	44	27
Jhingurda	5	62	66	..	..	61	39	61	51

DUMPERS

Colliery	Nos. on Roll as on 31-3-73	percentage of standard utilisation 1969-70	percentage of actual utilisation 1969-70	percentage of standard utilisation 1970-71	percentage of actual utilisation 1970-71	percentage of standard utilisation 1971-72	percentage of actual utilisation 1971-72	percentage of standard utilisation 1972-73	percentage of actual utilisation 1972-73
Bokaro	30	46	9	46	7	46	8	35	14
Kargali	28	47	18	47	18	47	24	50	16
Sawang	..	41	19	41	21	41	19	..	..
Kathara	69	52	18	52	19	46	18	46	23
South Balanda	17	47	23	58	48	45	17	45	20
Bhurkunda	30	49	22	49	27	49	35	52	24
Saunda	..	43	..	..	..	..	..	..	..
Gidi 'A'	23	51	28	34	15	51	26	52	32
Gidi 'C'	22	52	18	52	16	37	30	50	34
Bisrampur	13	50	25	50	26	41	17	N.A.	21
Kurasia	18	44	20	36	15	38	12	54	15
Manikpur	48	52	15	52	10	57	10	42	14
Umrer	38	47	14	39	12	55	14	43	17
hingurda	41	51	40	..	..	50	21	52	25

NOTE : The percentage of standard utilisation of these machines has changed from year to year. In certain cases this is because of the fact that standard utilisation depends upon the type of model and age of the machinery in use.

APPENDIX II

(*Vide* para 5·30 p. 231)

The out put per manshift as indicated in the Project Report, the annual targets fixed as the actual out put per manshift during 1969-70 to 1973-1974 in respect of open cost and underground mines

(Figures in tonnes)

Colliery	As indicated in the Project Report/ assessed by the Management	1969 Actual	1970-71 Target	1970-71 Actual	1971-72 Target	1971-72 Actual	1972-73 Target	1972-73 Actual	1973-74 Target	1973-74 Actual
1	2	3	4	5	6	7	8	9	10	11
Opencast mines										
INHERITED COLLIERIES										
1. Bokaro . . .	0·68*	0·54	0·61	0·54	0·65	0·64	0·68	0·69	0·68	0·61
2. Kargali . .	0·60*	0·57	0·63	0·48	0·60	0·47	0·60	0·63	0·57	0·62
3. Bhurkunda .	2·23	1·02	1·22	1·18	1·59	1·49	1·70	1·25	0·85	0·64
4. Kurasia . . .	2.97	0.79	0.88	0.63	0.88	0.69	0.80	0.89	0.91	0.82
5. Sawang . . .	1·05	0·72	0·76	0·80	0·85	0·52	N.A.	0·52	0·52	0·47
NEWLY DEVELOPED COLLIERIES										
6. Kathara . .	4·84	1·85	2·56	1·80	2·50	1·74	2·20	1·94	1·16	1·06
7. Gidi 'A' . . .	3·00	2·04	2·57	2·34	2·20	2·43	2·60	2·45	1·16	1·06

1	2	3	4	5	6	7	8	9	10	11
8. Gidi 'C' . . .	4·08	2·25	2·89	2·56	2·80	2·87	2·80	2·91	3·00	2·53
9. South Balanda	3·47	1·46	2·23	1·13	1·50	1·22	1·70	1·31	1·70	1·36
10. Manikpur	5·77	2·96	3·50	2·65	3·30	2·84	3·10	3·53	3·84	3·99
11. Bisrampur	4·15	2·50	3·00	2·26	2·28	2·23	2·70	2·78		
12. Jhirgurda . .	6·67	5·33	5·50	4·82	5·20	5·23	6·00	5·39	6·02	5·26
13. Umrer .	4·41	1·82	3·12	1·62	2·10	1·38	1·80	1·67	2·00	2·15
Overall OMS (company's mines)	..	1·19		1·20	1·34	1·32	1·57	1·51		
All India OMS—opencast mines	..	1·37	..	1·38		1·46		1·39		
Underground mines										
Inherited Collieries										
1. Kargali . .	0·50*	0·53	0·56	0·48	0·50	0·46	0·50	0·62	0·57	0·62
2. Jarangdih . .	0·47	0·47	0·50	0·43	0·46	0·41	0·45	0·40	0·45	0·41
3. Sawang . .	0·72	0·51	0·54	0·51	0·52	0·49	0·52	0·50	0·52	0·47
4. Argada	0·60	0·58	0·61	0·41	0·58	0·34	0·40	0·57	0·60	0·54
5. Bhurkunda . .	[0·70*	0·60	0·65	0·59	0·62	0·55	0·60	0·54	0·85	0·64
6. Giridih	0·50*	0·43	0·45	0·49	0·48	0·47	0·50	0·50	0·50	0·47
7. Talcher . . .	0·45*	0·36	0·46	0·40	0·43	0·40	0·45	0·40	0·45	0·37
8. Deulbera . .	0·45*	0·44	0·47	0·44	0·45	0·41	0·45	0·40	0·45	0·39
. . .	0·99	0·80	0·84	0·74	0·80	0·77	0·80	0·68	0·91	0·82

Newly developed Collieries										
10. Chalkari	0·82	0·54	0·54	0·51	0·52	0·52	0·55	0·58	0·60	0·57
11. Saunda	0·95	0·52	0·56	0·53	0·55	0·53	0·55	0·51	0·55	0·48
12. Bachra	1·62	0·60	0·68	0·57	0·55	0·50	0·60	0·54	0·62	0·59
13. Gidi 'A'	1·29	0·48	0·51	0·44	0·50	0·45	0·50	0·61		
14. Sayal 'D'	1·16	0·59	0·64	0·61	0·61	0·59	0·65	0·64	0·65	0·61
15. Korba	1·75	0·64	0·67	0·65	0·67	0·64	0·65	0·65	0·82	0·72
16. Banki	2·20	0·82	0·86	0·78	0·86	0·89	0·94	0·01	1·31	0·98
17. Bisrampur	0·96	0·83	0·87	0·75	0·80	0·79	0·83	0·82	1·66	1·75
18. Churcha	1·52	1·58	1·58	1·37	1·20	1·41	1·50	1·34	1·51	1·41
19. Korea	1·58	0·86	0·90	0·74	0·90	0·79	0·90	0·99	1·23	1·3
20. Jamuna	1·26	0·74	0·78	0·60	0·70	0·57	0·65	0·59	0·76	0·67
21. Dumanhill	1·80	1·04	1·05	0·87	0·91	0·75	0·79	0·78	0·93	0·82
22. Patharkhera	1·48	1·21	1·27	1·03	1·25	0·97	1·10	0·94	1·09	0·86
Overall ONS (Campany's mines)	..	0·62		0·60	0·81	0·59	0·64	0·62		
All India OMS-underground mines	..	0·86	..	0·86	..	0·86	..	0·85		

*NOTE : These are old projects for which no Project Report exists and OMS has been projected by the Management on the basis of existing production programme and man-power deployment.

APPENDIX III

(*Vide* para 6·9, page 247)

The actual cost of production in different collieries of the Corporation during 1970-71 *to* 1973-74

(Production in lakh tonnes)

Sl. No.	Colliery	1970-71		1971-72		1972-73		1973-74	
		Production of coal	Cost per tonne (Rs.)	Production of coal	Cost per tonne (Rs.)	Production of coal	Cost per tonne (Rs.)	Production of coal	Cost per tonne (Rs.)
1	2	3	4	5	6	7	8	9	10
INHERITED COLLIERIES									
1	Bokaro	11·04	33·08	11·66	33·81	12·19	35·90	11·80	38·60
2	Kargali	7·03	44·38	6·00	48·40	7·26	39·92	7·10	39·78
3	Jarangdih	2·42	40·19	2·27	45·42	2·19	50·03	2·10	58·63
4	Sawang	2·49	43·66	2·31	46·56	2·32	52·10	2·00	69·00
5	Argada	0·44	60·84	0·39	78·29	50·63	51·07	0·56	59·21
6	Bhurkunda	8·31	38·71	8·47	39·44	8·06	44·67	6·99	56·66
7	Giridih	2·73	46·05	2·43	44·95	2·60	54·56	2·30	60·58*
8	Talcher	2·26	56·23	2·53	52·55	2·50	56·48	2·28	67·57
9	Deulbera	2·67	41·46	2·74	44·95	2·67	49·09	2·56	57·27
10	Kurasia	5·90	34·28	5·71	37·03	5·91	43·51	6·39	44·76

	Newly Developed Collieries								
11	Kathara	9·83	25·33	10·07	27·15	12·34	26·20	11·39	26·82
12	Chalkari	0·72	78·85	0·78	75·26	0·97	66·70	1·05	74.80
13	Saunda	2·91	48·38	2·78	49·13	2·63	54·44	2·57	62.44
14	Bachra	2·52	39·28	2·18	47·87	2·40	49·13	2·70	54·96
15	Gidi 'A'	7·47	35·22	8·32	34·05	9·33	35·61	9·41	43·53
16	Gidi 'C'	5·72	16·94	5·78	16·29	6·07	19·68	5·72	23·21
17	Sayal 'D'	4·31	40·42	4·00	43·20	4·45	42·10	4·49	52·82
18	South Balanda	4·50	33·75	4·46	34·28	4·59	26·08	4·00	34·10
19	Korba	3·03	38·57	3·17	36·91	3·08	39·64	34·48	42·15
20	Barki	3·66	43·92	4·12	38·35	5·17	35·87	5·25	39·29
21	Manikpur	7·76	17·26	7·55	20·11	8·30	21·93	10·67	27·59
22	Bisrampur	7·12	33·85	6·80	36·25	8,22	34·02	8·92	34·37
23	Churcha	2·41	30·91	2·90	29·37	2·98	34·55	3·81	34·94
24	Jamuna	1·40	50·27	1·44	49·30	1·44	55·95	1·65	51·15
25	Korea	2·60	36·84	2·73	34·25	3·54	33·23	4·35	32·51
25	Duman Hill	1·86	39·90	1·59	47·89	1·65	54·18	1·90	51·43
27	Jhingurda	11·68	17·34	13·00	17·90	14·85	17·66	16·80	20·12
28	Patherkhera	4·19	27.18	4·66	28·15	5·42	37·40	6·33	37·59
29	Umrer	4·27	31·30	7·13	28·20	7·42	32·26	7·54	28·36

*Excluding soft coke.

APPENDIX IV

(*Vide para* 6·11, *page* 247)

Statement showing the variable and fixed cort per tonne of coal produced during 1970-71 to 1973-74

Sl. No.	Colliery	1970-71			1971-72			1972-73			1973-74		
		Variable cost	Fixed cost	Total cost	Variable cost	Fixed cost	Total cost	Variable cost	Fixed cost	Total cost	Variable cost	Fixed cost	Total cost
1	2	3	4	5	6	7	8	9	10	11	12	13	14
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Bokaro	16·64	16·44	33·08	20·07	13·73	33·80	18·05	17·85	35·90	20·88	17·74	38·62
2	Kargali	17·45	26·93	44·38	16·84	31·57	48·41	17·67	22·25	39·92	19·82	19·96	39·78
3	Jarangdih	13·11	27·08	40·19	16·32	29·26	45·48	17·12	32·91	50·03	17·27	41·36	58·63
4	Sawang	18·28	25·38	43·66	20·11	26·44	46·55	22·20	29·90	52·10	23·58	45·42	69·00
5	Argada	17·88	12·96	60·84	20·81	57·40	78·21	16·46	34·61	51·07	15·36	43·85	59·26
6	Bhurkunda	13·81	24·90	38·71	15·21	24·24	39·45	16·00	28·67	44·67	17·61	39·05	56·66
7	Giridih	11·06	34·93	45·99	11·66	33·32	44·98	12·15	42·05	54·20	12·66	47·92	60·58
8	Talcher	11·50	44·73	56·23	10·83	41·63	52·46	11·34	45·14	56·48	12·45	45·42	67·57
9	Deulbera	16·80	30·41	42.21	12·60	32·35	44·95	13·09	36·00	49·09	14·60	42·67	57·[illegible]7
10	Kurasia	14·18	20·72	24·90	18·72	18·81	37·63	14·38	29·13	43·51	19·87	24·89	44·76
11	Kathara	16·86	8·47	25·33	15·34	11·84	27·18	17·44	8·76	26·20	18·08	08·47	26·30

12	Chalkari	13·40	65·45	78·85	12·94	61·85	74·79	13·06	53·64	66·70	16·11	58·69	34·80
13	Saunda	10·10	38·28	48·38	11·40	37·71	49·11	11·04	43·40	54·44	13·00	49·29	62·44
14	Bachra . . .	9·69	29·59	39·28	10·97	36·88	47·85	11·58	37·55	49·13	12·77	41·69	54·46
15	Gidi 'A'	11·69	23·53	35·22	14·36	19·88	34·14	15·39	20·22	35·61	16·41	27·12	43·53
16	Gidi 'C'	11·50	5·44	16·94	11·16	5·15	16·31	11·99	7·69	19·68	13·09	10·12	23·27
17	Sayal 'D'	10·28	30·14	40·42	11·68	31·52	43·20	11·08	31·02	42·10	13·95	38·37	52·82
18	South Balanda . . .	23·19	10·43	33·62	23·77	19·51	34·28	18·74	7·34	26·08	20·33	13·77	34·10
19	Korba . . .	9·90	28·67	38·57	9·60	27·31	36·91	10·36	29·28	39·64	12·21	29·98	42·15
20	Banki	8·44	35·48	43·92	8·20	30·15	38·35	8·43	27·44	35·87	9·18	30·11	39·29
21	Manikpur	11·22	6·04	17·26	7·60	12·51	20·11	14·10	7·83	21·93	17·35	10·24	27·59
22	Bisrampur	13·26	21·32	34·58	13·10	23·15	36·25	12·06	21·96	34·02	14·10	20·27	34.37
23	Churcha	6·80	23·66	30·46	6·54	22·82	29·36	7·73	26·82	34·55	6·84	28·10	34·94
24	Jamuna	11·63	38·64	50·27	12·79	36·52	49·31	9·03	46·92	55·95	11·74	39·41	51·18
25	Korea	7·18	29·66	36·84	7·62	26·63	34·25	7·32	25·91	33·23	9·28	23·39	32·51
26	Daman Hill . . .	5·25	34·65	39·90	6·52	41·37	47·89	6·31	47·87	54·18	7·08	44·35	57·43
27	Patherkhera . . .	9·42	17·76	27·18	8·72	19·43	28·15	10·37	27·03	37·40	12·69	24·91	37·59
28	Umrer	14·66	16·23	30·89	16·69	11·50	37·19	15·67	16·59	32·26	14·27	14·09	28·36

NOTE : In certain cases the total cost as given above does not tally with that given in Appendix III. This is on account of the fact that the total cost as given in Appendix III has been calculated by the Management by taking coal production in thousand tonnes whereas the fixed and variable cost given above were worked out on the basis of the absolute figures of production.

APPENDIX V

(*Vide* Para 9·22 p. 385)

Statement indicating the position of outstandings against some of the principal middlemen selling agents as at the end of March, 1974

Sl. No.	Middlemen	Amount of bank guarantee	Total amount outstandings as on 31-3-74				Period of outstanding	Remarks
			Amount beyond credit period	Amount within credit period	Total	Deposit		
1	2	3	4	5	6	7	8	9
1.	M/s. *S.K. Kahansons & Co.*							
A.	*Direct payment consignees*							
	(*i*) Harduaganj 'A'		10·55	0·05	10·60			
	(*ii*) Harduaganj 'B'		3·32	..	3·32			
	(*iii*) DESU		c·13	..	0·13			
	(*iv*) KESA		1,01	0·69	1·70			
	(*v*) Dalmia Dadri		0·97	..	0·97			
	(*vi*) Birla Cotton		0·87	0·87	1·74			
	(*vii*) Panki T.P.S.		0·70	..	0·70			
	(*viii*) Sohwal Power House		0·59	..	0·59			
B.	*Others*	8·50	43·91	..	43·91			
		8 50	62·05	1·61	63·66	8·18	From 1960-61	A consent decree of Rs. 15 lakhs assigned in favour of NCDC Ltd. Documents relating into property for Rs. 2·50 lakhs deposited at Ranchi.

2. *M/s. K.C. Thapper Bros., (CS) Ltd.*							
A. *Direct paying consignees*				22·90			Inclusive of divertion of rakes valued at Rs. 6 lakhs and other deductions under reconciliation.
I. Supply to Power Houses		19·20	3·70	22·90			
B. Others . .	7·00	10·05	11·27	21·32	14·88	From 1960-61 onwards	Inclusive of deduction of Rs. 6 lakhs under verification
	7·00	29·25	14·97	44·22			
3. M/s. Translinks .	6·00	10·13	1·43	11·56	4·70	From 1966-67 onwards	Rs. 6·98
4. M/s. S.D. Shethia & Co	2·50	7·28	6·30	13·58	3·90	From 1960-61 onwards	Rs. 2·00
5. M/s. Khas Dharmaband Colliery (P) Ltd.	1·50	12·54	1·69	14·23	2·33	From 1961-62 and 1965-66 onwards	Rs. 11.73
6. M/s. Eastern Associate Coal Corporation	1·00	2·60	2·97	5·57	0·10	1969-70 onwards	Rs. 2·60
7. M/s. Ikrah Nandi Coal Co**		6·88	9·96	16·84	0·98	1960-61 onwards	Rs. 4·90
8. M/s. Nanalal M. Verma & Co. .	2·00	1·14	0·77	1·91	0·20	1965-66 onwards	Rs. 1·14
9. M/s. Shah & Vora .		2·40		2·40	..	1968-69 & 1969-70	In terms of court decree they have already deposited a sum of Rs. 50,000/-
10. M/s. Jaiswal Coal Co. & Ideal Coal Agency	3·00	8·55	0·07	8·62	0·40	1970-71	In terms of court decree they have already deposited a sum of Rs. 90,000/-
	31·50	142·82	39·77	182·59			

**Ahmedabad Electricity Co. Ltd., arranges payment to the NCDC Ltd. direct.

APPENDIX VI

(*Vide* Para 9·46 p. 395)

Statement showing the names of the Parties against whom the amount outstanding as on 31st March, 1974 was Rs. 5 lakhs and more :

(Figures in lakhs of Rupees)

Sl. No.	Particulars	Outstanding as on 31-3-74			Deposit	Disputed claims & deducted claims	Net un-disputed claims 5-(6+7)	Average monthly sales (Oct./73 to Mar/74)	%age of net outstanding to monthly sales
		Beyond credit period	Within credit period	Total					
1	2	3	4	5	6	7	8	9	10
1.	Railways	36·10	96·68	132·84	4·71	17·43	110·70	121·27	91·28
2.	M.P.E.B.	17·31	36·54	53·85	8·59	15·78	29·48	46·21	63·79
3.	B.T.P.S.	31·37	24·09	55·46	6·72	29·00	19·74	9·17	215·27
4.	H.E.C.	32·99	8·75	41·74	4·01	1·82	35·91	4.04	888·86
5.	D.C.O.P.	2·47	0·22	2·69	0·45	1·74	00·50	0·09	56·00
6.	M.S.E.B.	100·75	59·21	159·96	6·77	91·48	61·71	30·91	199·64
7.	T.T.P.S.	35·19	29·56	64·75	0·23	2·38	62·14	12·86	483·20
8.	*Hindustan Steel Ltd* :								
	(*i*) Bhilai	21·16	112·93	134·09	0·61	20·63	112·85	78·59	143·59
	(*ii*) Rourkela	2·71	107·80	110·51	1·33	1·99	107·19	68·73	155·96
	(*iii*) Durgapur	1·09	..	1·09	0·07	1·09	..	0·06	..
	(*iv*) Bhujudih	0·79	7·35	8·14	0·50	0·76	6·88	8·74	78·72
	(*v*) Dugda	0·23	3·46	3·69	0·03	0·23	3·43	0·76	451·32

9	Pátratu Thermal Power Station . .	4·38	10·58	14·96	7·38	4·38	3·20	6·66	48·04
10	Panki Thermal Power Station	6·74	5·68	12·42	0·35	0·74	5·33	[illegible]4·81	110·81
11	Obra Thermal Power Station	16·06	61·43	77·49	- 0·05	2·98	74·46	26·30	283·11
12	*Private Parties*								
	(*i*) Renusagar Power Co.	153·97	39·90	193·87	0·36	151·64	41·87	20·30	207·22
	(*ii*) Tata Iron & Steel .	8·1	18·17	26·28	..	2·84	23·44	19·49	120·26
	(*iii*) Middlemen . .	154·94	70·26	225·20	53·62	145·90	25·68	89·33	20·98

APPENDIX VII

(*Vide* para 10·23, page 432)

Statement showing the break-up of the working results colliery-wise for the year 1969-70 *to* 1973-74 :

(Rs. in lakhs)

Name of colliery	Working results Profit (+)/Loss (—) 1969-70	1970-71	1971-72	1972-73	1973-74
1	2	3	4	5	6
(i) *Inherited collieries*					
1. Bokaro	47·88	23·43	1·19	46·74	99·94
2. Kargali	(—)39·89	(—)54·44	(—)78·69	(—) 5·27	4·53
3. Jerangdih	(—) 0·50	(—)15·49	(—)27·67	(—)22·73	(—)27·81
4. Sawang	(—)15·95	(—)23·73	(—)30·91	(—)33·41	(—)49·01
5. Argada	(—) 8·35	(—)13·97	(—)18·26	(—) 6·71	(—) 7·65
6. Bhurkunda	(—)15·14	(—)49·41	(—)86·60	(—)88·27	(—)141·45
7. Giridih	(—)51·99	(—)27·32	(—)20·92	(—)27·71	(—)38·34
8. Talcher	(—)36·35	(—)42·82	(—)29·69	(—)34·76	(—)52·29
9. Deulbera	(—) 2·78	(—)10·43	(—)16·05	(—)17·41	(—)31·68
10. Kurasia	24·01	1·92	(—)28·55	(—)48·34	(—)33·73
(ii) *Newly developed collieries*					
11. Kathara	23·13	19·26	31·79	68·25	165·05
12. Chalkari	(—)29·99	(—)35·47	(—)33·16	(—)27·15	(—)125·88
13. Saunda	(—)29·96	(—)51·22	(—)49·31	(—)50·66	(—)64·62
14. Bechra	(—) 3·98	(—)16·75	(—)35·54	(—)25·85	(—)29·10
15. Gidi 'A'	5·24	(—)20·70	(—)28·72	(—) 0·09	(—)63·78
16. Gidi 'C'	44·04	98·76	85·99	92·72	77·89
17. Sayal 'D'	(—)22·08	(—)26·47	(—)38·04	25·94	(—)65·10
18. South Balanda	2·90	(—) 7·99	6·03	54·05	20·14
19. Korba	(—)10·05	(—) 7·80	(—)12·84	(—) 8·87	(—)18·04
20. Banki	(—)23·89	(—)24·30	(—)24·66	(—) 8·58	(—)4·76

1	2	3	4	5	6
21. Manikpur . .	66·62	41·64	1·83	9·55	(—)32·95
22. Bisrampur . . .	14·97	4·53	(—)17·44	6·33	31·49
23. Churcha . . .	32·65	15·85	17·01	9·11	24·07
24. Korea	7·66	(—) 3·20	(—) 3·12	7·54	21·90
25. Jamuna . . .	(—)12·69	(—)22·50	(—)23·12	(—)29·57	(—)22·42
26. Duman Hill . .	(—) 5·80	(—)19·86	(—)28·99	(—)31·30	(—)25·72
27. Jhingurda . .	95·29	103·81	22·81	142·42	126·21
28. Patherkhera .	14·90	10·09	(—) 6·93	(—)31·97	(—)37·36
29. Umrer . . .	2·17	(—) 5·54	10·82	3·13	41·4
30. Dheri Group.	—	—	—	(—)71·40	(—)196·32
31. Surakcher . .	—	—	—	—	(—)135·11
32. Gorbi	—	—	—	—	(—) 3·92

APPENDIX VIII

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

S. No.	Reference to para No. in the Report	Summary of Conclusion/ Recommendations
1	2	3
1	1.11 1.12	The Committee are surprised to note that since the formation of the National Coal Development Corporation in 1956 the objectives/ obligations of the Corporation have not been spelt out so far. The Committee note that the Bureau of Public Enterprises asked all Government Companies in November, 1970 to formulate the statement of their objectives/obligations clearly, if not already done, and communicate the same to the Government. The Committee are informed that when the objectives of NCDC were finalised, nationalisation of coal industry took place and NCDC became a subsidiary of Coal Mines Authority (CMA). The objectives which were to be mentioned for NCDC were incorporated in the Memorandum and Articles of Association of the CMA. The Secretary of the Ministry, however, admitted that the objectives of the Coal Mines Authority and National Coal Development Corporation could not be identical. The Committee find that instructions are being issued only now to CMA to quickly finalise its draft statement of objectives which would cover NCDC also. The Committee are concerned at the delay in finalising the statement of objectives of the Corporation. The Committee need hardly stress that keeping in view the increasing importance of coal due to energy crisis, which has posed new challenges to the public sector undertakings dealing with coal, Government should finalise the statement of

1	2	3
		objectives/obligations of CMA/NCDC without any further delay and bring them to the notice of the Parliament. The Committee would like to be informed about the action taken by Government in this regard.
2	1.14	The Committee note that the National Coal Development Corporation, which was set up in 1956 to take over the then existing 11 state collieries of the Railway and to open new mines, became a subsidiary of the Coal Mines Authority Ltd. which was set up in 1973 consequent upon the nationalisation of the coal mines. They were informed by the Chairman, CMA, during evidence that "there is no need to retain NCDC as a subsidiary company of the CMA. It could be merged with CMA". The Secretary of the Ministry informed the Committee during evidence (February, 1975) that within the course of two months Government would be able to take a decision as to what could be the respective role of NCDC and CMA. It appears that no decision has been taken so far in this regard. They recommend that the Government should take an early decision about the future role of NCDC *vis-a-vis* the Coal Mines Authority Ltd. so that they can concentrate their energies on achieving the objectives laid down for them. They would like to be informed of the decision taken by Government in regard to reorganisation of CMA/NCDC.
3	1.27 to 1.32	In their 32nd Report (3rd Lok Sabha—March, 1963) the Estimates Committee considered that the activities of the National Coal Development Corporation which were mainly limited to the production of coal might not prove to be very profitable. They, therefore, felt that to make the Corporation a permanently viable unit, it was necessary that it should not remain a 'hewer' of coal merely but should also undertake low temperature carbonisation plants and other ancillary activities like

1	2	3
		gasification of coal, production of smokeless fuel, etc. They recommended that the whole matter might be examined by an expert committee which might suggest suitable lines of ancillary activities to be undertaken by the Corporation. The recommendation of the Estimates Committee was reiterated by the Committee on Public Undertakings in their 7th Report (April, 1965).
		The Committee deplore the serious lapse on the part of the Government/Corporation in not appointing an Expert Committee as recommended by the Estimates Committee in 1963 and by the Committee on Public Undertakings in 1965 to go into the question of suitable ancillary activities to be undertaken by the National Coal Development Corporation Ltd. The Chairman, CMAL informed the Committee that the Corporation did not go in for ancillary activities as at that point of time there was downward trend in coal demand. The Committee are constrained to note that in spite of the repeated recommendations of the Parliamentary Committees the matter was not taken serious note of by the Board of Directors of the Corporation. It has been admitted by the Chairman, CMAL that "it is desirable that the Board of Directors should have considered and come to some conclusion and I also would further submit Government itself could have considered this matter and come to a decision." The Secretary of the Ministry stated that "I personally feel that as soon as Parliamentary Committee suggested it, it should have been appointed. They might have come to some conclusions. But unfortunately, it has not been done."
		The Committee cannot too strongly deprecate the cavalier attitude shown by the Company towards the recommendations of the Parliamentary Committees and would like that the reasons

1	2	3
		for not considering these recommendations and for not setting up an Expert Committee may be investigated in order to fix responsibility for the lapse. The Committee would like to be informed of the action taken within 3 months of the Report. The Committee would also strongly recommend that all the public undertakings should be advised that the recommendations made by Parliamentary Committees should be given the most serious and urgent consideration at the highest level and the accepted recommendations implemented with expedition unless there are compelling reasons coming in the way of their implementation, in which case they should place the matter before the Committee for latter's reconsideration. They would like administrative ministries also to keep a careful watch on the implementation of the Committee's recommendations and follow-up the matter with the undertakings under their respective control and ensure that such a lapse, as has occurred in this case, does not recur. The Committee find that an Expert Committee to go into the question of ancillary activities to be undertaken by NCDC has now been appointed by Government on the 17th July, 1975. The Expert Committee is expected to submit its report to Government in the middle of October, 1975. The Committee would like to be informed about the findings of the Committee and the action taken by Government thereon. The Committee note that the NCDC is going ahead with the installation of Formed Coke Project in Talcher and the installation of Low Temperature Carbonisation Plant is under consideration. They hope that the proposed units would be completed and commissioned expeditiously. They would like to be informed about the dates

1	2	3
		of commissioning of these units and about the results achieved. The Committee recommend that the programme of further development should be regulated in the light of experience gained in the setting up of these projects.
4	2.16 to 2.19	The Committee note that there had been a wide gap between projections and performance in respect of demand and production of coal during the Third and Fourth Five Year Plan periods. As against the original target of 31 million tonnes to be attained by 1965-66, the actual production of coal by NCDC during that year was only 9.40 million tonnes. As against the planned development of 27 collieries, during the Third Five Year Plan, the Corporation developed only 16 collieries out of which 7 collieries, on which an expenditure of about Rs. 447 lakhs was incurred upto 1965-66 had to be temporarily/finally closed down. NCDC's original target of 26 million tonnes to be attained by the end of Fourth Five Year Plan had to be scaled down to 21 million tonnes. The actual production during the year 1973-74 was, however, only 17.44 million tonnes. In addition to 7 collieries closed during the Third Five Year Plan, 3 more collieries were closed down during 1966-67 to 1972-73 on the development of which a capital expenditure of Rs. 155.11 lakhs had been incurred.
		According to the Secretary of the Ministry, the production of Coal had to be limited to the effective demand which was far less than the expectation due to slow pace of industrial growth. The Committee find that this is not wholly true in respect of all sectors of economy. In this connection they would like to draw attention to paras 2.20 to 2.23 of the 68th Report (1974-75) of the Estimates Committee on 'Availability and Distribution' of coal which show that there

1	2	3
		was shortage of coal in the domestic sector and lack of adequate supply of coal to the cement industry and the railways also had to discontinue temporarily some of the branch train services due to the shortage of steam coal. The Committee are therefore of the opinion that this wide variation between assessed demand and actual consumption was also due to absence of a rational and scientific system to realistically assess the demand of different categories of consumers of coal.
		The Committee feel that if the Government had made an accurate and realistic assessment of demand and reviewed it periodically in order to give clear directions to the producing organisations such as NCDC about the targets to be achieved by them, the huge expenditure incurred on the development of mines, which had to be subsequently closed down could have been avoided. Instead of mechanically relying on the data furnished by the Planning Commission the Corporation should have also kept itself constantly in touch with the consumers to whom it was supplying coal so as to make a realistic assessment of the demand in order to adjust its development programmes in time.
		The Committee note that the Government have set up Linkage Committee for each of the key sectors like steel, cement and power plants in order to assess their demands and corelate the production programmes of collieries with the requirements of these sectors. The Committee hope that the Government would now be able to evolve a scientific system of assessment and review of demand of coal, not only in the steel, cement and power sectors, but also in each other major sector of economy so as to ensure timely and adequate supply of coal to them. They also hope that on the basis of scientific assessment of

1	2	3
		demand in each sector thus arrived at, the respective shares of the producing organisations would be clearly determined in order to enable them to organise their development programmes on a more accurate basis.
5	2.31 2.36	The Committee are informed that although there is plenty of coal available at pitheads certain sectors are still starving for want of coal. The difficulty in meeting the full requirements of certain sectors particularly the domestic and small scale sectors is stated to be mainly of transport.
		The Committee find that the difficulty in regard to movement of coal has persisted during the Second, Third and Fourth Five Year Plan periods. The Estimates Committee in their 32nd Report (3rd Lok Sabha) felt that the transport bottlenecks during the Second Five Year Plan arose mainly due to lack of coordination at different levels. The Committee on Public Undertakings in their Tenth Report (4th Lok Sabha)—April, 1968 expressed their regret that there was lack of coordination in regard to supply of wagons for transport of coal even during Third Five Year Plan. Inspite of an assurance given by the Ministry in October, 1968 that NCDC was maintaining close liaison with the Railway Administration at all levels in order to remove difficulty in the supply of wagons, the lower availability of wagons continued to be cited as one of the main reasons for shortfall in production and for inadequate supply of coal to certain sectors. The Committee also find that the daily allotment of wagons during each of the years 1970-71 to 1973-74 has always been less than the average indent. The Committee feel that if the Government/Corporation had paid serious attention to the recommendations of the parliamentary Committees in order to draw up a coordinat-

1	2	3
		ed transport plan for the movement of coal the bottlenecks in the distribution of coal would have been avoided and industries dependent on coal would not have suffered serious losses in production.
		The Committee feel that no plan of coal production can succeed unless adequate capacity is available to transport it to the required consuming centres. The Committee would therefore like to stress that adequate vigil is necessary for breaking the bottleneck in movement of coal.
		The Committee also find that on the one hand it had been stated that due to the transport bottlenecks, proper movement of coal was not there, on the other hand the Railways were blaming that coal was not available at the pit-heads and that was why they were not carrying coal. Both the Railways and the Corporation had been complaining against each other.
		In this connection, the Committee would like to refer to Paragraphs 5.53 and 5.54 of 68th Report of the Estimates Committee (5th Lok Sabha) on 'Availability and Distribution of Coal' wherein that Committee have observed that linkage of major consuming sectors with coal fields is imperative for an efficient transport system. That Committee have emphasized that the linkage should be firm and effective and should be reviewed from time to time to remove the bottlenecks in the way of smooth and efficient movement of coal to consuming centres. The Committee have also stressed that the plans for increased production of coal should be fully tied up with the railways to make sure that coal is moved from the pit heads to the users in adequate quantities and in time. Attention may also be invited to paragraph 4.13 of the above report wherein it has been stated that a High

1	2	3
		Level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal and that a number of important decisions have been taken by that Committee. The Estimates Committee have recommended that concerted action should be taken to see that an analysis is made in depth of the transport and distribution arrangements and concrete measures taken to ensure that the mining capacity and the rail transport facilities are developed hand in hand in order to meet rationally and satisfactorily the requirements of users. The Committee would like to reiterate the above observations/recommendations of the Estimates Committee.
		The Committee are perturbed to note that the requirements of domestic consumers and small scale sector of industry are not being met in full even after the nationalisation of coal mines. They strongly feel that in no circumstances the requirements of common man should be ignored or given low priority. The Committee recommend that Government/Corporation should make special efforts to meet the total requirements of domestic consumers at all times. They hope that with the reported improvement in the transport situation the needs of the small scale sector and the domestic consumers would be met in full. The Committee would like the CFA/NCDC to streamline the procedure with regard to sale of coal to domestic consumers who should be given all possible facilities and priorities so that they do not face any hardship in getting coal for their domestic requirements. They would also like that CMA/NCDC should examine the possibility of opening their own depots at various coal consuming centres in the country in order to cater to the demands of domestic consumers. The

1	2	3
		Committee also recommend that loading of trucks should be done departmentally and transportation charges which are not levied on coal supplies to other consumers should not be imposed on coal transported through trucks for domestic consumers?
6	2.43 to 2.45	The Committee find that no final decision with regard to coal production targets during the Fifth Five Year Plan has been taken by Government so far and the various assessments made so far by different bodies widely vary from one another. The Fuel Policy Committee earlier put the country's demand for coal by 1978-79 at 165 million tonnes while the Task Force of Planning Commission revised it to 143 million tonnes. The Draft Fifth Five Year Plan has, however, tentatively projected a coal demand of 135 million tonnes by 1978-79 out of which NCDC's share is expected to be 37.89 million tonnes. The fluctuations in the assessment of demand only show that a sound system for collection and evaluation of data has not so far been evolved. The Committee have already observed that our coal production programme in the past has always been a victim of faulty system of assessment of demand resulting in wide variations between projections and performance. They would therefore like to stress that at a time when we are passing through an oil crisis the need to draw up a realistic coal production programme based on scientific assessment of demand is all the more important. The Committee, therefore, recommend that Government should exercise great care in drawing up the coal production programme during the Fifth Five Year Plan after reassessing realistically on a rational and scientific basis the demand for coal of the various sectors.

1	2	3
		The Committee also recommend that the Government should draw up a comprehensive production programme by various coal producing organisations including NCDC, so that they might be able to synchronise the development of mines with the demand pattern.
		The Committee need hardly stress that any slippage in the implementation of coal production programme will very adversely affect the overall growth of the economy. They, therefore, recommend that adequate steps should be taken right from now in order to ensure the implementation of various schemes for achieving coal production targets during the Fifth Five Year Plan.
7	3.18 to 3.24	The Committee note that the Corporation planned to develop 27 collieries during the Third Five Year Plan. It, however, developed 16 collieries upto the end of 1965-66 but had to close down temporarily/finally 7 collieries as a result of mid-term appraisal made in the middle of 1963 which indicated that the effective demand for coal in the country would be much less than the target. Three collieries were closed/suspended during Fourth Five Year Plan period due to slump in the coal market. An expenditure of about Rs. 9.22 crores has been incurred on the development of the closed/suspended projects upto 31st March, 1974. Care and maintenance expenditure which has also been capitalised amounted to Rs. 1.28 crores. Depreciation charges amounting to 2.29 crores, not having been reimbursed by Government, have been written back, to be taken into account when the revised project Reports for these mines are prepared.
		The Committee have already observed that realistic assessment of the demand of different categories of consumers of coal had not been made. A number of projects, on the develop-

1	2	3
		ment of which huge expenditure had been incurred, had to be abandoned when it was found that the demand was not coming upto the expected level.
		The Committee also find that the reopening of the closed/suspended projects has been very much delayed. In their Tenth Report (Fourth Lok Sabha—April, 1968) on NCDC the Committee had observed that a huge sum had been blocked in these collieries which would result in loss by way of deterioration of plant and machinery and investment of money for quite a long period. The Committee had recommended that all efforts should be made to find market for the out put of these collieries as early as possible.
		In October, 1968 the Committee were informed that it might be found feasible to reopen Katkona and Jagannath Collieries by the end of 1969-70. The Committee, however, find that the development work in the Katkona colliery was resumed only in 1973-74. Although production in the Jagannath colliery started in May, 1971 the revised Project Report in respect of this Project was approved only in August, 1973.
		The Committee further note that the development work on these projects was taken up on the presumption that the coal based industries, which were expected to take coal from these collieries would come up as per schedule failing which the development work in the collieries had either to be suspended or delayed. Madhya Pradesh Industrial Development Corporation's proposal during 1968-69 for the setting up of LTC plant at Katkona did not materialise on account of which the development work on the Katkona Project had to be postponed. Work on the Jagannath Colliery had to be suspended because

1	2	3
		of delay in the commissioning of Talcher Power Station in Orissa. The decision to reopen the colliery had to be revised as the proposed complex of Industrial Development Corporation of Orissa did not come up subsequently. The present level of off-take by the Talcher Thermal Power Station is only 0.24 million tonnes against the target production of 1 million tonnes per annum. The level of production had to be restricted to the level of off-take of Talcher Power Station.
		The Committee, therefore, recommend that besides making a realistic assessment of the demand it is also necessary to ensure that the development work is undertaken on the basis of firm agreements regarding the off-take of coal from a particular project and the development work should not in any case proceed on the basis of mere assumptions.
		The Committee reiterate that Government/ Corporation should find markets for the closed/ suspended projects so as to ensure full utilisation of the mines where huge capital expenditure has already been incurred. The development of new collieries should be taken up only after fully utilising the existing capacity and on the basis of realistic assessment of demand for coal and the economics of the project.
8	3.28 to 3.30	The Committee find that originally the Ramgarh Project was taken up with a view to meet the growing requirements of Bokaro Steel Plant. But owing to the delay in the setting up of the Bokaro Steel Plant, the Project was linked with a Coke Oven Project proposed to be taken up by the Government and the requirement of Bokaro Steel

1	2	3
		Plant was linked with Kargali and Dugda II washeries. The Coke Oven Project was later not considered to be economically viable and therefore further development work on the mines was deferred in 1968 by which time a sum of Rs. 98.44 lakhs had been spent on their development. The Committee fail to understand as to why the Project was initially linked with Bokaro Steel Plant when the requirements of the Steel Plant could be met from the Kargali and Dugda II washeries. The Committee are also surprised to note that the economic viability of the Coke Oven Project was not assessed initially when the Ramgarh I and II mines were proposed to be linked with this Project. The Project had to be deferred when it was noticed that Cake Oven Project would not be economically viable. The Committee are informed that the Project is again being reviewed and is being specifically linked to the Bokaro Steel Plant. The Committee hope the Government/Corporation would at least now realistically assess the future requirements of Bokaro Steel Plant in order to synchronise the development of the Ramgarh Project with the projected demand and to re-examine the economic viability of the coke oven plant now when the Coal/Coke from Rarmgarh Colliery is propsed to be consumed by the Bokaro Steel Plant.
9	3.41 to 3.43	The Committee find that development of the Pundi Project was taken up without initially checking up the coking characteristics of coal to be used in the steel mills and foundry forge plants. The Project had to be abandoned when the studies made by the Central Fuel Research Institute, Dhanbad indicated that the coking characteristics of coal were poor and its suitability for metallurgical purpose was doubtful. An expenditure of Rs. 33.16 lakhs had already

1	2	3
		been incurred when the work on the Project was suspended. Further capital expenditure of Rs. 24.15 lakhs was incurred upto 31st March, 1974. The representative of the CMA admitted during evidence that the characteristics of coal should be studied before undertaking the development of a project. The Committee feel that an expenditure of Rs. 57.31 lakhs incurred on development of the project besides Rs. 7.28 lakhs incurred on care and maintenance could have been avoided with a little foresight. The Secretary of the Ministry has stated that this is not the only case where the geological reports have proved to be wrong. If that be the case it is all the more necessary to devise concrete measures and bring about improvement in technology so as to ensure that such miscalculations are reduced to the minimum as they result in infructuous expenditure to the tune of crores of rupees. The Committee would like Government|Corporation to seriously go into this aspect and take concrete remedial measure in the light of past experience and the advances made in geological and metallurgical sciences both within and outside the country so as to ensure that large investment on development of mines are not made without making sure of the quality, nature and extent of reserves and their suitability to meet the known requirements. The Committee are informed that base on the increased demand for medium coking coal, it is now proposed to take up the underground portion of the Project. The Committee stress that the feasibility and the economics of the project including the possibility of developing open cast mine on which expenditure has already been incurred should be fully gone into and the possibility of using the coal from this

<table>
<tr><th>1</th><th>2</th><th>3</th></tr>
<tr><td></td><td></td><td>project after benefication to meet the increasing demand of Coking|Medium Coking Coal may be critically examined in order to ensure that the proposed project is an economically viable unit.</td></tr>
<tr><td>10</td><td>3.51 and 3.52</td><td>The Committee find that the Project Report for the development of the Asnapani Project for the production of coking coal was approved by the Government subject to the tying up of foreign exchange requirements with UK Credit. In December, 1965, Government, however, informed the company that it was not possible to tie up this project with U.K. credit. Subsequently, however, the Department of Economic Affairs considered release of foreign exchange from free foreign exchange resources or from rupee payment areas. The project was, however, deferred due to slump in the coal market during 1966. At the same time it was felt that the coal requirements of Kathara washery, which were to be partly met by this project could be met from Kathara mines themselves. The Committte fail to understand the basis on which it was earlier concluded that supply of coal from Kathara II mine was nearly exhausted and Asnapani Project would be needed to supplement the supply of coal to Kathara washery. Asnapani Project had to be deferred to shortfall in the demand for coal. It has been admitted by the Secretary of the Ministry that, "the assessment of demand was not realistic."

The Committee find that there is no concrete proposal at present to develop the project. Capital expenditure amounting to Rs. 46 lakhs incurred on the Project including the expenditure incurred on care and maintenance upto 31st March, 1974 has, therefore, proved to be infructuous. The Committee are further surprised to note that 8 bungalows were constructed at a</td></tr>
</table>

1	2	3
		cost of Rs. 4 lakhs for British mining experts even before the source for foreign exchange for the Asnapani Project could be settled. It is evident that the construction of bungalows should not have been started with such an undue haste without taking firm decision about the development of the Project. The Committee would like Government to investigate as to what extent this expenditure could have been avoided with proper planning and foresight. The Committee would like responsibility to be fixed and deterent action taken against officers found responsible for the lapse and remedial measures taken to see that such costly lapses do not recur.
11	3.59 and 3.60	The Committee take a serious note of the fact that particulars of plant and machinery transferred from the closed|suspended projects the units to which transferred and the value of each plant and machinery so transferred were not available with the Corporation. In respect of closed|suspended mines which are now proposed to be reopened, the plant and machinery previously transferred to other collieries have either been brought back or purchased afresh. But the information regarding value of the plant and machinery previously transferred and now brought back to these projects, the amount of freight incurred on the transportation to and fro of such plant and machinery is also not available. The Committee fail to understand as to how proper control was exercised on the transfer of plant and machinery from one unit and its receipt and accountal at the other unit in the absence of this vital information. The Chairman, CMA admitted it as a failure that the appropriate documentation of transfer of plant and machinery was not made at the material point of time. The Secretary of

1	2	3
		the Ministry admitted that without proper records the equipment and machinery could not be accounted for.
		The Committee recommend that this serious lapse on the part of the Management should be thoroughly investigated by Government in order to fix responsibility. Reconciliation of accounts now done should also be verified in order to ensure that reconciliation is complete and accurate in all respects. They hope that suitable procedure would now be laid down in this regard and no such lapse would occur in the future. They would like that general guidelines in this regard should be issued by BPE to all the public undertakings in order to obviate recurrence of such cases.
12	3.73	The Committee regret to note the inordinate delay in the development of the Sudamdih Project. The Project which was to achieve full production in 1971-72 as per original Project Report is now expected to achieve the same in 1978-79. Disturbed geological conditions, lack of organisation experience in the construction of such a mine, delay in supply of equipment by MAMC and shortage of iron and steel have been cited as the main reasons for delay in the development of the Project.
		The Committee are informed that the difficult geological conditions arising out of the occurrence of the low angle faults at Sudamdih could not be foreseen at the time of the preparation of the geological report either by the Polish experts or by NCDC as the occurrence of such faults was unknown to the Indian Coal fields then.
		The Committee would like to invite attention to their recommendation in para 3.42 of this Report and stress that Government/Corporation

1	2	3
		should seriously go into this aspect in depth so as to take suitable remedial measures in order to overcome the difficulties posed by such disturbed geological conditions and to avoid possibilities of such wide variations in geological structure.
		The Committee are surprised to find that there were items of essential plant and machinery which should have been supplied to NCDC by the Mining and Allied Machinery Corporation as early as 1967 and 1968 but have not been supplied by them till date. The Corporation suffered a loss of Rs. 104.48 lakhs on account of delay in the supply of equipments in so far as Sudamdih Project is concerned. In their 65th Report (Fourth Lok Sabha April, 1970) on Mining and Allied Machinery Corporation the Committee had expressed their unhappiness about the delay in execution of orders by MAMC and observed that production performance of some undertakings (e.g., NCDC, Bokaro, PPCL) was held up due to delay in adhering to the delivery schedule by MAMC.
		The Committee regret to note that in spite of the recommendation of the Committee delays on the part of MAMC continue to upset the development and production programme of NCDC. The Committee recommend that the Ministry of Heavy Industry should thoroughly investigate all cases of delays on the part of MAMC in supplying essential items of plant and equipment to NCDC in order to fix responsibility for the lapses and take suitable remedial measures to avoid such costly delays in future. They also recommend that the question of compensation claimed by NCDC on account of such delays should be settled expeditiously.

1	2	3
		The Committee also recommend that Government should render all possible assistance to NCDC in the matter of procurement of materials like iron and steel so that the progress in regard to development of projects is not hampered due to non-availability of such materials.
		The Committee hope that the development of the Project would now proceed according to schedule and full production will commence in 1978-79 as per latest revised project report.
13	3.85 and 3.86	The Committee note that as against the original estimate of Rs. 17.57 crores the Sudamdih Project is now expected to cost Rs. 37.93 crores out of which an expenditure of Rs. 33.83 crores has already been incurred upto the end of 1973-74. Out of the excess of Rs. 20 crores about Rs. 9 crores is on account of increase in interest, headquarters charges and salaries and wages, higher interest due to rise in capital cost and interest rate. This expenditure is due to delay in the completion of the Project. The Committee would like Government Corporation to find out as to what extent this extra expenditure could have been avoided by taking timely action for the procurement of iron and steel material, timely supply of equipment by MAMC, setting up of proper organisation with the help of Polish Collaboration etc.
		The Committee also note that according to the revised Project Report the Project was expected to be a losing proposition. The Committee are now informed that according to the new system of pricing and in view of higher output per manshift obtaining in this mine the project might break-even although the Secretary of the Ministry has admitted during evidence that even if the loss is there it would not be much because of the prices.

1	2	3
		The Committee are not happy that the Management have not been able to correctly assess the profitability of the project but are mostly dependent on the high prices. The Committee therefore recommend that Government/Corporation should re-examine critically the profitability of the project, analyse the reasons for the loss and take suitable remedial action to reduce gestation period, improve production and effect economies in overheads so that the project may be in a position to break-even soon.
14	3.94 to 3.96	The Committee note that the Management decided as far back as April, 1965 to have a temporary coal handling plant for loading of coal from shaft mine in the Sudamdih Project. The work order was, however, issued in June, 1970, i.e., after 5 years. Against the stipulated date of September, 1970 the plant was completed in June, 1972. The Railways, however, did not commence the supply of wagons till March, 1973 on account of non-installation of signalling and tele-communication system. The construction of the permanent coal handling plant was taken up in February, 1971, at an estimated cost of Rs. 30 lakhs. Against the stipulated date of February, 1972, the plan is expected to be completed in July, 1975.
		Due to delay in completion of the temporary coal handling plant and its non-operation even after completion for want of corresponding railway siding facilities the expenditure incurred on the construction of the temporary coal handling plant is not likely to be gainfully utilised after the completion of the permanent coal handling plant. Moreover a sum of Rs. 4.48 lakhs has been incurred on the transportation of coal

1	2	3
		to the loading point with the help of departmental dumpers and loading it manually. The Committee feel that NCDC should have also placed firm orders in time on Railways to provide the requisite siding facilities.
		The Committee would like the Ministry of Railways to investigate the reasons for delay in installation of signalling equipment despite the best efforts of NCDC in order to fix responsibility for the lapses.
15	3.99	The Committee note that the Corporation imported 2 sets of air conditioning equipment at a cost of Rs. 4.74 lakhs from Poland in connection with the shaft sinking programme. The equipment was, however, received when the shaft sinking had already been completed. The Committee are informed that the equipment is now being utilised in the company's new Sales/Purchase Office at Calcutta even though there is no provision for the equipment in their office at Calcutta. The Committee are doubtful whether the air conditioning equipments were at all essential or it was merely ordered on the advice of Polish Experts without going into the merit whether or not its import was absolutely essential. They are surprised that the management have not been able to locate the relevant files in this regard. The Committee would like that this matter be investigated and the Committee informed of the results. The Committee would also like to be informed if the late receipt of air conditioning equipment was due to late placement of orders or due to delay in supply by the foreign suppliers.
16	3.102 and 3.103	The Committee regret to note the delay of about 4 years in the development of the Monidih Project. According to the Project Report approved by Government in 1965, Monidih Project

1	2	3
		was expected to start production in 1969-70 and reach full production in 1973-74. The Project, is, however, now scheduled to attain full production in 1979-80. The period of attaining the rated capacity has thus been extended by 6 years. The Committee also find that if the Project had commenced production as per original schedule, the management would have avoided capitalisation of revenue expenditure to the extent of Rs. 7.16 crores which was incurred during 1969-70 to 1973-74.
		Delay in the development of the work has been attributed to adverse hydrological conditions met at the commencement of shaft sinking, delay in reconstruction of shaft tower and slowing down of development work to suit the projected demand of coal. The Committee recommend that the various reasons for delay may be gone into by an expert Committee in order to find out the extent to which each of the factors contributed to the delay and the extent to which the delay could have been avoided with proper planning and foresight.
17	3.113 to 3.118	The Committee find that the development work in the Surakacher Project which was started in 1963 was completed only in 1969-70. During this period the Project reports and estimates were revised several times. Owing to shortage of funds and possible lack of demand, the desirability of suspending the development work or slowing it down was considered by the Corporation in 1966-67 and it was ultimately decided by September, 1967 that the Project should be developed for a production of 6.4 lakh tonnes per annum (which was also considered break-even point) instead of 11 lakh tonnes originally envisaged. A revised estimate of Rs. 13.44 crores was, however, prepared in July, 1972 for a production level of 11 lakh tonnes per annum

1	2	3
		according to which the break-even point was expected to be achieved in 1977-78 at 96 per cent of full capacity. The Committee, however, find that conflicting statements have been made with regard to the quality of coal found from Surakacher Project. It was earlier stated that the grade of coal actually produced has been found to be inferior to that indicated in the Project Report. However, it has now been stated that this project belongs to the grade I category and as the new price structure is based on useful heat value of various grades, the break-even point would be reached on attaining a production of 70,75,000 tonnes per month i.e. at about 80 per cent of the Production capacity. The break-even point would be further reduced if coal price goes upto higher levels. The present production of the colliery is about 60,000 tonnes per month. The Committee would like Government|Corporation to reconcile the conflicting statements about the quality of coal so that the estimates of cost and break-even point might be realised. The Committee also find that though originally the Project was envisaged for meeting the requirements of Bhilai and Rourkela Steel Plant and movement to Western India, the Management has been attributing the slow pace of production to the delay in setting up the coal based fertilizer Plant at Korba. The Committee are surprised at the statement of Management that the decision to have a fertilizer plant at Korba was taken only after the Project was taken up. The Secretary of the Ministry had admitted during evidence that a conscious decision was taken to slow down this Project. The Fertilizer Plant at Korba was later abandoned. Although the development of the Project was practically

1	2	3
		complete in 1969-70, the production had to be restricted to 20,000 tonnes per month due to lack of market. It has been stated that no demand study was undertaken by NCDC before undertaking the Project. A decision was taken on the basis of the assessment made by Government.
		The Committee take a very serious note of the fact that the question of marketability of coal from Surakacher Project had not been thoroughly examined by NCDC before going in for the project. The Committee have already stressed more than once the desirability of taking up the Projects on the basis of realistic and scientific assessment of demand. The Committee would like to reiterate that Projects on which huge investment has to be made should be taken only on the basis of firm demand.
		The Committee are informed that care is now being taken to accurately assess the demand for coal before taking up any project. In case of linked projects the matter regarding expected demand is taken up with the respective consumers and in case of projects not linked to any specific plant, a demand survey is made by the marketing division. The Committee hope that this procedure would be rigidly followed so as to ensure a firm demand for the supplies.
		The Committee also recommend that concerted steps should now be taken to accelerate the pace of development of the mines and thereby increase the output so as to attain the break-even level as early as possible.
18	3.125 to 3.134	The Committee find that although the development of Surakacher Colliery was completed in 1969-70 the sand gathering plant would be completed only by 1976-77. The Committee are surprised to note that the Project Report approv-

1	2	3
		ed in 1963 did not indicate the schedule of completion for sand gathering arrangements. The delay has been attributed to delay in the supply of machinery and equipment by MAMC. The Committee have already adversely commented about the delays on the part of MAMC in supplying the requisite Plant and Machinery to NCDC with the result that many of the Projects of NCDC got delayed. As a result of delay in the completion of sand gathering arrangements sand was being collected partly manually through contractors and partly with the help of equipments purchased from Garden Reach Workshops Ltd.
		The Committee would like that the Management should assess the total loss incurred by NCDC as a result of delay in the completion of sand gathering arrangements and the extra expenditure on account of the collection of sand manually.
		The Committee also note that some of the equipments supplied by Mining and Allied Machinery Corporation Ltd. at a cost of Rs. 6.83 lakhs and installed in January/March, 1970 completely failed during trial runs and the cost of modifications borne by NCDC is still to be recovered from MAMC. The Committee would like to be informed about the recovery of the amount.
		The Committee also find that as part of the joint arrangements of sand gathering for Banki and Surakacher Collieries, the Company purchased 100 sand wagons in 1966 at a cost of Rs. 19.98 lakhs out of which 40 wagons valued at Rs. 7.99 lakhs became surplus with the abandonment of sand gathering arrangements at Banki Colliery. It was stated in March, 1974 that these would be utilised at Silewara Colliery.

1	2	3
		The Committee fail to understand as to why the surplus wagons could not have been utilised in Silawara Project earlier when it was started even as early as 1967. The Committee are informed that these are now being utilised at Surakacher Colliery itself.
		The Committee recommend that the reasons for the purchase of the wagons in excess and non-utilisation of surplus wagons resulting in unnecessary lock-up of capital should be investigated in order to fix responsibility for the lapses, if any.
19	3.134	The Committee regret to note that although a study made by the Headquarters, Planning Department in April, 1970 revealed that Surakacher colliery had on excess staff strength of 500 workers on the basis of current level of work nothing was done to reduce the strength to the desired level. The extra expenditure due to excess employment of workers worked out to about Rs. 20 lakhs per year. The Committee are informed that the excessive man-power was primarily due to recruitment of manpower with initial development works and the difficulty of dispensing with their services subsequently when production had to be restricted for lack of market. The Committee see no reason why recruitment of staff should not be restricted to the requirement at each stage of development. The Committee have been repeatedly pointing out that recruitment of excessive staff is one of the maladies of production and has to be avoided. The Committee recommend that this serious lapse should be thoroughly investigated in order to fix responsibility for the huge loss suffered as a result of employment of excess staff.
20	3.139 to 3.142	The Committee regret to note that though the Silewara Project was taken up in March, 1964, the Project report was approved by Board after

1	2	3
		over a year and by Government after 6 years. The Committee do not see any reason for such delays and why the project should not have been taken up for development after approval of the Project estimate so that the estimate may really serve the purpose of instrument of financial control.
		The Committee find that as a result of delay in the completion of the Silewara Project, revenue expenditure to the extent of Rs. 2.72 crores was temporarily capitalised during 1967-68 to 1973-74. The total amount of capital invested upto 1973-74 was Rs. 4.97 crores as against the revised project estimates of Rs. 2.20 crores approved in April, 1970. Due to shortfall in production from this colliery, coal had to be supplied to the Maharashtra State Electricity Board as per agreement from the Umrer Colliery at an extra transportation charge of Rs. 4.29 lakhs.
		The Committee recommend that the reasons for delay in the development of the colliery and shortfall in production should be investigated in order to find out the extent to which this loss could have been avoided with proper planning and foresight.
		The Committee note that against the rated capacity of 4.5 lakh tonnes per annum the actual production attained so far was a maximum of 1.5 lakh tonnes only in 1973-74. It has been stated that a feasibility report for the expansion of the project to 8.5 lakhs tonnes per annum was approved by Government in August, 1973 to meet the increasing demand of the M.S.E.B. The Committee are not clear about the justification for the expansion of the project when the project has not so far attained its rated capacity. The Committee recommend that the Corporation should enter into a firm commitment with the

1	2	3
		MSEB so that off-take of coal from the project is ensured after expansion.
21	3.144 and 3.145	The Committee find that there have been delays ranging from 4 to 10 years in the development of some of the Projects taken up by NCDC during the Third Five Year Plan. The delays were mainly on account of the following two factors:— (i) lack of demand for coal due to slow pace of industrial growth and due to delay in the construction and commissioning of Projects to which coal was to be supplied by NCDC projects, suspension|closure of some of the projects was also due to this factor. (ii) disturbed geological conditions noticed after the approval of Project Reports. In the case of Jamuna, Surakacher, Umrer, Patherkhera and Jhingurda collieries development was delayed on account of lack of demand. Surakacher Project was developed to meet the requirements of a coal based fertilizer plant at Korba which had been delayed. Pathakhera Project was tied to Satpura Power House Station of Madhya Pradesh Electricity Board the commissioning of which was delayed. Jhingurda colliery was primarily intended for Renukot Power Station of Hindustan Aluminium Company and Obra Power station of Uttar Pradesh State Electricity Board both of which were commissioned late. Serious faults and disturbed geological conditions delayed the Progress of work in the Sudamdih Project. Proving of reserves and coal strata was not done with the same amount of prospecting and drilling as is generally done in a virgin area in the case of Chalkari Colliery.

1	2	3
		The Committee find that the reasons quoted above were not entirely beyond the control of NCDC. Suspension/closure of projects on which huge amounts had been incurred and the undue delay in case of others could have been avoided with proper planning and foresight and by taking adequate precautions. The Committee have already stressed the need for making a realistic assessment of demand before undertaking a project. They have also stressed the need for entering into firm agreements with bulk consumers such as State Electricity Boards, Steel Plants etc. The agreements should include a penalty clause to be enforced when the consumers fail to take off the requisite quantity of coal as per agreement. The Committee further recommend that Government/Corporation should safeguard the interest of the Corporation and ensure that the amount invested on the development of collieries does not remain blocked or prove to be infructuous merely because the to whom coal is proposed to be supplied fail to lift the coal for one reason or the other.
		The matter regarding disturbed geological conditions is being dealt with in the next section.
22	3.151 and 3.152	The Committee note that in the case of 13 collieries out of 34 taken up for development, there were wide variations in the quantity of coal (in 2 collieries), quality of coal (in 9 collieries) and geological structure (in 2 collieries) as indicated in the Project Reports and as actually found. The Departmental Enquiry Committee constituted by the Management in October, 1968 attributed the wide variations in the geological conditions to: (a) Project reports having been based on a limited data; (b) Analysis having been done on dry basis instead of on equilibrated

1	2	3
		basis; (c) absence of prior tests for strength characteristics due to lack of adequate knowledge and (d) existence of certain faults unknown to Indian coal fields. Due to these reasons the Management did not find any justification for fixing the responsibility for defects and deficiencies on any of the executing agencies.
		The Committee are informed that the Management had already taken suitable remedial measures to avoid such possibilities in respect of future projects.
		The Committee would like to invite attention to their recommendation in para 3.42 of this Report and stress that Government/Corporation should go into the various aspects of geological survey so as to take suitable measures to accurately assess the quality, quantity and structure of coal in a particular project to be undertaken by the Corporation so that the development of project is not hampered due to variations noticed later.
23	4.6 to 4.12	The Committee find that the year-wise targets of production during the Fourth Five Year Plan were fixed lower than the built-up capacity on account of lack of demand for coal and transport difficulties. They also note that the actual production fell short of targets mainly on account of these vary reasons. The shortfall in production during 1972-73 and 1973-74 was also due to frequent power interruptions. The production less during 1973-74 on account of lower availability of wagons and frequent power sheddings has been estimated at about a million tonnes. The Committee are informed that in order to bring about improvements in power availability, continuous coordination is being maintained with the power generating agencies such as DVC and State Electricity Boards. The requirements of

1	2	3
		power for the mines from each system are stated to have been assessed and on this basis the power generating authorities are being requested to augment their capacity. In the opinion, of the Committee, it is not enough to assess only the present requirement of power for mines. They would like the NCDC to assess the power requirements of the mines (year-wise) for the next 5 to 10 years and give sufficient advance notice to the power generating authorities to augment their capacity. The NCDC should not also rest content with merely requesting the power generating authorities in this regard, but pursue the matter with the respective authorities regularly and if necessary, take up the matter with them through the Coal Mines Authority and the Central Government to make sure that the required amount of power becomes available in time. The Committee feel that now when power and coal are under the same Ministry, it should not at all be difficult to bring about effective coordination between power generating authorities and the NCDC mines and the Ministry should play an active role to ensure that not only the existing coal mines are supplied power without interruption but the future development of mines is synchronised with the availability of power.
		The Committee are also informed that a close coordination is also being maintained with the Railways in order to coordinate the day-to-day availability and utilisation of wagons. The detailed proposals for modifications of sidings and rationalisation of loading points are stated to be at various stages of formulation and implementation and the question of opening of new branch lines is also stated to have been taken up with the Government.
		The Committee would like to draw attention to paragraphs 2.31 to 2.36 of this Report in which they have dealt with the question

1	2	3
		of transportation of coal in detail. The Committee have already noted that a high level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal and have already reiterated that as recommended by the Estimates Committee in their 68th Report (5th Lok Sabha), concerted action should be taken to see that an analysis is made in depth of the transport and distribution arrangements and concrete measures taken to ensure that the mining capacity and the rail transport facilities are developed hand in hand in order to meet rationally and satisfactorily the requirements of the users.
		They would also like the NCDC and Railways to finalise early the detailed proposals for the modifications of sidings, rationalisation of loading points and opening of branch lines and take concrete steps well in time to avoid any bottlenecks later on this account in the movement of coal from the mines to the consuming areas.
		The Committee hope that as a result of a number of steps now being taken by Government|Corporation, such as procurement of plant and equipment in order to bring about mechanisation, large delegation of powers to the Managing Directors of different divisions and Chairman of the CMA|NCDC for approval of the Projects, procurement of rails from Steel Plants, improving availability of wagons and of power etc., the Corporation would be able to achieve the year-wise targets fixed for the Fifth Five Year Plan.
		The Committee also hope that, as observed by the Estimates Committee in their 68th Report (5th Lok Sabha) since the coal mining,

2	3
	power generation, coal mining machinery manufacturing organisations and transport organisations as well as the major consumers like steel plants thermal power stations etc. are in the public sector it would be easier to forge effective coordination among all the concerned organisations so as to develop the requisite facilities to ensure the attainment of coal production targets for each year of the Fifth Five Year Plan.
	The Committee are glad to note that consequent upon the announcement of the Economic Programme by the Prime Minister after the proclamation of Emergency, the Ministry of Energy (Department of Coal) has evolved and put into operation a '12-Point Action Programme' for further increasing production and productivity in the coal industry. The action programme includes enforcement of discipline for ensuring full time work by all employees, imposition of ban on recruitment of workers, redeployment of surplus manpower, working of mines in 4 overlapping shifts, seven day working of mines with staggering holidays for workers, better utilisation of machinery and equipment, elimination of payment of fall back wages to the workers, weeding out of 'dead wood' among officers, staff and workers, enforcement of security measures for workers, measures to ensure law and order and control of illegal mining, welafer measures for workers and participation of workers at various levels.
	The Committee strongly stress that the Government/Corporation should spare no efforts to implement in letter and spirit the '12-Point Action Programme' in order to improve production, productivity and efficiency. They would like that the implementation of the programme should be regularly monitered, fully coordinated at various levels and results watched

1	2	3
		through periodical progress reports and reviewed. They would also like that senior officers at various levels should be assigned well-defined responsibilities and accountability for the successful implementation of the programme and Government/Corporation should render all possible assistance to them in overcoming the various constraints that they might encounter in translating the programme into action. The Committee would like to be informed of the progress made in this regard.
24	4.18	The Committee note that although the actual production fell short of the targets fixed by the Corporation from year to year, the pithead stocks in many collieries were more than the norm fixed by the Management (*i.e.* 21 days' production). Non-availability of adequate transport facilities was stated to be one of the major constraints in the speedy movement of coal. While on the one hand certain sectors of industry including Railways were reported to be suffering for want of adequate supply of coal, on the other hand there were large accumulation of stocks at pit heads causing financial loss to the Corporation. The Committee cannot but express their concern at this paradox of scarcity amidst plenty. The Committee do not think that restriction of production is the right steps to deal with such a situation if there is unfulfilled demand for coal from these mines. They would like the Corporation to pay special attention to these mines where accumulated stocks af coal have remained very much higher than the norms and find out a practical solution to the problem of movement of coal from there to the consuming centres in close coordination with the Ministry of Railways on a top priority basis. As the transportation position is now stated to have improved even according to the Management and all the coal mines have since been nationa-

1	2	3
		lised the Committee feel that it should be possible for the Corporation to coordinate the distribution of and movement of coal from all the collieries and to ensure that the pithead stocks are reduced and kept within the norms stipulated.
25	4.23 and 4.24	The Committee regret to note that ever since the Railways have started supplying rakes of 20 box wagons each, the production at Kurasia Colliery has been restricted since the bunker storage capacity there has been inadequate even to handle the production of 60,000 tonnes per month against the rated capicity of about 1 lakh tonnes. They feel that instead of restricting production, the Corporation should have augmented the bunker storage capacity as soon as this problem arose. They hope that at least now, the Corporation would take concrete steps to augment the storage capacity and ensure that the production is not allowed to suffer any longer on this account.
		The Committee were informed that till 1968-69 the transportation of rejects and fines was being done through contractor on payment of Rs. 3.16 per ton and subsequently this work was done departmentally at a cost of Rs. 4|- per ton approximately, the annual expenditure being about Rs. 2 lakhs. The Committee note that it was only in September, 1974 that a coal handling plant at a cost of Rs. 9.43 lakhs which was expected to result in an annual saving of Rs. 3.40 lakhs, has been installed. They would like the Corporation to inform the Committee as to whether the plant has actually resulted in an annual saving of Rs. 3.40 lakhs as expected and also ensure that the working of the plant is done economically so that it may not be an unnecessary burden on the cost of coal.

1	2	3
26	4.32 4.33	The Committee regret to note that although commercial producion in the Jhingurda Colliery started in October, 1968 the Coal handling plant was completed only in November, 1971 *i.e.* after a lapse of three years. Even then the plant did not function properly due to operational difficulties. Manual handling of coal involved an expenditure of Rs. 72.37 lakhs during September, 1969 to December. 1973. During 1974 also about 1 lakh tonnes of coal was manually handled and despatched by road from Jhingurda Project due to bottlenecks and constraints arising out of the transport capacity of the aerial ropeway. It has been admitted by Chairman, CMAL that designing of this plant was to some extent defective partly because the Corporation did not have the expertise in designing such a coal handling plant at that point of time and partly because the equipment supplied had not come up to the specifications as originally assumed. The Committee are informed that it has now been possible to minimise the operational difficulties faced earlier and the coal handling plant is now working to the designed capacity though road transport has on occasions become necessary not due to the inadequacy of the coal handling as such but on account of unsatisfactory functioning of the aerial ropeway of Messrs Renusagar Power Co. The Committee hope that no efforts will now be spared to keep the coal handling plant working to the designed capacity which has since been achieved.
27	4.41 4.42	The Committee are surprised to note that although the Management became aware of the difficult geological conditions of the Kumda incline in Bisrampur colliery during April, 1962 and June, 1963 when two major faults were encountered and although a special committee re-

1	2	3
		commended in April, 1964 that the equipment required for the coal handling plant should not be purchased, the Management having awarded the contract for civil work in October, 1963, decided in June 1964 to go ahead with the civil construction work of the plant which was completed in April, 1966 at a cost of Rs. 4.49 lakhs. Further work on structural portion of the plant was, however, stopped in September, 1968. The expenditure already incurred on the project has thus proved to be infructuous.
		The Committee recommend that the construction of the coal handling plant without carefully reviewing the production programme of the mine in the light of geological conditions already encountered should be investigated in order to fix responsibility for the infructuous expenditure of Rs. 4.49 lakhs incurred on the aforesaid civil works.
28	4.54 to 4.57	The Committee find that the Patherkhera Colliery was developed to meet the requirement of Satpura Power House of the Madhya Pradesh Electricity Board. As the Power Station was not operating according to its rated capacity, its demand was met in full upto April, 1969. With the operation of more generating sets from 1969-70, there was a gap between the requirement of coal to be supplied to the power station and the coal actually supplied with the result that short supply of coal since May, 1969 resulted in non-operation of the power station to its full capacity. The actual production in the colliery was far short of the requirement of the power station. It has been stated that in the absence of a firm decision on the requirements of coal from year to year at the initial stage and in the absence of an agreement, the development of the mine had to be suspended and when the

1	2	3

demand increased, the colliery was not in a position to meet the full requirements in view of the slowing down of the pace of development.

In their tenth Report (Fourth Lok Sabha—April, 1968) the Committee had expressed their unhappiness over the manner in which the matter regarding finalisation of agreements with Electricity Boards had been dealt with. Although the Ministry assured the Committee in 1968 that NCDC was being advised to conclude such agreements before commencing supplies of coal, the committee are surprised to note that no firm agreement has been entered into with Madhya Pradesh Electricity Board uptil now.

The Committee are informed that though no firm agreement on a stamped paper has been entered into with Madhya Pradesh State Electricity Board, an agreement was reached on essential terms of supply in July, 1971 and thereafter as and when any problems arose the same were discussed and the decisions recorded. The Committee do not understand the difficulty in entering into a formal agreement by the two parties concerned. They would like the Government to take up this matter at a high level with the Madhya Pradesh Government/Electricity Board with a view to persuade them to agree to enter into a formal agreement with the NCDC/CMA in regard to the quantity of coal to be supplied and other terms and conditions in this regard without which it would be difficult for the NCDC to take decision on long term investments for the development of the mine and initiate effective measures in that direction.

The Committee are concerned to note that large amount of public funds were invested on the setting up of the Satpura Power Station, the

1	2	3
		Power Station was unable to operate to its full capacity for certain periods, when there was so much demand of power all around, due to short supply of coal to the Power Station by NCDC mines. What has pained the Committee more is that this happened due to lack of coordination and understanding between two public sector units and caused loss of production of power which was so badly needed at that time. The Committee feel that since a large number of collieries are linked with specific steel plants, power houses, railways etc., all of which are in public sector and since differences are not unnatural when they deal with one another at commercial plane, there is a strong need for a broad based machinery which can take a rational and overall view of problems that may arise between the coal producing and coal consuming agencies. They recommend that the Government may consider setting up a standing machinery which should command the confidence of CMA/NCDC and the coal consuming units for sorting out the problems and difficulties faced by them in dealing with one another, as and when such difficulties might arise, so that production in essential fields like coal, steel, power etc. is not held up on this account. The working of the Standing Machinery should be reviewed in the light of experience periodically and necessary improvements in its constitution and procedure made to make it more effective to achieve the desired results.
29	4.69 to 4.72	The Committee find that the boilers of the Patratu Thermal Power Station of the Bihar State Electricity Board were designed by the Russian suppliers on the basis of the characteristics of low grade coal proposed to be supplied from Naditoli Seam of Gidi 'C' colliery. The linkage Committee on middlings appointed by Government, however, proposed the supply of middlings from Washeries to be set up at Ramgarh and

1	2	3
		Gidi. As the Ramgarh Washery did not come up and there was delay in the setting up of Gidi Washery, the Corporation revived its proposal to meet the requirements of the power station by opening Naditoli open cast mine. The development of the mine was, however, not taken up as the coal reserves were found to be inadequate. As an alternative the Thermal Power Station was forced to utilise the high grade coal which caused serious operational problems due to heavy slag formation in the furnace and necessitated modifications in the boilers. From the facts stated above it is obvious that the coal reserves of the Naditoli Open cast mine were not properly studied before proposing linkage of the project to Patratu Thermal Station. The proposal for the development of Naditoli open cast mine has again been revived. The Committee regret to observe that though the feasibility Report was approved by the Board of Directors in October, 1971 it was sanctioned by Government in August, 1973 i.e. after a delay of about two years. In order to meet the long term demand of Thermal Power Station the Corporation also approved the Project Report of the Urimari Patanga Block of Balrampur Colliery in July, 1972. Government approval to this project was also given in August, 1973. Both the projects are expected to start production in 1975-76.
		It has been contended that NCDC had been insisting on entering into long term agreement on the issue of supplies to Patratu Power Station so that effective steps might be taken by NCDC for the development of new mines for producing inferior quality coal. But the Bihar State Electricity Board did not come forward for entering into an agreement and preferred to make purchases of coal on year to year basis by calling of competitive tenders.

1	2	3
		The Committee observe that though the NCDC proposed to supply coal to patratu Thermal Station from Naditoli mine and the boilers of the Thermal Station were designed on the basis of that proposal, the coal reserves of the Naditoli open cast mine were subsequently found inadequate for meeting the requirements of Patratu Thermal Power Station. They cannot but conclude with regret that the original proposal to supply coal was made without making a thorough survey of the Naditoli mines and as a result of which the Power Station was forced to use high grade coal which cause serious operational complications and necessitated modifications in the boilers of the Power Station. The Committee would like the whole matter to be investigated and responsibility fixed and concrete action taken to obviate the recurrence of such situations. The Committee would like that all such matters like quantity of coal reserves and quality etc. should be thoroughly studied before any firm proposal to link any mine with any other project is made so that later on the Company does not find itself in an unhappy position of backing out from the commitment.
		The Committee regret to observe that the earlier reluctance on the part of Bihar State Electricity Board to enter into a long term commitment with the NCDC for the supply of requisite quantity of coal has resulted in delay in the development of Naditoli Colliery. The Committee feel that Government should have persuaded the Bihar State Electricity Board to finalise the agreement with NCDC so that the development of the colliery could have been taken up much earlier. They find that no formal long term agreement has so far been concluded with the Bihar State Electricity Board. Two essential points namely suitability of Naditoli seam coal and price

1	2	3
		thereof have since been accepted by the Bihar State Electricity Board. They hope that at least now the Company should go ahead with the execution of the projects linked with the Patratu Thermal Power Station and should not allow any further slippage in the execution of these projects beyond 1975-76 as scheduled.
		The Committee have already recommended that in order to avoid such situations which affect production in vital sectors like that of power, Government should set up a standing machinery for sorting out various problems which might arise between the Corporation and the consuming agencies like power stations, steel plants etc.
30	4.79 4.80	The Committee note that an application for the grant of subsidy was made by NCDC in September 1961 to the Coal Board expecting that the coal of Banki Colliery would be of Grade I, blendable quality eligible for stowing subsidy from the Coal Board. As the Coal Board was not satisfied with the blendability test, the Company requested the Central Fuel Research Institute, Dhanbad, to investigate the blendability of coal. The Committee are surprised to note that in May 1963 the Company initiated action for the construction of civil works required for sand gathering and stowing arrangements in the Banki Colliery without waiting for the report from the Institute.
		The Committee are further surprised to note that although the Central Fuel Research Institute indicated in August, 1965 that the coal from the Banki Colliery was not of blendable quality and thus not eligible for stowing subsidy, civil works were stopped only in February, 1967 by which time an expenditure of Rs. 10.55 lakhs had already been incurred. The commencement of civil work, without first ensuring

1	2	3
		the pre-requisites for stowing subsidy has thus resulted in an infructuous expenditure of Rs. 10.55 lakhs. The Committee are not satisfied with the argument advanced by the Chairman, CMA that the civil works were proceeded with thinking that the Corporation would be able to persuade the Coal Board to allow the subsidy. The Committee feel that there was no justification to initiate action involving heavy expenditure, merely on the assumption that the Coal Board would agree to allow the subsidy. The Committee recommend that the entire matter should be thoroughly investigated in order to fix responsibility for the loss suffered by the Corporation and whether the decision to go in forsand stowing and undertaking Civil Work for the purpose was based on any technical considerations or merely to become eligible for stowing subsidy. It should also be investigated whether the report of the Coal Blending and Coking Research Sub-Committee (TISCO) which initially certified that the coal would be of grade I blendable quality eligible for stowing subsidy from the Coal Board was based on accurage data. The lacunae noticed in the Report of the Sub-Committee should be pinpointed and lessons learnt to avoid such lapses in future.
31	4.87 4.88	The Committee find that the Corporation applied to the Bihar State Government for the lease of 676 acres of land for the collection of sand required for stowing in the Karan Pura coal fields but the applications were rejected by the District Mining Officer, Hazaribagh on the ground that the Corporation had paid royalty on the basis of sale value of coal instead of its despatch value. A supplementary demand on this account for an amount of 2.06 lakhs received from the District Mining Officer was not ac-

1	2	3
		cepted by the Company as according to the Company the District Mining Officer had always been accepting the royalty on the basis of sale value of coal. As a result thereof, the Corporation had to buy sand from a private party at a cost of Rs. 34 lakhs which was twice the amount which the Company would have spent if the State Government had agreed to grant the lease to the Company. The Committee are surprised to observe that while the Corporation did not agree to pay an additional amount of Rs. 2.06 lakhs to the Bihar Government for the grant of the lease applied for, it did not hesitate to pay an extra price of Rs. 17 lakhs to a private party for collecting the same quantity of sand. The Committee cannot but deprecate the lack of commercial prudence shown by the Corporation in this deal and recommend that the matter may be thoroughly investigated responsibility fixed and suitable action taken against the persons found responsible. They would like to be informed about the action taken by the Management in this regard within 3 months of presentation of the Report.
		The Committee are informed that the applications for lease subsequently made by the Corporation to the Bihar State Government were rejected twice on technical grounds. They are told that the action is now being taken to acquire those areas under the coal Bearing Areas (Acquisition and Development) Act by the Government of India. The Committee fail to understand as to why such an important issue had not been referred by the Corporation to the Ministry in the first instance when its applications had been rejected by the Bihar State Government and why the action as is now being taken to acquire those areas, was not thought of earlier. The Committee are unhappy at the manner in which the whole matter had been

1	2	3
		dealt with and would like the investigation recommended above to cover all these points so that such costly mistakes can be avoided in the future.
32	4.95 4.96	The Committee are surprised to note that although the single tender received from M/s. Singh Construction Company in December, 1968 at 55 per cent above the estimated value for the construction of 19 residential quarters and A. G. M. Office building at Jhingurda colliery was not accepted on the ground of higher quotation, after inviting fresh tenders thrice thereafter (July, 1969, October, 1969 and July, 1970) the same party was ultimately awarded the contract after about 2 years at 95 per cent above the estimated value as either there was no other party in the field or no other party submitted lower quotations or was considered suitable. If the work had been awarded to the same party against their offer of 55 per cent above the estimated value in December, 1968, there would have been a saving of Rs. 2.43 lakhs with reference to the work actually executed by the contractor. The Chairman, CMAL admitted during evidence that when the single tender was considered in December, 1968 the Management should have gone into greater depth and decided whether 55 per cent above the estimated value was reasonable or not. The Committee are constrained to observe that lack of an indepth examination of the tender originally received and lack of decision at the proper moment has resulted in an avoidable expenditure of Rs. 2.43 lakhs. The Committee expect that the Corporation should learn a lesson from this experience and take suitable measures to avoid such situations in future.

1	2	3
33	4.100 4.102	The Committee are surprised to note that systematic records indicating standard utilisation as assessed by the Management and the actual utilisation of some of the heavy earth moving equipments such coal haulers, dozers, graders and cranes etc. were not being maintained by the Management. Till July, 1972 records showing cause-wise analysis of idleness of the heavy earth moving equipments were also not being maintained. The cause-wise analysis made from August, 1972 did not cover all types of equipment. The Committee are informed that basic records for controlling efficiency of each individual equipment had been maintained but records indicating utilisation and cost analysis were not being maintained by the Management. The Committee need hardly stress the need for maintaining proper records of utilisation of equipments in order to accurately assess the actual utilisation of heavy machines as against their expected performance and the detailed reasons for the idleness of the machines so as to enable the management to take remedial measures at the appropriate time. The Committee recommend the entire matter regarding maintenance of proper records of utilisation of equipments should be reviewed and standard procedure for recording their day to day utilisation evolved to enable the Management not only to know the extent of their utilisation but also to take timely measures to achieve their optimum utilisation. The Committee also find that the actual utilisation in case of some of the machines was as low as 20 per cent of the standard utilisation. The Committee recommend that the reasons for abnormal low utilisation of these equipments

1	2	3
		should also be investigated in order to take suitable remedial measures.
34	4.109 4.111	The Committee find that out of the 41 dumpers imported from USSR in 1966 for use in Manikpur Colliery, only 3 dumpers are in use at present. Most of the dumpers have done only 4000 hours as against the normal span of 10,000 hrs. The total written down value of these machines amounts to approximately Rs. 4—4½ lakhs after allowing for the scrap value. The Committee are informed that poor performance of the dumpers was noticed only after the warranty period was over and hence no claim could be raised on the suppliers. Even the spare parts are not now available as the dumpers have gone out of manufacture in USSR. The Committee feel that the matter regarding the poor performance of dumpers should have been taken up with the suppliers immediately after the defects were noticed even if the warranty period was over so as to seek their assistance for repair|modification of dumpers.
		The Committee recommend that the Corporation should consider the feasibility of carrying out suitable modifications to the dumpers with the assistance of Bharat Earth Movers and Mining and Allied Machinery Corporation Ltd. so that they could be usefully deployed in other Public Undertakings.
		The Committee need hardly stress that the Corporation should keep themselves constantly in touch with technical advancement in the field of mining machinery in advanced countries. They would also stress that while placing orders for machinery from other countries, provision for the procurement of adequate stock of spare parts should be made in the agreement itself so

1	2	3
		as to obviate imported machinery remaining un-utilised for want of spare parts.
35	4.125 to 4.130	The Committee regret to note that the Corporation has not so far laid down any norms for the utilisation of machines purchased for underground mines. The Committee fail to understand as to how the Corporation is able to judge and evaluate the actual performance of these machines in the absence of such norms. The Committee hope that the Management would now lay down norms keeping in view different mining conditions prevailing in the mines in which these equipments are being used. The Committee find that 19 shuttle cars and 29 loaders valued at Rs. 72.70 lakhs were progressively received in workshops during the years 1970 to 1972 for repairs but could not be repaired due to non-avilability of imported spare parts from USA expected by October, 1971 and later withheld by them. It has also not been possible to manufacture all the needed spares indigenously. The Committee also find the 3 shuttle cars, 18 loaders valued at Rs. 25.65 lakhs were previously laying in store. It has now been stated that 3 shuttle cars have since been deployed. With the nationalisation of private sector mines the Corporation feels that it should be possible to deploy 8|9 loaders also in other mines. The Committee further note that 2 continous miners valued at Rs. 15 lakhs were imported from USA in April, 1964. On account of adverse working conditions causing frequent failure, inadequate availability of imported spares and unsuitability of indigenous spares, the machines could only be partially utilised during July, 1965 to September, 1968. This model may now be

1	2	3	4
		completely outdated in the country of its manufacture and difficulties in complete overhauling this equipment are, therefore, foreseen.	
		The Committee recommend that all aspects relating to the purchase|under-utilisation|idleness|non-repair of the equipment due to non-availability of imported|indigenous spares should be thoroughly investigated in order to see whether all the safeguards which ought to have been taken in regard to the procurement of spare-parts at the time of their imoprt were in fact taken and to determine what further safeguards may be taken in this regard to avoid such situations in the future.	
		The Committee also recommend that a committee of technical experts may be set up to examine each such machine carefully in order to identify those machines which can be used after repairs or replacement of defective parts, obtainable indigenously or from abroad, and thereafter repairs to those machines may be carried out under expert supervision and the machines used in the mines of NCDC/CMA or elsewhere. Now when the coal mines have been nationalised and many more mines have been placed in the public sector, the Committee would like the Corporation to examine whether these might be found suitable. The Committee would also draw attention to their earlier recommendation made in paragraph 4.106 of this Report and reiterate that the possibility of suitably modifying these machines with the assistance of Bharat Earth Movers or Mining and Allied Machinery Corporation and their utilisation in the collieries or in other public sector undertakings should be explored. As regards, machines which are found irrepairable because of want of spares, the Committee would like	

1	2	3
		that Government/NCDC should through the Bureau of Public Enterprises explore the possibility of their disposal to other public sector organisations. Before condemning any of such apparently irreparable machines, NCDC should examine whether it will not be worthwhile to dismantle some of the irreparable machines in order to utilise their parts in the repair jobs of other machines.
		The Committee find that in the past the Corporation had to import machinery and equipment from different countries with the result that they now have various types of machineries and equipment for similar jobs in different mines. They note that this has created problems in regard to the procurement of spare parts and maintenance particularly when the machines become obsolete even in the country of their manufacture. The Committee, therefore, strongly feel that Government/Corporation should seriously consider the question of standardising the mining machinery and equipment so that the types of machines and equipment in use in the mines are reduced to the minimum and the problem of finding spares for them is resolved. The Committee also recommend that concerted measures should be taken to manufacture such standardised machinery and equipment indigenously as far as possible so that the dependence on imports of such machinery is minimised, if not altogether eliminated. They also recommend that close liaison should be maintained with Mining and Allied Machinery Corporation and Research Institutions to effect improvement in designing and manufacture of machinery in the interest of higher production at less cost.

1	2	3
36	5.12 to 5.19	The Committee note that in some of the collieries under commercial production the number of men employed was more than the number indicated in the Project Reports or the assessment made by the Company's Planning Department although the actual production in these collieries was far less than that envisaged in the Project Reports. The Committee also note that a Committee of Senior Officers appointed by the Corporation in November, 1968 to review the manpower position in NCDC collieries examined only 11 out of 34 collieries which were being run by the Corporation at that time. They did not examine 11 old collieries on account of non-existence of Project Reports. Another 3 collieries were not examined as the Project Reports in respect of these collieries did not indicate the break-up of manpower for operation maintenance etc. 9 more collieries were excluded from the purview of its study as these were either in the initial stage of development or had recently gone into commercial production. Only in respect of two collieries the Committee of Senior Officers felt that the excess staff was due to deviations from the working conditions and the method of working provided for in the Project Reports and unsatisfactory level of productivity of workers etc. The Committee regret to observe that instead of making an assessment of the different types of jobs as required under the terms of reference, the Committee of Senior Officers merely recommended that scientific studies should be made to establish norms and bring about a saving in manpower. The Management also held the view that the task could be undertaken by a well-equipped Industrial Engineering Department. The Committee are surprised to observe that Committee of Senior Officers appointed by the Management to examine the question of manpower etc. came to the conclusion that "they

1	2	3
		were not able to do the job." They are constrained to observe that it is a sad reflection both on the Management which appointed the Committee and the "Senior Officers" who constituted the Committee. This only resulted in delay in the task of assessment of actual requirement of manpower as against the existing deployment and assessment of norms for different types of jobs in all the collieries in order to bring about saving in manpower.
		The Committee need hardly stress that the employment of staff in excess of requirement not only means payment of excessive wages and salaries but also results in low productivity, high cost of production and labour troubles. They therefore, recommend that adequate steps should be taken on a top priority basis to reduce the staff in Sayal 'D' and Bachra Collieries where it has been established that the existing strength is more than the actual requirement. The Committee also recommend that scientific studies should be carried out urgently in all other collieries through the agency of Industrial Engineering Deptt. or some other competent body in order to establish norms, assess the actual manpower required as against the manpower deployed and bring about saving in manpower.
		The Committee are deeply concerned to note that the alternative utilisation of surplus manpower was reported to be generally poor on account of "lack of inter-job mobility imposed on all industries, particularly the coal industry, by the psychological barriers created through the various awards or inappropriate interpretation thereof." As a result, while there was surplus manpower in certain categories, casual labour and/or temporary workmen were also being employed concurrently. The Committee recommend that the scientific studies into manpower

1	2	3
		deployment recommended hereinbefore should also cover the factors hampering alternative utilisation of surplus manpower and suitable schemes devised in the light of the studies to end this unhappy state of affairs in the collieries. The Committee also recommend that recruitment of labour should be such that the labour could be used as multi-functionaries to avoid excessive labour and to secure increased productivity.
		The Committee regret to note that though the Industrial Engineering Department was established as far back as 1962 it is not fully equipped even now. This Department recommended certain incentive schemes which were introduced in 1964-65 in a few collieries in Bihar. As the incentive scheme did not work satisfactorily it was not introduced in other collieries. The Committee recommend that the Industrial Engineering Department should be adequately strengthened with competent personnel so as to be in a position to carry out the job-analysis in a scientific manner. The incentive schemes already introduced should also be reviewed in order to find out the lacunae, if any, and modified so as to ensure that the schemes improve efficiency of workers and result in higher productivity.
		The Committee would like to draw the attention of the Management to the new dynamism awakening which have been infused in the national life after the proclamation of Emergency which has created an alround realisation of the need for harder work and greater production. They recommend that the management should take advantage of the new atmosphere and fix norms of production within 3 months provide inbuilt incentives for production in wages and introduce such other measures as would bring about increase in production and decrease in cost of production.

1	2	3
		The Committee also recommend that Government should ensure that in new ventures or expansion projects to be undertaken hereafter the manpower does not exceed the limits laid down in the DPR and in case it becomes absolutely necessary, prior approval of the Board of Directors should be taken in cases of excess of manpower over the limits laid down in the DPR upto a limit of 10 per cent and beyond that of the authority which approved the DPR. The Committee would like that the question of manpower should be a standing item for review by the Management at the Board meetings and also by the Government and the position regarding utilisation of manpower should be explained in the Annual Report of each Colliery and also reflected in the Annual Report of the Corporation.
37	5.28 and 5.29	The Committee regret to note that the Corporation has not so far evolved any scientific and accurate system of calculating OMS in the different mines. The output per man shift (OMS) is calculated by dividing the total production of coal in a mine by the total number of men employed (both directly for production and also those for other allied activities) irrespective of the fact whether a mine is mechanised or manually operated. The Management has not yet been able to evolve standard indices of labour productivity of individual mines keeping in view the actual working conditions and extent of mechanisation. Though the Management agreed during evidence that in the case of open cast mines which are predominantly mechanised the output per machine hour is a more relevant criterion for judging the productivity, the Corporation has not fixed the targets of production in terms of machine hours nor compared the data of actual production in terms of machine hours. The Committee recommend that the management should take steps to fix suitable productivity indices both for labour

1	2	3
		and machinery to judge the efficiency of performance. The Committee agree with the view expressed by the Secretary of the Ministry that one OMS target for the whole country was not correct. They recommend that standard OMS and standard cost should be calculated for each mine keeping in view the geological features, method of work, degree of mechanisation, number of persons employed etc. and a time bound programme should be prepared to complete this work expeditiously. These should be reviewed and updated once a year while setting annual programme of production and development or as and when changes take place in wage structure, methods of work including mechanisation or other factors having bearing on the working conditions in and outside the mines. The actual OMS and cost in a particular mine should be reviewed periodically with reference to the standards fixed and the critical analysis of the OMS and cost of each mine should be made with a view to improving techniques of work, deployment of manpower keeping in mind the cost benefit ratios. The Committee recommend that the Corporation should seriously consider the suggestions made by the Ministry in order to evolve an accurate and scientific system of calculating and comparing standard OMS with actual OMS and should not lose sight of the basic fact that the aim of the entire exercise should be not only to raise the additional OMS progressively but also to bring about reduction in the cost of production.
38	5.42 to 5.46	The Committee find that OMS in the NCDC mines has been varying from year to year. The targeted OMS was generally less than that indicated in the Project Reports and the actual OMS was generally lower than the targets except in

1	2	3
		certain cases. OMS in the underground mines was low compared to the national average more so if the level of mechanisation in NCDC mines was taken into consideration.
		The Committee have already stressed that the Management should evolve an accurate and scientific system of calculating the OMS in different mines so that the factors which affect the OMS in a particular mine are clearly pinpointed while comparing the actual OMS with the norms laid down.
		The Committee understand that OMS in India was perhaps the lowest in the world. Deficiencies in the skill of workmen, faults of organisation management and poor maintenance of equipment lack of modern tools have been cited as the main reasons for lower OMS in the NCDC mines. It has been admitted that the management was not as good as it should be. The Committee feel that NCDC cannot escape its primary responsibility for all these shortcomings. Restriction of production with reference to demand, inadequate wagon supplies for planned off-take, interrupted power supply and geological disturbances are also stated to have affected production and thereby OMS.
		The Committee are informed that both the Corporation and the Ministry have taken a number of steps in order to bring about improvement in OMS in the NCDC mines. Training of workers, improving the availability and utilisation of machines, full utilisation of manpower and making available necessary inputs are steps in the right direction. They are also informed that monthly meetings are held to analyse the OMS and the reasons for poor performance and remedial measures are taken in the light of such analysis. The Committee recommend that the Corporation should pursue these measures vigorously and earnestly and they have no doubt that with the

1	2	3
		progressive mechanisation of mines, improvement in wage structure and housing and health facilities and working conditions, it should not be difficult to improve OMS in the NCDC mines, and raise it to the level of some of the advanced countries. Adequate steps should continue to be taken to improve further the working conditions of labour and their cooperation and association in the task of raising production should be ensured by establishing healthy labour-management relations. The Committee need hardly stress the advisibility of associating labour with the Management at all levels. The Committee also recommend that the Ministry should help the Corporation in removing constraints like irregular and inadequate wagons supplies, interrupted power supply etc. in order to ensure that the productivity in the NCDC mines is not affected due to shortfall in production on account of factors which are beyond the control of management, The Committee need hardly stress that OMS is an index of accountability and a yardstick for increasing efficiency and the Manage ment will be failing in their duty if they do not review the degree of efficiency achieved in each mine and all the mines as a whole. They would therefore recommend that the question of OMS should be a standing item on the agenda of the Board meetings so that the Board not only gets an opportunity to review this matter periodically but also takes measures to bring about improvement in productivity.
39	6.17 to 6.25	The Committee regret to note that the Management have not fixed the standard cost of production for each mine on the plea that the concept of Standard Costing has no relevance in mining industry even though they have themselves opined during evidence before the Committee on Public Undertakings (Para 10.21 of 67th Report 4th Lok Sabha)

1	2	3
		that the only way to determine the reasonableness of the cost of production was by ascertaining the standard cost under each component of cost.
		Although the Ministry informed the Committee in November, 1968 that estimates of cost were being evolved for each unit after taking into account the method of mining, present level of wages, current and anticipated level of output and prices etc. it was only with effect from 1973-74 that the Corporation had started preparing flexible cost for different levels of production in each colliery. It was only in April, 1975 that the Ministry issued directions to all the coal companies in public sector emphasising the importance of evolving standard costs for individual mines and the need for evaluating the performance of each mine with respect to such standard cost.
		The Committee take a very serious view of the contradictory statements made by the Corporation from time to time and of its failure to fulfil the assurance given to the Committee and regret to observe that the Ministry had taken too long to correct the 'erroneous' impression of the Corporation in this regard. They recommend that the Corporation should lose no further time to work out the standard cost of production for each mine after taking into account the geological conditions prevailing at the particular time, the extent of mechanisation, the man-power employed and the efficiency obtainable from the mine. The standard cost so worked out should be reviewed periodically so as to make it realistic.
		The Committee note that the actual cost of production had been varying from year to year in NCDC mines except in a few cases. The cost

1	2	3
		of production had a relationship with the volume of production *i.e.* with increase in production the cost also came down. However, in the case of certain collieries, the fixed cost of production per tonne did not increase/decrease with the corresponding decrease/increase in production as normally expected. The Committee regret to note that the Management had not been analysing itemwise variations in expenditure though details of fixed and variable costs were being worked out year-after-year.
		The Committee also note that after a detailed study, the Cost Accounts Department of the Corporation suggested the possibility of reduction in the cost of production in various units and, after discussion with Area General Managers, certain levels of reduction in the cost were agreed to in 1971. They find that in the case of some of the collieries, there was a big difference between the reduction proposed by the Cost Accounts Department and the reduction accepted by the Area General Managers. The Committee further note that in some of the cases even the extent of reduction accepted by the Area General Managers had not been achieved. The Committee are also informed that effective cost control and cost reduction received a set back because officials of different disciplines had to be deputed for the take-over of the coking and non-coking mines. It has been stated that increase in the cost of plant and machinery, stores, power and restrictions in the production with reference to off-take also affected cost of production.
		The Committee recommend that detailed and accurate analysis of cost of production in different mines should be carried out with reference to the standard cost in order to identify the areas where improvement is urgently called

1	2	3
		for and concerted measures taken expeditiously to reduce the cost of production to the desired level. They hope that with the formation of Coal Mines Authority the machinery of the Corporation would be fully geared up and no efforts spared to achieve the desired reduction in the cost of production.
		The Committee strongly feel that the management have a special responsibility to keep a close watch on the cost of production. They recommend that the question of cost of production should be a standing item on the agenda of the Board meetings to enable the Board to review the position critically, identify the areas where economies can be effected and watch the results of the remedial measures taken in this regards. They also recommend that a review of the cost of production should be prominently reflected in the annual report of each mine and NCDC/CMA should also prepare an annual appraisal of the cost of production in their mines as a whole and deal with this important matter in a separate Chapter of its annual report.
		The Committee need hardly stress that the Costs Accounts Department should be an integral part of the Management of each colliery and the Management should work in close cooperation with the Cost Accounts Deptt. without which it may be difficult for the management to exercise effective control over costs and effect economics.
		The Committee also note that upto 1967-68 there was no system of reconiliation between cost accounts and financial accounts. From 1968-69 onwards the reconciliation was done on an annual basis even though periodical financial accounts were prepared from 1969-70 it has been stated that the preparation of periodical

1	2	3
		financial accounts and their reconciliation with the cost accounts have become practically difficult, due to large efflux of costing and accounts personnel from NCDC consequent on the taking over of coal mines in 1971 & 1973. The Committee are informed that efforts are being made to recruit qualified Cost and Chartered Accountants. As no system of costing can be considered sound unless there is a reconciliation of cost accounts with financial accounts, they hope that the Management will soon complete all necessary measures to fill the void in the organisation and ensure that there is a regular system of reconciliation of cost figures with financial accounts.
40	7.23 to 7.26	The Committee note that a bicable ropeway installed for the transportation of coal from Bokaro Colliery to the Kargil washery had to be discarded in July, 1963 because of its unsatisfactory performance and it was decided to change over gradually to complete wagon transportation. Orders for the procurement of wagons to replace unfit wagons and to augment the fleet were placed in 1964, 1965, 1966, 1967. 1968, 1969 and 1974. Since 1963 the raw coal is being transported partly by trucks through contractors and partly by Company's own railway wagons. With a view to maixmise movement of coal by rail and ensure progressive elimination of road transportation from Bokaro, Kargali & Chalkari Collieries, a comprehensive scheme was formulated only in May, 1968. Although the scheme had been completed its advantage could not be taken till now because of the non-availability of wagons for the movement of coal. The Committee are informed that if the scheme had been put into operation in time the Corporation could have moved additional quantities of coal by rail which was much cheaper than

1	2	3

road transport and saved about Rs. 5.87 lakhs during 1971-72 & 1972-73.

An amount of about Rs. 255 lakhs has been spent on the transportation of coal by road from Bokaro Colliery to the Kargali Washery during 1963-64 to 1974-75 (upto January, 1975).

The Committee regret to note that ever since the discontinuance of the ropeway in 1963, no systematic study has been made to assess the wagon requirements of the colliery for the movement of coal and no long term plan has been formulated to replace the unsuitable wagons and augment the fleet of wagons for the purpose. The orders for more wagons were placed piece-meal from time to time. The Committee are not sure whether the difficulties encountered by the Corporation in the procurement of wagons were ever brought to the notice of the Government. They are unhappy to find that because of its inability to augment the fleet of wagons to meet the total requirements of the colliery, the Corporation used costlier road transport of private contractors all through this period and incurred extra expenditure which could have been avoided if a comprehensive plan for the procurement of wagons had been chalked out in 1963 itself and pursued vigorously. The Committee recommend that all aspects leading to the delay in change over from road transport to rail transport should be thoroughly investigated in order to pinpoint lapses fix responsibility and take suitable action.

The Committee are informed that the Management are now engaged in an indepth study of transport requirements in the Bokaro-Kargali area with a view to enhance rail transport and departmentalise the road transport as far as pos-

1	2	3
		sible. The Committee recommend that the study of all these aspects should be completed expeditiously and the Management should also expedite the departmentalisation of road transport in order to avoid dependence on private contractors and reduce the cost of production. They also recommend that Government should render all assistance to the Corporation in the matter of procurement of wagons so that the schemes formulated by the Management are not held in abeyance due to paucity of wagons.
41	7.29 to 7.30	The Committee find that consequent upon the abandonment of bicable ropeway, 5,830 metres of locked coil rope purchased in July, 1963 for Rs. 2.35 lakhs became surplus and at still awaiting disposal. In the opinion of the Committee the purchase of new ropes in July, 1963 should have been avoided when during the same month the Corporation had decided to discontinue the use of ropeway. The Committee would like the matter regarding the purchase of new ropes should be thoroughly investigated and responsibility for the avoidable expenditure afixed. They would like to be informed whether this matter was at all considered by the Board of Director at any stage before the purchase was actually undertaken. The Committee are informed that the BCCL has now agreed to purchase the rope at 50 per cent of the original purchase price subject to the condition that the length of the reels is found suitable for BCCL's ropeway system.
		The Committee feel that it should not have taken the Corporation so long to dispose of the surplus bicable ropeway when the same was required by another public body/undertaking. The Corporation should have sought the help of Government/BPE when there was disagreement between the Corporation and BCCL about the price of the ropeway. The Committee recommend that Government should issue guidelines to all the

1	2	3	4
		public undertakings about the steps to be taken by them in case of disagreement between two public sector bodies over the purchase and sale of surplus items. The Committee expect that the bicable ropeway would be sold to BCCL at an agreed price without avoidable delay. The Committee would like to be informed of the position.	
42	7.45 to 7.49	The Committee find that three Japanese filters of 5 tons per hour capacity each were installed as part of the Kargali Washery in 1958 to recover coal fines. An examination of the tender documents revealed that a loss of fines at the rate of 1.5 tons per hour, or 500 tonnes per month, was permitted in the design itself. Certain losses were, therefore, inherent in the design itself as the designers had not made any provision for full recovery. It has been stated that this under-provisioning for the recovery of fines was done by the designers in order to keep the cost low. Providing a lifting rake mechanism in the thickner would have cost more, which the Japanese avoided. It has also been stated that the initial offer of the Japanese to build up six slurry ponds as a means for recovery of fines was not accepted and the mechanical device for recovery was preferred. The Committee also note that the designs for mechanical recovery were based on an estimated quantity of 1.5 to 2 per cent fines in the raw coal feed but actually it was about 8 per cent. This deficiency and miscalculation was also responsible for under-provisioning of clarifying and filtering capacity. The Committee are informed that it was only in 1963 that a decision was taken to construct 4 nos. of slurry ponds to arrest outgoing fines. This cost the Corporation very little and immediately started arresting lakhs of rupees worth of clean coal every month which otherwise would have found its way to the river.	

1	2	3	4
		The Committee feel that loss of fines during the period 1958 to 1963 could have been avoided by proper vigilance and foresight. They are not sure whether due care was taken before accepting the design of the Plant offered by the Japanese collaborators. They are also not sure whether realistic and scientific assessment was made with regard to the percentage of fines in the coal before furnishing the data to the Japanese designers. They are also amazed as to why it did not occur to any one in the Management during 1958 to 1963 to arrest the flow of fines into the river. The Committee, would, therefore, like that all these aspects should be thoroughly investigated in order to pinpoint lapses if any.	
		The Committee also note that owing to the under-provisioning of the clarifying capacity of fillers a part of the slurry had to be recovered manually, from January, 1964 onwards. From January, 1965 to filter plants completely stopped working and the coal fines had to be wholly recovered by manual operation. The Corporation had to incur an expenditure of about Rs. 50 lakhs for recovering the fines by manual labour during 1967-68 to 1972-73. The Committee are surprised to note that the two Japanese filters were brought into operation only in 1972 and the third filter was brought into operation in 1973. To cope with the higher percentage of fines two large filters have been installed in the washery. As a result of these steps, the quantity of fine coal which is now going to slurry ponds and manually recovered is approximately 3,000 tonnes per month as against ten to twelve thousand tonnes earlier.	
		The Committee feel that the modification of the Japanese filters and installation of new filters had been unduly delayed. They would like that the total loss incurred by the Corporation as a	

1	2	3
		result of manual recovery of the slurry *vis-a-vis* mechanical recovery should be worked out and responsibility for delay in carrying out necessary modifications in the plant for mechanical recovery of fines should be fixed.
43	7.56 to 7.58	The Committee note that in May, 1965, the Area General Manager, Bokaro and Kargali region awarded the work of transportation of fine coal recovered from the slurry pond to a contractor at a rate of Rs. 2.25 per tonne for a period of 2 years. In January, 1967, the work of recovery of fine coal from discharged letout of the slurry pond, its transporation and unloading was awarded to another contractor at the rate of Rs. 3.41 per tonne for a period of 1 year. Both the contracts provided that "the contractor shall pay to the workers appointed by him for this purpose the wages, D.A. including variation, if any, and the other allowances at rates prescribed as per the Appellate Tribunal, Dasgupta Award and Wage Board interim decision. In the event of the rates fixed by the said Award being revised by the Government during the continuance of this contract, the contractor shall make payments to labour engaged by him at the revised rates from dates on which the said Award rates shall come into force and it shall not be binding on the Administration to reimburse any amount arising out of such payment to the contractor." The Committee find that the contracts were extended by the Area General Manager in piece-meal upto March, 1971 and while extending the contracts the Area General Manager agreed to increase the rates from Rs. 2.25 per tonne to Rs. 2.47 per tonne in the case of the first contract and from Rs 3.41 per tonne to Rs. 4.19 per tonne in the case of second contract with effect from January, 1968 on the ground

1	2	3
		that the contractors had to meet increased wages under the Wage Board Award of August, 1967 and as a result an extra payment of Rs. 1.92 lakhs was made to the contractors.
		The Committee regret to point out that though it was not binding on the part of the Administration to reimburse to the contractors any amount arising out of payments of wages to the labour at revised rates under the Wage Board Award, the Area General Manager went beyond the scope of the contract and increased the rates payable to the contractors to enable them to meet the increased wages under the Wage Board Award of August, 1967. The Committee were informed that the records could be shown to the Audit to prove that the Management had applied checks to ensure that the increased wages were actually paid to the workers by the contractors. The Committee are not sure how far Area General Manager was justified in increasing the rates payable to the contractors even beyond the scope of the contract and whether the benefit of increased rates was actually passd on by the contractors to the labour. They would like that the whole matter should be thoroughly investigated with a view to fixing responsibility and taking suitable action. The Committee would like that the outcome thereof should be reported to the Committee within six months.
	7.67 to 7.75	The Committee note that a test check of the records for the period from December, 1967 to December 1970 revealed that an estimated quantity of about 2.17 lakh tonnes of fine coal in slurry valued at about Rs. 1.23 crores flowed into the river Damodar and could not be recovered although there was provision to manually collect the slurry in the ponds constructed outside the washery. Similar loss of fine coal

1	2	3
		in slurry during 1958 to December, 1963 valued at about Rs. 2.04 crores was pointed out by Kamath Committee appointed by Government in July, 1967.
		The Committee are informed that on the basis of Kamath Committee Report the then Chairman of NCDC examined the matter regarding loss of coal fines with the assistance of the Chief of Coal Washing Division, Central Fuel Research Institute, who submitted his Report in July, 1971. After study of this Report, the Chairman, NCDC felt that the issues were rather more complicated then were envisaged by the Kamath Committee as desired that the Report of the Chief of Coal Washing Division might be placed before the Board of Directors after obtaining the views of the Technical Director and orders of the Chairman-cum-Managing Director. The Committee regret to note that this important matter was not placed before the Board of Directors.
		The Committee take a serious view of this omission and recommend that reasons for this serious lapse should be investigated, responsibility for the lapse fixed and action taken against the officers responsible therefor.
		The Committee are informed that the difference in the measurements between the output and input of coal was due to the cumulative effect of various factors such as lack of proper arrangements for weighment of coal and the presence of shales in the coal. The Management have also stated that the accountal was being done on the basis of volumetric measurements and the output of coal from the washery had been weighed in different types of scales. The Committee, however, find that there were no records either in the collieries or in the

1	2	3
		washery to indicate that there was any discrepancy between the quantity of raw coal despatched and the quantity of raw coal recorded to have been received at the washery. There is also nothing on record to show that the washery management ever brought this discrepancy to the notice of higher management. The Committee also note that though it was earlier stated that manual recovery of slurry from the slurry ponds had stopped from October, 1972 as a result of improvements/modifications made in the washery during July, 1972 to September, 1972, they find that manual recovery of slurry had again started from February/March, 1974 and there was a further shortage of 90,671 tonnes of coal fines during the period from April, 1973 to May, 1975. The Committee regret to note that there are no regular arrangements for accurate weighment and accountal of coal at different stages with the result that the discrepancies between input and output continue to exist. The Committee would, therefore, like that NCDC/Government should take immediate steps to set right the position by ensuring proper weighing arrangements and for reconciliation of records regularly. The Management should also take steps to investigate the reasons for discrepancies fix responsibility and take action against erring officials and other concerned and take suitable remedial action for obviating recurrence. The Committee strongly deprecate the continued lack of concern shown by the Management over the huge loss suffered by the Corporation since 1958 on account of their inability to check the outflow of fines. They recommend that the entire matter regarding loss of fines starting from 1958 should be thoroughly investigated by a high Powered Committee which

1	2	3
		should *inter alia*, have representatives of Audit, Fuel Research Institute, Finance etc., in order to determine precisely the extent of loss of coal fines, to pinpoint lapses and fix responsibility and recommend action against erring officials and others concerned for the huge losses suffered by the Corporation. The Committee would like this investigation to be completed within six months and they should be informed of the outcome of the investigation and action taken in the matter.
	. . ..	The Committee also note that in his Report the Chief of Coal Washery Division, CFRI, *inter alia*, observed that a sharp rise in the cost per tonne of raw coal on account of manual recovery of slurry from the slurry ponds since 1965 and especially after the expansion of slurry circuit in 1968 till 1969, only proved the utter negligence in operation and also implied indirect encouragement to perpetuate the manual recovery of slurry at the cost of NCDC. The Committee are greatly concerned to note that manual recovery of slurry has been revived. They recommend that the economics of manual recovery *vis-a-vis* mechanical recovery should be urgently examined by Government/Corporation having regard to the technical requirements so as to bring about improvements and effect economies. The Committee have already recommended in Para 7.49 of this Report that the Management should investigate the total loss incurred by Corporation as a result of manual recovery of coal fines *vis-a-vis* mechanical recovery and responsibility for delay in carrying out necessary modifications in the plant for mechanical recovery of fines should be fixed. The Committee expect that while investigating the matter, the report of the Chief of Coal Washery Division, CFRI, would be kept in view.

1	2	3
		The Committee also note that 47,046 tonnes of slurry recovered manually during February/March, 1974 to May, 1975 was transported to the washery through contractor at a cost of Rs. 2.14 lakhs. They would like to be informed about the reasons for awarding the work to a private contractor and whether the work could not be done departmentally. In this connection, the Committee would also like to reiterate their earlier recommendation (Paragraph 7.25) that the Management should expedite the departmentalisation of road transport in order to avoid dependence on private contractors and reduce cost of transportation.
		The Committee recommend that Government should review arrangements for weighment of coal recovery and transport of coal fines especially through private contractors in each of the Washeries to make sure that lapses and deficiencies as noticed in the present case are not allowed to persist there. The Committee would like to be informed about the results of such a review and the action taken by the Management in the light of the lacuna/deficiencies pointed out by the Government within three months of the presentation of the Report.
45	7.99 to 7.103	The Committee are surprised to note that although the Railway Board made it clear in July, 1960 that it would not agree to pay any extra price for the washed coal over and above the notified price of selected grade coal and although NCDC asked the Government on several occasions during August, 1961 to February, 1962 to confirm that it would not be required to bear the cost of washing and the losses arising therefrom and that there would be no problem in the disposal of middlings, the Company was asked by Government to proceed with the setting up of the Gidi Washery without giving

1	2	3
		any clear decision about the doubts expressed by NCDC. In their Report on National Coal Development Corporation submitted in February, 1968 the Kamath Committee concluded that it was entirely at the insistence of the Government that this washery was undertaken (at a cost of Rs. 9.22 crores) although NCDC had clearly expressed its apprehension that the project was not viable and would involve the Corporation into heavy losses. The Railways did not agree to bear the cost of washing even for the beneficiation of raw steam size coal as in their view the cost of washed coal was too high and they could better use Grade I coal instead of washed coal. NCDC was asked to explore the possibility of feeding the entire washed coal to the steel plants. Consequently, the construction of the washery was continued and completed in November, 1970 at a cost of Rs. 9.22 crores. The washery was, however, not put under operation as the steel plants were of the view that Gidi washed coal was not suitable for blending and no linkage was provided by the Committee on Rationalisation and Equitable Distribution of Coking Coal Accounting System (Dutt Committee) in its report dated 25th August, 1969. The Committee also find that an expenditure of about Rs. 261 lakhs incurred on maintenance, watch and ward etc., during 1970-71 to 1973-74 has been capitalised instead of being charged to the revenue account.
		The Estimates Committee in their Sixty-eighth Report on 'Availability and Distribution of Coal' have expressed their deep concern to note that Gidi washery which had been set up at a capital cost of Rs. 9.5 crores had remained idle for want of market. They have further observed that Gidi washery was a case of frittering away of public funds, without any consideration about the viability and remunerativeness of the project and the marketability of

1	2	3
		the production. The Estimates Committee have recommended that the whole matter should be thoroughly investigated with a view to fix responsibility on the persons concerned. The Committee on Public Undertakings strongly reiterate this recommendation and hope that the report of the enquiry would be made available to the Parliament at an early date.
	7.75	The Committee also endorse the views expressed by the Kamath Committee that in future no washery project should be sanctioned unless its economics and marketability of its products are fully worked out and a clear undertaking obtained that consumers would be willing to bear the cost of washing.
		The Committee further note that the Committee on Rationalisation of the Accounting System set up by the Corporation recommended that the entire capital expenditure incurred on the construction of the Washery may be met by Government. Although NCDC has also made representations in this regard, no decision has been taken by Government so far. The Committee recommend that Government should soon take an early decision in the matter.
		The Committee are informed that at present the Gidi washery is working to a limited capacity. About 15 per cent of the available capacity is being utilised and steps are being taken to explore the possibility of its fuller utilisation. The Committee hope that an integrated plan would be formulated as recommended by the Estimates Committee in Paragraph 6.38 of their 68th Report to make this washery run on economic lines, by ensuring a steady demand for its product.
46	7.107 7.108	The Committee find that in view of the uncertainty of demand for washed coal from the

1	2	3
		Gidi Washery, the Management had to defer the construction of a ropeway on which an amount of over Rs. 10 lakhs had already been spent on the purchase of equipment and ropeway buckets, besides an amount of Rs. 33,000 paid to the contractor as compensation for the termination of the contract. The Committee recommend that the Government/NCDC should examine whether the unfinished ropeway from Gidi 'C' Colliery to Gidi Washery on which an expenditure of Rs. 10 lakhs has already been incurred, can be put to fruitful use in the near future. They would also like to know whether there are any other ropeways from other Collieries to Gidi Washery and whether they are being used. The Committe would like the Government to come to an early decision regarding the future utility of all these ropeways.
47	7.123 to 7.128	The Committee find that the Sawang Washery which was scheduled to be completed by September, 1967 was actually commissioned in April, 1969. There was further delay of about one year in completing the trial runs because of lack of demand for coal. There was lack of demand for clean coal in 1970-71 also due to delay in the commissioning of Bokaro Steel Plant. The washery was, therefore, brought on revenue account only with effect from April, 1971. The Committee find that whereas the built-up capaicty of the Sawang washery was to produce 5 lakh tonnes of clean coal, the demand during the years, 1971-72, 1972-73 and 1973-74 was never more than 3 lakh tonnes. They, therefore, conclude that the built-up capacity remained under-utilised due to lack of demand. The extent of utilisation of built-up capacity during the years 1971-72, 1972-73 and 1973-74 was only 31.4 per cent, 36.4 per cent and 44.6 per

1	2	3
		cent respectively. The available capacity of the washery (on one shift basis) during these years was only half of the built-up capacity and even this capacity was not fully utilised although the demand for washed coal was more than the available capacity. The extent of utilisation of the available capaicty during the years 1971-72, 1972-73 and 1973-74 was 64 per cent 72 per cent and 88 per cent respectively. The washery could not meet even the low level of demand due to inadequate availability of power and inadequate supply of raw coal from the Sawang Colliery. As a result of under-utilisation of the capacity, the Corporation suffered a loss of over Rs. 75 lakhs during 1971-72 to 1973-74.
		The Committee are informed that the Sawang washery is at present working to 75 per cent of built-up capacity andit is possible to reach the break-even point at 85 per cent utilisation of capacity. They hope that the constraints of power shortage and inadequate supply of raw coal from Sawang Colliery which affected production in the washery in the past resulting in heavy losses will not be allowed to recur and all possible measures will be taken to ensure that the Sawang Washery not only meets the present demand of clean coal in full but is also geared to work to the rated capacity to meet the rising demand.
		The Committee further note that while on the one hand the bulk demand of clean coal from steel plants had not materialised, on the other hand the middlings were also not acceptable to Patratu Thermal Power Station because of low fusion temperature. They are informed that the Corporation has decided to increase the capacity of the washery from 0.75 million tonnes input to

1	2	3
		one million tonnes input per annum. The expansion plan also includes a scheme to beneficiate middlings by rewashing so as to make them of acceptable grade for Patratu Thermal Station.
	7.102	In the opinion of the Committee the expansion of the Sawang washery at a time when it is not able to operate at the capacity already set up, will be premature and disturb the economics of the washery and the question of expansion should be considered only after a firm demand for clean coal equivalent to the present capacity of the washery is established and the supply of adequate quantity of raw coal is ensured and the washery is able to work to the full or near full capacity. They further feel that the question of low ash fusion temperature of the middlings should be independently examined and a solution found out to make the quality of the middlings suitable for supply to Patratu Thermal Station or any other Power Station if there is a firm demand for the middlings from the Patratu or any Power Station or from other consumers.
		The Committee find that about 1.16 lakh tonnes of middlings are lying in stock at the Sawang washery as on 31st December, 1974. They would like to urge that urgent steps should be taken to find market for the middlings so that stacking might not lead to any fire accident.
48	7.137 to 7.139	The Committee note that the Construction of the Kathara Washery was started in May, 1964 and was completed in December, 1969 at a cost of Rs. 13.93 crores. As in the case of Sawang Washery, the Kathara Washery also faced lack of market for clean coal. The washery was brought on revenue account only from April, 1971. During the years 1971-72, 1972-73 and

1	2	3
		1973-74 the utilisation of the capacity of the washery was only 13.7 per cent, 38.7 per cent, and 43.5 per cent respectively as against the break-even stage of 80 per cent of utilisation. The Committee are constrained to observe that such low utilisation of capacity due to lack of demand only indicates lack of proper planning in creating the washery capacity in the country. As a result of under-utilisation of capacity the Corporation suffered a loss of over Rs. 206 lakhs during the above years.
		The Committee are surprised to note that while on the one hand the capacity in the washery remained under utilised reportedly due to lack of demand, on the other hand the washery could not meet even the present demand in full. This has been attributed to frequent power interruptions, inadequate supply of power and erratic supply and shortage of wagons for transportation of coal. The Committee strongly stress that Government should take concrete measures to remove these bottlenecks so that the production in the washeries is not hampered due to these avoidable constraints and the Kathara Washery can start meeting at least the present demand in full and cut its losses.
		The Committee also recommend that Government/Corporation should study the demand and supply position of clean coal, draw up a comprehensive plan and pursue it vigorously in order to raise progressively the capacity utilisation of the Kathara Washery so as to take it to the rated capacity at an early date.
49	7.146 and 7.147	The Committee find that feasibility studies in respect of Ramgarh and Sudamdih Washeries were conducted in 1965-66 by the Central Fuel Research Institute on payment of Rs. 25,000 each. An amount of Rs. 10,000 was also spent for analysis of some bore holes in connection with Pundi

1	2	3
		Washery. The Project Report for Sudamdih Washery was prepared in 1967 with the help of Polish collaborators for which a payment of over Rs. 2 lakhs was made to the Mining and Allied Machinery Corporation. The programme for the construction of these washeries was not, however, followed up for certain reasons.
		The Committee regret to note that the feasibility report and the Project Report for the Sudamdih Washery was taken up without having sufficient data about the Sudamdih Mine and its coal, in spite of the warning by Director, CFRI who was also one of the Company's Board of Directors, in November, 1965 against proceeding with the construction of the washery without sufficient data. The Committee would like the Government/Corporation to learn a lesson from this. They hope that the expenditure incurred on project report, in which the Bharat Coking Coal Ltd. has now evinced interest, will not be entirely infructuous in view of the new developments.
50	7.150 and 7.151	Considering the heavy investment made in the existing washeries the Estimates Committee (1974-75) in their Sixty-eighth Report (Fifth Lok Sabha) on Availability & Distribution of Coal have recommended that all out efforts should be made to optimise the functioning of these washeries before setting up new units. They have desired that the matter should be examined in depth. The Estimates Committee have sounded a note of caution that if it was considered to be an inescapable necessity to set up new washeries, the difficulties and bottlenecks encountered in the working of the existing washeries to their full capacity should be fully taken into account and provided for while planning the new washeries so as to ensure their efficient functioning.

1	2	3
		The Committee reiterate the above observation/recommendation of the Estimates Committee and stress that concerted efforts should be made by Government/Corporation to ensure full utilisation of the existing washery capacity before setting up new capacity and the future programme should be drawn up realistically after ascertaining the demand for washed coal and availability of raw coal and also keeping in view the available capacity in the existing washeries.
51	8.12 to 8.14	The Committee regret to note that no proforma accounts were prepared for the NCDC workshops at Barkakana, Korba and Giridih upto 1972-73. Though proforma accounts were prepared during 1973-74, the Committee find that no job estimates were prepared either for repair jobs or for manufacturing jobs indicating the time, labour materials required etc. with the result that no control cost of repairs or of manufacture is possible. It was stated that the control over the expenditure and performance of workshops was exercised through job cards which were prepared for each job and the user units were charged upto 1970-71 on the basis of actual cost plus overheads at a percentage of direct wages and thereafter on the basis of market rates/standard price. The Committee fail to understand as to how the performance of the workshops could be judged and how in the absence of job estimates control on costs could be exercised merely on the basis of job cards which could only indicate the actuals. The Committee, therefore, recommend that the management should follow the scientific procedure for maintenance of workshops so that control on the performance of the workshops both in physical and financial terms may be exercised and cost of jobs are not unnecessarily inflated.

1	2	3
		The Committee also note that there had been delays in the repair of heavy earth moving equipments in the Barkakana and Korba Workshops due to non-availability of critical items and spare parts. The Committee need hardly stress the importance of adequate provisioning of spares in the workshops which are mainly intended for repair jobs and recommend that Government/Corporation should take suitable steps to overcome these problems so that the repair and manufacture of vital equipments are not unduly delayed ultimately having an adverse effect on production.
		The Committee are informed that the Management developed 3020 indigenous items of spare parts upto August, 1973 but they had ascertained the market price for only 917 items. On an average about 600/800 items are being developed every year. Since 1970, the user units have been charged for the manufacturing jobs on the basis of market rates/standard price in respect of items for which market prices have been ascertained and other jobs are charged, as before, on the basis of actual cost. The Committee are informed that the items developed indigenously in the workshops have been deleted from the import list and these items are not allowed to be developed for manufacture from other indigenous sources. The Committee feel that the absence of any mechanism to ascertain/examine the reasonableness of cost of production do not make for a sound or scientific pricing policy for accounting. The Committee recommend that standard and actual costs of production of each item should be worked out periodically and compared with each other and also with the market rates, where these are ascertainable and constant efforts made to bring down the costs of production.

1	2	3
52	8.22 to 8.23	The Committee note that there was wide disparity between the labour hours actually spent on the execution of jobs and standard hours required therefor in the Barkakana Workshop. The actual hours spent on jobs have been generally between 200 and 300 per cent more than the standard hours. In the case of forge/smith shop these were 450 per cent more during 1970-71. The Chairman, CMAL admitted that this meant excess payment made to the labourers and therefor loss. The Committee are informed that this wide disparity has been attributed to short supply of materials, spare parts and gases. Certain types of machines could not be fully utilised on account of lack of job orders. In order to utilise the capacity of the workshop the Management are stated to have been seeking orders from outside parties. The Committee regret to note that the Corporation has not so far succeeded in securing sufficient job orders from outside parties to keep the men and machines fully engaged. They would like the Corporation to make more vigorous efforts to secure more jobs from the public and private sector enterprises and Government departments in the region, in order to utilise the manpower in full. They would also urge the Corporation to take measures, if necessary, with the help of the Government, to ensure that shortage of materials, spare parts and gases no longer results in the labourers remaining idle.
		The Committee recommend that the Corporation should immediately undertake a review of the capacity of men and machines in the light of the standard indices of labour utilisation *vis-a-vis* the job position and if in spite of its best efforts, it cannot find enough work for them all, it should devise schemes to deploy the surplus men and machines elsewhere as overstaffing not only adds to the cost of production

1	2	3
		but also creates many administrative and human problems which should best be advoided.
53	8.31	The Committee find that in the Korba Workshop the annual targets fixed for the workshop were less than the capacity indicated in the Project Report and the actual production was generally lower than even the targets fixed. The Heavy Repair Workshop had not been fully organised for want of sufficient work load. The underutilisation of the workshop capacity was stated to be partly due to inadequate supply of materials, spare parts and partly due to lack of jobs. It was stated during evidence that the management had been able to secure orders from many outside parties also and it was running on a reasonable capacity. In the year 1973-74 the value of works had gone up to approximately Rs. 141 lakhs as compared to Rs. 84.59 lakhs during 1972-73. The Committee hope that the Management would continue to make concerted efforts to fully utilise the capacity in the workshop by securing adequate orders particularly from more public sector undertakings and by providing the necessary inputs like spare parts, etc.
54	8.35 and 8.36	The Committee regret to note that same valuable machines which were purchased and installed in 1967 n the Korba Workshop remained idle for several years for want of certain equipment, tools and spare parts. Overhead crane (5 tonnes) purchased from USSR at a cost of Rs. 2.52 lakhs has not been commissioned so far as one of the missing assemblies could not be provided as yet and as its gearbox was lost in transit. The matter was still under dispute with the Soviet authorities. The overhead crane (15 tonnes) valued at Rs. 3 lakhs remained unutilised upto December, 1972 for want of civil repairs and loop railway siding provided for its operation at a

1	2	3
		cost of Rs. 1.73 lakhs was also not used. Drop Hammer valued at Rs. 75,000 could not be commissioned as a part thereof was lost in transit. The eletric overhead crane with the help of which the drop hammer was to be operated had also not been used. Broaching Machine, Gear hobbing machine, Homing Machine, and Ram engine remained idle for want of spare parts, tools and accessories. The Committee would like that the circumstances leading to the loss of gear-box of overhead crane and a part of the drop hammer in transit should be thoroughly investigated in order to fix responsibility.
		The Committee fail to understand as to how the management could afford to keep their machines idle when these were specifically procured for carrying out urgent repairs of mining equipment. They would like that the total loss suffered by the Corporation as a result of idleness of these machines should be calculated and responsibility fixed. The Committee also recommend that Government/NCDC should examine as to what extent this loss could have been avoided by taking appropriate action in time to put these machines into operation and in case the jobs did not suffer for want of these machines why these machines were purchased at all. The Committee would like to be informed of the results. The Committee also recommend that the management should take immediate action either to commission these machines which have not been commissioned so far or to dispose them of if they are no longer needed in consultation with BPE in the best interests of the Corporation.
55	8.44 to 8.47	The Committee find that the Girdih Workshop was set up mainly to cater to the needs of Girdih Collieries. Manufacture of coal tubs for

1	2	3
		NCDC is the other main activity of this workshop. The Committee, however, find that manufacture of coal tubs, which is the most profitable item, gradually came down owing to shortage of steel plates and other iron and steel materials with the result that the Management had to place orders in August, 1970 on a private firm for the supply of 50 tubs at the rate of Rs. 950 per tub whereas the unit cost of production in Girdih Workshop during 1970-71 was Rs. 714. The Committee regret to note that this resulted not only in non-utilisation of the capacity at Girdih Workshop but also put the NCDC to an extra expenditure. The Committee fail to understand why adequate steps were not taken in time to provide the requisite quality and quantity of steel and other materials for the manufacture of tubs in the Girdih Workshop and thus avoid the loss. The Committee would like that this matter should be examined and steps taken to set right system of material management in the Workshop. They would also like the Corporation to identify the causes which accounted for the non-availability of steel and other material at the workshop for the manufacture of coal tubs while it was available with the private firm.
56	9.5 to 9.7	The Committee are surprised to find that while on the one hand there was shortfall in production of coal on account of lack of orders, on the other hand the Corporation was unable to meet all the orders received. The shortfall in despatches against the orders was to the extent of 6.03, 6.80 and 3.51 million tonnes during the years 1971-72, 1972-73 and 1973-74 respectively. This shortfall has been attributed to transport difficulties and variations in the volume of orders and the ratio thereof between steam and slack coal from month to month on different collieries.

1	2	3
		The Corporation was also unable to cater to the requirement of small consumers because they had to load single rakes of 42 box wagons each whereas the private sector collieries were allowed to pool their loading to the same customer. The Committee are not sure how far the Ministry of Railways was justified in insisting on the N.C.D.C. to load box wagons rakes at single sidings especially when in the process which verged on discrimination against N.C.D.C. as compared to the then private sector collieries, it was the small consumers and the public sector undertaking who suffered. The Committee would like that the matter should be thoroughly investigated by the Ministry of Railways to find out as to why such a discrimination was made against a pubilc sector undertaking in this regard. The Committee would like to be informed of the result of enquiry. The Committee need hardly stress the need for sorting out all the difficulties relating to the transportation of coal at the highest level and on a top priority basis. The Committee hope that the Ministry of Railways would not be indifferent to the difficulties of NCDC in this regard, and would not hesitate to adjust as far as possible the traffic pattern to take care of the Corporation's difficulties and would also ensure speedy and timely availability of wagons for transportation of coal. They would also like NCDC to examine the impediments in the way of its following the traffic pattern adopted by the Railways and devise ways and means of removing the impediments and streamlining the loading system so as to ensure that there is no shortfall in despatches against the orders received. The Committee would also like the Ministry of Energy (Department of Coal) to help NCDC sort out the difficulties which it faces in transporting the coal through Railways.

1	2	3
57	9.19 to 9.21	The Committee find that the sale of coal through middlemen ranged between 13.6% to 14.8% of the total sales during the years 1969-70 to 1973-74. Out of the total sales through middlemen, sales to Government Departments|Government institutions ranged from 13.15 per cent to 45.6 per cent during this period. The total commission paid to middlemen during 1969-70 to 1973-74 amounted to Rs. 42.54 lakhs out of which Rs. 16.31 lakhs was in respect of sales to Public Undertakings|Government Departments.
		The sale of coal to Public Sector Undertakings|Government Departments through middlemen was adversely commented upon by the Committee in their Tenth Report on NCDC (Fourth Lok Sabha). In pursuance of the recommendation made by the Committee the Ministry had issued a circular in June, 1968, to all State Government/Union Territories and Ministries|Departments of the Government of India requesting them to issue suitable instructions to all the Government Undertakings|Departments under their control to make purchases direct from the NCDC instead of through middlemen. The Committee regret to note that some of the Government Departments|Undertakings continued to purchase coal from NCDC through middlemen and that even the Board of Directors of the NCDC decided in 1972 to continue to avail of the services of the middlemen though the Board also decided that efforts should be made gradually to dispense with the middlemen particularly in respect of supplies to Government undertakings. Though currently NCDC is not paying any commission to the middlemen at all due to change in the complexion of the market, certain public undertakings are not giving up the system of buying through them even by paying commission.

1	2	3
		The Committee are surprised to note that even with the change in the complexion of market and the nationalisation of coal industry, the public sector undertakings|institutions should still prefer to deal with the NCDC, also a public sector undertaking, not directly, but through the middlemen in private sector.
		The Committee are unhappy to note that in spite of their earlier recommendation the services of middlemen continued to be utilised in dealing with other Public Sector Undertakings. They would like that the matter should be thoroughly investigated and responsibility fixed. They recommend that Government should issue suitable instructions so that the public undertakings/State Governments concerned are required to give up the practice of dealing with another public sector undertaking (NCDC) through the agency of middlemen.
58	9.28 to 9.32	The Committee find that on 31st March, 1974 as against a total of bank guarantees amounting to Rs. 31.50 lakhs a sum of more than Rs. 182 lakhs was outstanding against middlemen of which a sum of over Rs. 142 lakhs was outstanding beyond the credit period. Although the Corporation had decided in January, 1963 that the level of business with middlemen should not exceed double the amount of bank guarantee given by way of security, they find that outstandings against some of the middlemen far exceeded the stipulated limit.
		The Committee in their Tenth Report on NCDC (Fourth Lok Sabha) desired that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantee and the outstandings should not be allowed to exceed the amount of total financial coverage. Government informed the Committee in April, 1969 that they had been regularly advising the Corporation to ensure that the outstandings against the

1	2	3
		middlemen were reduced and fully covered by bank guarantee. The Committee are surprised to note that the Management had pleaded ignorance of any such advice being received from Government. The Committee would like the Government to go into the conflicting statements made by the Ministry and the Corporation and determine whether or not any advice in the matter was given by the Ministry and received by the Corporation and fix responsibility for not implementing the recommendation of the Committee made as far back as 1968. The Committee would also like the Government to investigate the cases where the outstanding against the middlemen have been allowed by the Management to exceed the limits set by the Corporation itself with a view to fixing the responsibility. The Committee would also like to reiterate their recommendation made in para 143 of their 10th Report (4th Lok Sabha) that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantees within the shortest possible time and the outstandings should not in future be allowed to exceed the amount of total financial coverage. They expect that at least now this recommendation will be viewed seriously and implemented scrupulously.
59	9.42 to 9.44	The Committee find that of all the middlemen, the amount outstanding against M|s. Kahanson and Company has always been the largest. As on 31st March, 1974 the total amount outstanding against this firm was Rs. 63.66 lakhs out of which Rs. 19.75 lakhs related to consignees who were making payments directly to the Corporation and the remaining Rs. 43.91 lakhs (all

1	2	3
		beyond credit period) related to party's own account. A coverage of only Rs. 26 lakhs was available with the Corporation against this amount. This coverage included a decree of Rs. 15 lakhs assigned by the Party to the Corporation in December, 1971 but an appeal filed against the decree is pending in the Calcutta High Court.
		The Committee in their Tenth Report on N.C.D.C. (Fourth Lok Sabha) adversely commented upon the Corporation's handling of the outstandings against this firm. In spite of this, sale of coal through this firm gradually increased from year to year. In April, 1970 the Board appointed a Committee of Directors to examine the circumstances under which large amount got accumulated against this firm during June, 1969 to March, 1970 and to suggest measures to prevent recurrence of such cases in future. The Committee of Directors *inter alia*, observed in their Report submitted in February, 1971 that "by and large, the Management perhaps would not have acted in a very different manner than what it has really done". The Committee are not satisfied with this view.
		The Committee recommend that sale of coal through this firm and accumulation of outstanding from March, 1971 onwards should be thoroughly examined by Government in order to find out as to what extent business through this firm was unavoidable and to what extent outstandings could have been avoided by taking suitable action at the appropriate time. They also recommend that immediate action should be taken to recover the balance of amount from M/s Kahanson and Company and the progress reported to the Committee.

1	2	3
60	9.65 to 9.76	The Committee find that as on 31st March, 1974 the gross debts outstanding against the customers of NCDC amounted to Rs. 18.12 crores out of which debts amounting to Rs. 8.22 crores were outstanding beyond the credit period. The Committee in their Tenth Report (Fourth Lok Sabha) had recommended the recovery of interest on overdues from the customers. In pursuance of this recommendation the Board of Directors decided in May, 1968 that it would be advisable to demand payment of interest in cases of overdues beyond the agreed period of credit. The decision was reviewed by the Board of Directors in April, 1970 when a system of prompt payment rebate was introduced. The Committee are unhappy to note that the Management did not care to implement the recommendation of the Parliamentary Committee relating to recovery of interest on overdues from the customers. The decision of Board of Directors about the introduction of a system of prompt payment rebate also remained unimplemented. The Committee would like that the matter should be thoroughly investigated in order to fix responsibility for not implementing the recommendations/decisions in this regard so far. While reiterating their earlier recommendation to charge interest on overdues, the Committee would also like to stress the need to evolve a suitable method to ensure that payments due from customers do not fall in arrears and are realised within the agreed period of credit. They also recommend that all out efforts should be made to realise the huge amount of outstandings as erly as possible. The Committee are surprised tc note that 4 to 5 per cent of the billed amount is deducted by the consumers at the time of making initial

1	2	3
		payments. Part of these deductions is in accordance with the terms of agreement and the balance is arbitrary. A sum of Rs. 3.19 crores has been shown in the accounts for 1973-74 as doubtful debts. Deductions made by the customers were mostly on account of disputes regarding rates, quality complaints, underloading of wagons, missing wagons, unlinked wagons, shortfall in calorific value, defects in weightometer, etc. It has been stated that there were prolonged delays in the final settlement of cases of deductions/disputes as there is a general tendency on the part of the customers to stick to their stand and to justify the deductions. Although the management feel that some means should be devised for prompt settlement of the disputed cases, yet no permanent solution appears to have been found so far to deal with and settle such cases.
		The Committee would like that all the important cases of deductions/disputes should be reviewed in order to find out how far such cases could have been avoided if the Management had acted with alertness in attending to the customer's complaints promptly and in the light of the experience gained, suitable steps taken to avoid arbitrary deductions from bills and all out efforts should be made to settle the disputes and realise the full amounts of the bills without avoidable delay. The Committee would also like that the procedure for payment by the consumers should also be reviewed so as to keep deductions from bills to the minimum.
		The Committee are informed that Government parties like State Electricity Boards were amongst the main defaulters in making prompt payments and settling disputes. Outstandings against State Electricity Boards and Power Houses alone are stated to be over Rs. 483 lakhs.

1	2	3
		Although the Committee in their Tenth Report on NCDC had recommended that the Management should enter into firm agreements, with State Electricity Boards and although the Ministry advised the Corporation to finalise such agreements as far as possible before commencement of the supplies of coal, the Committee regret to find that firm agreements had not been entered into with many of the State Electricity Boards|Thermal Power Stations though supplies of coal had commenced long ago.
		The representative of the Corporation stated during evidence that 'there is really no justification for it except that in actual practice we find that it is almost impossible to come to an agreement with the State Electricity Boards and if it is possible it takes years'. They are, however, informed that the NCDC has now finalised the terms of supply and payments with practically all the Electricity Boards through meetings and minutes of meetings and formal exchange of letters.
		The Committee are, however, not sure how in the absence of firm enforceable agreements signed with the Electricity Boards, the mere exchange of letters will help the NCDC realise dues from the Electricity Boards or others within the agreed period of credit. They would like that the Government/NCDC should review the whole question and ensure that formal enforceable agreements are signed with State Electricity Board and other parties, so that dispute may not arise at a later stage. The Committee also recommend that the Government|NCDC should review as to how far it is commercially prudent for the NCDC to continue to supply coal to such Electricity Boards/other parties as fail to honour their commitments in the matter of making payments in time.

1	2	3
		The Committee are informed that the Ministry has also now evolved a draft guidelines indicating the terms for supply of coal to power stations. It has been stated that the guidelines which provide important clauses in respect of quantity and quality, sampling of analysis, price, bonus|penalty, weighment, payment and period of validity of agreement etc. have been circulated by the Central Electricity Authority to all the Chairmen of the State Electricity Boards for comments. The Committee recommend that the guidelines should be finalised without delay. They would also like to recommend that such guidelines should be evolved for other major customers also. The Committee need hardly stress that the guidelines issued by the Ministry should be meticulously followed by the Management to ensure that there is no further accumulation of outstandings and eliminate any further chances of disputes on account of price, quality of coal etc.
		According to the Management NCDC failed to secure full coverage against its coal sales dues, to charge interest when payments were delayed, to do away with middlemen and to enter into long term and firm agreements with State Electricity Boards due to fierce competition with the private sector collieries who were offering heavy rebates and were operating through middlemen. NCDC was stated to be rather disadvantageously placed *vis-a-vis* the private sector, both in respect of the quality of coal, the cost of production and location of its mines. It has been stated that delays in settlement of cases of deductions were also not wholly unconnected with market conditions.
		The Committee have been informed during evidence that even now when the mines are nationalised and there is monopoly there is still the problem of realising money from customers particularly from the Public Sector as they (customers) feel reasonably assured that the

1	2	3
		Corporation cannot stop supplies whether they make payment or not. The position of payment has deteriorated after nationalisation as far as the public sector is concerned. The Committee have already recommended elsewhere in this Report that Government should set up a standing machinery for sorting out various problems which might arise between the Corporation and consuming agencies in the public sector like power stations, steel plants etc. The Committee would like to stress that Government should issue suitable instructions to all the Central Government Public Undertakings that they should act as model customers and suppliers and be prompt in settling the dues of, and resolving disputes with, one another in the interest of the success of public sector. In the event of dues or diputes remaining outstanding beyond a reasonable period, the matter should be referred to the standing machinery for the settlement of disputes without avoidable delay. Pending the setting up of such a machinery the Committee would like the NCDC to take advantage of the present situation when coal and power are under one Ministry, to resolve such disputes with State Electricity Boards and others and they hope that the Ministry would render all possible assistance to the Corporation in this regard.
61	10.14 to 10.18	The Committee note that in April, 1969 the Management submitted to Government a proposal for the reconstruction of its capital structure. The Government desired that a reasonable forecast of the working of the Corporation should be made alongwith recommendations as to how the capital structure could be remodelled with a view to reducing the burden of interest charges on the loan liability. This work was entrusted to a Committee on Rationalisation of the Accounting System. In their report

1	2	3
		submitted in August, 1969 the aforesaid Committee recommended that equity capital of Rs. 25 crores as on 31st March, 1970 representing unremunerative investment on account of Giridih losses (Rs. 5.61 crores.), Kargali losses (Rs. 2.34 crores), Gidi washery capital cost (Rs. 8.50 crores). Investment on closed|suspended mines (Rs. 4.39 crores) and expenditure on prospecting and boring (Rs. 4.39 crores) should be written off. They also recommended that a grant of Rs. 1 crore each for the two years 1970-71 and 1971-72 should be given to meet the maintenance charges, interest and depreciation on Sawang and Kathara Washeries. The Recommendations of the Rationalisation Committee were accepted by the Board of Directors and were forwarded to Government in February, 1970.
		The Committee are informed that the losses amounting to Rs. 5.02 crores on Giridih group of collieries have been written off. Government have also converted loans amounting to Rs. 9 crores into share capital on account of expenditure on township.
		The Committee are surprised to note that even after a lapse of about 5 years all other matters on which the Committee on Rationalisation of the accounting system had made recommendations in August, 1969 are still under consideration of the Government.
		The Committee also find that the matter regarding raising the authorised share capital of the Corporation from Rs. 125 crores to Rs. 190 crores was approved by the Board of Directors and referred to Government in October, 1970. Against this requirement, Government approved an increase of only Rs. 10 crores, raising the authorised share capital to Rs. 135 crores. The Board of Directors again requested the Government in August, 1972 to agree to an increase in

1	2	3
		the share capital to the level of Rs. 190 crores as already approved by the Board. This matter is still under correspondence with the Government of India.
		The Committee note that the various questions regarding the reorganisation of capital structure and having a bearing on the profitability of the Corporation have been under the consideration of the Government for about 5 years but final decisions are yet to be taken on several issues. They recommend that Government should expedite their final decision on all these questions keeping in view the present position of NCDC vis-a-vis CMA and keep the Committee informed of the decision.
62	10.26 to 10.28	The Committee find that the Corporation suffered a loss of Rs. 2.53 lakhs, Rs. 173.19 lakhs, Rs. 653.45 lakhs, Rs. 243.08 lakhs and Rs. 650 lakhs during the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74, respectively. The Committee also note that upto the end of March, 1974 the Corporation incurred a cumulative loss of Rs. 16.13 crores. They are informed that the profitability of the Corporation since its inception had suffered because of certain extraneous factors beyond its control. The actual demand of coal during the 2nd and 3rd Plan periods was far less than the estimates of demands. The system of coal pricing followed by Government was unfavourable to the Corporation in comparison with the private sector collieries, inasmuch as the Coal Price Revision Committee recommended prices on the basis of capital employed in the bulk of private sector mines which was Rs. 16 per tonne, whereas the capital employed in the NCDC was as high as Rs. 80 per tonne. The Corporation also suffered on account of non-availability of wagons and it could not utilise its available capacity.

1	2	3
		The Committee also find that the loss in NCDC was mainly on account of persistent poor production performance and under-utilisation of capacity in certain collieries. The Committee recommend that a detailed analysis of the collieries which are working continuously in loss should be made in order to pin-point the basic deficiencies and concerted efforts should be made to remove such deficiencies and improve production and productivity of these collieries by re-organisation, provision of balancing/additional equipments for increasing production and strict manpower and financial control. The Committee have already recommended that the Government/Corporation should ensure full utilisation of capacity of the washeries of NCDC in order to improve its profitability. Now that there is much greater demand for coal and the coal prices have also been raised by Govt. and since according to the management there is substaintial improvement in the availabilitly of wagons, the Committee feel it should not be difficult for the Corporation to increase production and productivity in the mines washeries of NCDC and to reduce the cost of production. The Committee need hardly stress that the Government/Corporation should take suitable measures to ensure that the NCDC turns the corner and become a profitable concern.
63	10.33 to 10.35	The Committee regret to note that the periodical accounts were not being prepared uniformly and regularly and there was considerable time lag between the period of accounts and the dates of their preparation. It has been stated that periodical accounts were not prepared in 1972-73 and 1973-74 as the Corporation had diverted all their attention for removal of various deficiencies in accounts as pointed out by the Statutory Auditors in the accounts for 1971-72.

1	2	3
		This was also due to staff and officers being deputed for the purposes of taken over mines due to nationalisation of coal mines. The Committee are not convinced by the arguments advanced by the Corporation for not preparing the periodical accounts, as in their opinion absence of such periodical accounts only indicates lack of financial control. The Committee need hardly stress that maintenance of proper accounts, is the primary and important function of an efficient organisation which should not have been neglected.
		The Committee recommend that the Board of Management should ensure that position regarding periodical accounts is brought through the reports placed before them so as to prevent this work falling into arrears.
		The Committee also note that the deficiencies pointed out by the Company Auditors in their reports on the accounts for 1971-72 are very serious in nature. They are informed that most of the defects pointed out by the Auditors had been rectified during the course of 1973-74 and efforts were being made to remove them completely before 1974-75 accounts are over. The Committee would like to be informed of the progress.
64	10.45 to 10.47	The Committee regret to note that so far the Corporation has not laid down any norm or yard stick for determination of the date from which a project should be brought on to revenue account. No uniform policy has been followed by the Corporation in bringing the different projects on revenue account. Although the matter was considered by the Board of Directors but they have merely said that every case should be decided on its own merits. The Committee are informed that a number of Committees have gone

1	2	3
		into this question and the Bureau of Public Enterprises has also examined the matter. They are very much astonished that in spite of all the detailed examination of the subject the Government and the Corporation have not been able to evolve effective guidelines in this regard. The Committee note that the Ministry has now proposed to the Coal Companies that a specific date as to when a project should be brought on revenue account should be indicated in the project Report and if there is any deviation from that date, it should be reported to the authority who originally sanctioned the project (the Board of Directors or the Government as the case may be) and their approval obtained. The Committee recommend that the Government should arrive at a decision in the matter in consultation with C&AG and issue necessary guidelines in this regard to all the public sector undertakings in the coal mines sector in order to ensure that this procedure is uniformally followed by all of them in all their projects.
65	10.51 & 10.52	The Committee regret to note that the advances given to staff and officers for making local purchases are not being adjusted promptly. They find that all the collieries of the Corporation have been divided into 10 areas and the information furnished in respect of these areas revealed that as on 31st March, 1974 a sum of Rs. 44.71 lakhs was outstanding for a long time. The Committee fail to understand as to why information regarding outstandings could not be collected from all the areas. The Committee also note that the outstandings have been gradually increasing from year to year. As against the outstandings of Rs. 17.56 lakhs as at the end of 1972-73, the outstandings at the end of 1973-74

1	2	3
		were of the order of 44.77 lakhs. It has been stated that no action could be taken in this regard till now against defaulters due to practical administrative difficulties.
		The Committee are distressed at the casual and indifferen attitude adopted by the Management towards the defaulters who were allowed to contravene the instructions issued in this regard in 1970 with impunity. They cannot but express their deep concern at the utter lack of financial discipline in the organisation resulting in huge amounts of public money remaining outstanding with the officers and staff of the Corporation for long periods. They also recommend that the officers and the staff concerned should be asked to give proper accounts of the advances given to them promptly and in the event of their failure to do so, the outstanding amounts should be deducted from their salaries forthwith. They recommend that the reasons for non-recovery| non-adjustment should be analysed and steps taken to improve the procedure to ensure that such things do not recur in future.
66	10.62 to 10.64	The Committee note that a scheme of reorganisation of the Internal Audit Department was approved by the Board of Directors in February, 1969 and additional staff was posted raising the strength from 7 officers and 16 staff members in 1968-69 to 8 officers and 27 staff members in 1970-71. They, however, find that the number of officers was reduced to 5 during 1972-73 and there were only 4 officers as on 31st March, 1974. As a result of the reduced strength the Internal Audit wing could not discharge its duties effectively and could visit only 18, 29, 27, 32 and 49 units out of 85 units during 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively. Upto 1969-70 no verification of cash was done in any

1	2	3
		of the units and in 1970-71, 1971-72 and 1972-73 such verification was done only in 12, 14 and 18 units.
		Test verification was not done in any unit during 1973-74. In their supplementary report on the accounts for 1971-72 the statutory auditors observed that the extent of check exercised by Internal Department was not adequate and that the Internal Audit should cover more units and checks exercised by them should be more extensive.
		The Committee regret to note that even now the internal audit organisation has not been built up in full measure. The Committee need hardly stress that internal audit being one of the essential tools of management control, the Corporation should activise and strengthen the internal audit and ensure that the Internal Audit Department should have a more comprehensive programme of inspection as recommended by the statutory auditors in supplementary report on account for 1971-72.
		The Committee also note that the internal audit department has pointed out various irregularities and deficiencies during the course of their verifications. The Committee recommend that the reports of internal audit and action taken by the management in regard to each of these irregularities and deficiencies should be reported to the Board of Directors from time to time and suitably reflected in the periodical reports brought out by the Corporation.
67	11.22 to 11.30	The Committee note that the Corporation had a total holding of spare parts and other consumable stores worth Rs. 16.52 crores, Rs. 16.75 crores, Rs. 19.87 crores, Rs. 22.14 crores and

1	2	3
		Rs. 26.22 crores as at the end of the years 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively. Considering the stock at the end of 1969-70 as too high the Management decided in December, 1970 that it should be reduced by at least Rs. 2 crores by 31st March, 1971. However, stores worth Rs. 30.79 lakhs only could be disposed of. Similarly against the target of Rs. 224.50 lakhs and Rs. 143.65 lakhs, surplus stores to the extent of Rs. 158.01 lakhs and Rs. 107.61 lakhs only were disposed of during 1971-72 and 1972-73 respectively.
		An analysis of stock, spare parts and consumable stores made by the Management in December, 1972 revealed that as per the norms fixed by the Corporation on the lines suggested by the Bureau of Public Enterprises there was excess holding to the extent of Rs. 5.66 crores as on 1st April, 1972, out of which imported stores alone accounted for Rs. 1.5 crores and general consumable stores like iron and steel, welding & foundry materials, electrical material etc. about Rs. 2.5 crores.
		The excessive inventory as compared to norms fixed has been attributed by the Management to obsolescence of spare parts pertaining to equipment that have outlived their rated lives, incomplete supply of component of current equipment due to which quite a considerable number of otherwise useful spares could not be consumed and discrepancies in valuation of holdings themselves etc. Another main reason for the holding in excess of norms is stated to be the presence of a sizeable value of non-moving stores. In their Supplementary Report on the accounts for 1971-72, the Company Auditors stated that the stores|spares of the value of Rs. 7.33 crores had not moved during the year or for longer period.

1	2	3
		The Committee also find that an ABC analysis made by the Management in 1968-69 indicated that the stock of category 'C' items (i.e. below Rs. 200) was as high as between 256 months' consumption to 558 months' consumption in some of the collieries. The Management stated in May 1972 that investigations regarding 'C' items were being carried out. The Committee are, however, now informed that "investigations had started but there had been some difficulty to complete the work".
		The Committee take a very serious view of the unduly long time taken in completing the investigation regarding 'C' items. They are constrained to conclude from this that the management have not realised how important it is to reduce the quantum of stores and spares to a reasonable level in the interest of the profitability of the Corporation and releasing the blocked funds for use elsewhere. They would like the Corporation to take up this work seriously and complete it without delay.
		The Committee find that one of the reasons for heavy inventories was the non-fixation of maximum and minimum limits for different items of stores and spare parts except those held in the five regional stores. They also note that the Management have not made any detailed analysis and quantification of the excess holdings in all the collieries/units.
		The Committee feel that fixation of maximum and minimum limits for different items and categories of stores and spare parts and a detailed analysis of stores and stocks in order to clearly identify the stores in excess of requirement are the basic requirements of stores accounting which the Management cannot afford to neglect. They therefore recommend that the maximum and

1	2	3
		minimum limits of stores and spares should be fixed immediately and thereafter inventory of the stores and spares should be reviewed in the light of the limits so fixed and the items surplus to requirements should be identified and disposed of in the best interest of the Corporation. The Committee find that though decisions to dispose of surplus stores were taken earlier also, the decisions were not fully and promptly implemented and that is why the Corporation finds itself loaded with such huge stocks of stores and spares. The Committee would like to be informed as to why the decisions were not implemented promptly and recommend that responsibility for the lapse should be fixed.
		The Committee note that the value of surplus, obsolete and unserviceable plant and machinery has been brought down to the level of Rs. 10.90 lakhs as on 31-3-1974 as compared to Rs. 181.49 lakhs as on 31-3-1970.
		It has been stated that the reduction in the holding of surplus plant and machinery was the result of internal utilisation and outright sale to outside parties. They hope that the Corporation will continue to pursue this matter till it has disposed of the entire lot of surplus, unserviceable and obsolete plant and machinery.
68	11.35 & 11.36	The Committee regret to note that stores, accounts have remained in arrears right from the inception of the Corporation. There was no reconciliation between the quantity of stores as shown in the price-cum-quantity ledgers maintained in the area accounts offices and that shown in the quantity ledger, maintained by the stores units. To avoid continuing back-log of accounts, new priced stores ledgers were opened by adopting the ground balances on 1st April, 1968. The value of the net difference of Rs. 101.52 lakhs

1	2	3
		between the balance of the priced stores ledger and the quantity ledgers as at the end of 1967-68 was transferred to the 'Stores Suspense Account' pending clearance after reconciliation. The balance under the account as at the end of 1973-74 was Rs. 76 lakhs. The Management have now stated that they have completed major portion of the reconciliation for the year 1973-74.
		The Committee recommend that the Management should spare no efforts to ensure that the work of reconciliation of the price store ledgers and quantity store ledgers is completed without further delay. They also like to recommend that the Corporation should review the system of stores control and follow the modern method of perpetual inventory system.

GMGIPND—LS-III—1301 LS—7-11-75—1400.