

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1975-76)**

(FIFTH LOK SABHA)

SEVENTY SECOND REPORT

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



**LOK SABHA SECRETARIAT
NEW DELHI**

July, 1975
Price: Rs. 3.90

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		MAHARASHTRA	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	10.	M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.
2.	G. R. Lakshmiapaty Chetty and Sons, General Merchants and News Agents, Newport, Chandragiri, Chittoor District.	11.	The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.
ASSAM		12.	The International Book Service, Deccan Gymkhana, Poona-4.
3.	Western Book Depot, Pan Bazar, Gauhati.	13.	Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower Fort, Bombay.
BIHAR		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jorahedpur.	15.	Deccan Book Stall, Fergusson College Road, Poona-4.
5.	M/s. Crown Book Depot, Upper Bazar, Ranchi.	16.	M. & J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.
GUJARAT		MYSORE	
6.	Vijay Stores, Station Road, Anand.	17.	People Book House, Opp. Jaganmohan Palace, Mysore.
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	RAJASTHAN	
HARYANA		18.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.
8.	M/s. Prabhu Book Service, Nal Subzi Mandi, Gurgaon.	19.	M/s. Usha Book Depot, 585/A, Chitra Bazar, Tripolia, Jaipur.
MADHYA PRADESH		UTTAR PRADESH	
9.	Modern Book House, Shiv Vilas Palace, Indore City.	20.	Law Book Company, Jardar Patel Marg, Allahabad-1.

COMMITTEE

TO

SELECTED DOCUMENTS OF THE
COMMITTEE ON ECONOMIC UNDERTAKINGS

Action taken by Government on the recommendations contained in the 40th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on the role and achievements of Public Undertakings.

Page	Para	Line	For	Lead
6	18	2	of	on
7	21	9	General	Central
8	27	4	after "Planning" insert "in"	
18	60	11	delete "up"	
27	90	4	after "Krequequer" insert "to"	
28	93	2	and G	MHC
30	96	2	after "1973-74" insert "and 1974-75"	
33	105	19	factories	factors
35	111	9	MHC	MHC
41	S.No. 12	4	benave	benave
	(sub para 2)			
48	S.No. 36	7	conjunction	conjunction
	(para 2)			
51	S.No. 41	10	Americas	America
	(para 1)			
53	2	3	planning	planning
	(sub para 3)			
66	S.No. 57	20	insert "are enclosed" at the end	
82	-	1	of back	feedback
115	-	19	Ministry	Ministry
134	-	1st	MHC	MHC

CONTENTS

	PAGE
Composition OF THE COMMITTEE]	(iii)
Composition OF THE ACTION TAKEN SUB-COMMITTEE	(v)
SECTION <u>INTRODUCTION</u>	(vii)
I. Report	1
II. Recommendations that have been accepted by Government	38
III. Recommendations which the Committee do not desire to pursue in view of Government's reply	72
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	100
V. Recommendations in respect of which replies of Government are awaited	139
APPENDICES	
I. Particulars of Directorship held by Shri K. Sreenivasan	141
II. Findings of the Action Committee on Public Enterprises Report on Tannery and Footwear Corporation of India	142
III. Bureau of Public Enterprises Office Memorandum No. 3/1/74-Produ. dated 13-2-1974	144
IV. Bureau of Public Enterprises O.M. No. 21/1(F)/72 BPE/MM dated 14-9-72	145
V. Bureau of Public Enterprises O.M. No. 18/GENL/72-BPE/MM dated 25-8-73	147
VI. Comparative Position of Inventory in last 3 years in respect of 9 units	149
VII. Bureau of Public Enterprises O.M. No. 9(135)(5)/73—BPE(GMI) dated 30-1-74	150
VIII. Bureau of Public Enterprises O.M. No. 2(9)/70—BPE(GMI) dated 24-1-70	151
IX. Statement showing Export by Production Enterprises	157
X. Bureau of Public Enterprises O.M. No. 9(28)FI/67/Cir./Adv. (P)-16 dated 17-10-67	161
XI. Bureau of Public Enterprises O.M. No. 21/15/74—BPE/MM dated 6-3-74	163
XII. Bureau of Public Enterprises O.M. No. 9(135)-(52)/73—BPE (GMI) dt. 16-2-74	165
XIII. Bureau of Public Enterprises O.M. No. 34/MG/74—BPE/MM dated 27-5-1974	166
XIV. Bureau of Public Enterprises O.M. No. 9(135)(55)/73—BPE (GMI) dated 9-8-1974	170
XV. Bureau of Public Enterprises O.M. No. 3/1/74—Produ. dated 13-2-1974	171

	PAGE
XVI. Bureau of Public Enterprises O.M. No. 3/1/74—Produ. dated 13-2-1974	172
XVII. Bureau of Public Enterprises O.M. No. 3/1/74—Produ. dated 16-2-74	173
XVIII. Bureau of Public Enterprises O.M. No. 3/1/74—Produ. dated 13-2-74	174
XIX. Bureau of Public Enterprises O.M. No. BPE/15(1)/Adv. (F)/74 dated 14-2-74	175
XX. Bureau of Public Enterprises O.M. No. 9(135)(9)/73 dated 6-11-74	176
XXI. D.O. No. 7-1/73 (Coord.) dated 18-6-1973 from Shri N. J. Kamath, Addl. Secy., Deptt. of Heavy Industry to the Heads of Public Sector Undertakings	178
XXII. Extracts from D.O. No. 13(23)/73—Coord. dated 5-2-74 from Shri N. J. Kamath, Addl. Secy., Deptt. of Heavy Industry to all Heads of Public Undertakings	179
XXIII. D.O. No. 245-SHI/D/73 dated 16-6-73 from Secretary, Deptt. of Heavy Industry to all Heads of Public Undertakings	180
XXIV. Bureau of Public Enterprises O.M. No. BPE/15(1)/Adv. (F)-74 dated 16-3-74	181
XXV. Ministry of Industrial Development letter No. PSC—16(19)/74 dated April, 1974 to all the Public Sector Undertakings under the Control of Min. of Industrial Developments	183
XXVI. Bureau of Public Enterprises O.M. No. BPE—15(1)/Adv. (F)/75 dated 3-5-75	184
XXVII. Bureau of Public Enterprises O.M. No. BPE/46/Adv. F./68/25 dated 27-12-74	185
XXVIII. Analysis of the Action Taken by Govt. on the recommendations contained in the 40th Report of the Committee on Public Undertakings (5th Lok Sabha)	187

**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 Bholu Prasad
20. Shri Veerendra Patil
21. Shri Sultan Singh
22. Pandit Bhawani Prasad Tiwary

SECRETARIAT

1. Shri M. A. Soundararajan—*Chief Financial Committee Officer.*
2. Shri K. S. Bhalla—*Senior Financial Committee Officer.*

**ACTION TAKEN BY SUB-COMMITTEE OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS
(1975-76)**

1. Shri Nawal Kishore Sharma—*Chairman*
2. Shri Harsh Deo Malaviya
3. Shri Vasant Sathe
4. Shri Amarnath Vidyalankar
5. Shri C. K. Jaffer Sharief
6. Shri Damodar Pandey
7. Shri Atal Bihari Vajpayee

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present the Seventy-Second Report on Action Taken by Government on the recommendations contained in the Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Role and Achievements of Public Undertakings.

2. The Fortieth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 5th September, 1973. The replies of Government were received in batches and the last batch was received on 17th February, 1975. Further information called for on several points after scrutiny of the replies had also been received in batches and the last batch was received on 11th July, 1975.

3. The replies were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 18th July, 1975. The Report was finally adopted by the Committee on Public Undertakings on the 28th July, 1975.

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

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

5. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix XXVIII. It would be observed therefrom that out of the total number of recommendations made in the Report, 49.2 per cent. have been accepted by the Government. The Committee

do not desire to pursue 18.5 per cent. of the recommendations in view of Government's replies. Replies of Government in respect of 30.8 per cent. have not been accepted by the Committee and final reply of Government to 1.5 per cent. of the recommendations are awaited.

NEW DELHI;

NAWAL KISHORE SHARMA,

Chairman,

Committee on Public Undertakings.

30th July, 1975.

Shravana 8, 1897 (57)

CHAPTER I

REPORT

ROLE IN CONSUMER INDUSTRIES

Recommendation Serial No. 2 (Para 1.34)

In Paragraph 1.34 of the Report, the Committee noted that it was the Government's objective to expand and extend the role of the public sector into new fields, including production of mass-consumption goods in which significant production gaps exist or are likely to develop.

It had been urged before the Committee that in the context of expanding demand for consumer goods and persistent shortages, the public sector should progressively enter into mass consumption industries. The Committee were of the view that the public sector should extend itself to areas where we had established certain capacities for production of basic and strategic materials more particularly in areas which were dominated by foreign companies. They should be organised as a catalyst to set high examples to others and provide an effective means of regulating the prices in the interest of the public. The Committee desired that Government should undertake a comprehensive study to identify areas of consumer industries which could be taken up in the public sector, keeping scrupulous regard for the interest of small and medium scale industries.

2. The Government in their reply (11-4-74) stated that it was agreed that the dictates of public policy and the need for greater utilisation of the resources built up in the public sector might necessitate a more aggressive exploration of the scope for expansion of public sector activities into the consumer goods industries. The objective of such a policy would be to meet public needs with the resources available in the public sector.

There were 3 ways in which the Committee's recommendations could be carried out:—

- (1) *Expansion of the activities of the existing consumer goods companies*

Under the present classification of companies there were already 6 companies which were producing consumer goods. These

companies could further expand their activities to cover a wide range of consumer products, with the resources that they had built up.

(2) *Diversification of Heavy, Light and Medium Engineering Companies*

Most of the public sector companies produced basic and intermediate goods. There might be ample scope for many of these enterprises to move directly into the production of final consumer goods and to engage in forward integration of activities so as to serve the final consumers better.

(3) *The formation of new companies*

In addition to the direction of existing public sector resources to the production of consumer goods by expansion and diversification activities as mentioned above there might be sufficient justification for the establishment of new companies to produce consumption goods.

3. The Government added that an overall strategy, had to be formulated for the purpose in consultation with the enterprises, the administrative Ministries and the Planning Commission. Before such consultations it was necessary to take stock of the existing situation. The Bureau of Public Enterprises was undertaking such a study.

4. The Ministry of Finance, Bureau of Public Enterprises were asked to indicate whether they had undertaken the study to identify areas of consumer industries which could be taken up in the public sector.

5. The Bureau of Public Enterprises stated (16-10-74) that the Study mentioned in Government's reply had already been taken up. But as the Study had a wide scope and content, it would take sometime before the Bureau was in a position to formulate any concrete suggestions and conclusions. The Bureau was endeavouring to complete the Study as early as possible.

6. The Committee recommend that the Bureau should complete the Study without delay and keep the Parliament informed of the results of the Study and the action taken by Government thereon.

ROLE IN REHABILITATION OF SICK MILLS

Recommendation Serial No. 3 (Paragraph 1.37)

7. The Committee noted that it was the Government's policy to take over 'sick mills' in the textile or other areas with a view to maintain employment of the people and optimum utilisation of the production assets in the national interest.

Pursuant to this, the National Textile Corporation had been able to re-open a number of sick textile units which had closed or were about to close down. The Committee desired Government to ensure that these units were re-organised on sound lines so as to become productive and viable assets and that the interests of labour were well protected. The Committee suggested that Government should see that the textile mills manufactured cloth to meet the requirements of the common man at most competitive rates.

8. The Committee observed that Government should not allow themselves to be saddled with the problem of mills which were contrived in to sick condition because of mismanagement. The Committee felt that it should be possible for Government to keep a strict watch on the performance of textile mills and take timely measures which would ensure their continued production in the interest of meeting the requirements of common man and obviating the chances of their becoming a liability to the public sector.

9. The Government in their reply (14-3-74) stated that there were 103 sick textile undertakings under Government management. The Management of 57 undertakings had been taken over under the Industries (Development and Regulation) Act, 1951, and the management of 46 undertakings had been taken over under the Sick Textile Undertakings (Taking over of Management) Act, 1972. The total installed capacity of these undertakings was about 2.94 million spindles and 45725 looms, and their employment potential was about 1.63 lakh workers. However, physical possession of 6 undertakings had not yet been taken due to interim stay orders issued by the various Courts and 2 undertakings, although taken over, were yet to be re-started. 3 undertakings had been restarted very recently. The production of the 92 undertakings restarted during the period April to October, 1973, amounted to 445.06 million metres of cloth and 25.54 million kgs. of yarn, valued at about Rs. 120 crores.

10. The funds required by these undertakings were provided by the Central and State Governments in the proportion of 51:49. The

share of the Central Government was routed through the National Textile Corporation. The major requirement of funds was in respect of working capital and modernisation. Upto the end of October, 1973, the National Textile Corporation had advanced an amount of Rs. 16.53 crores to the undertakings for working capital. The Corporation had been engaged in formulating detailed modernisation programme for the undertakings, and upto the end of March, 1973, it had drawn up programmes for 50 undertakings, for which an outlay of about Rs. 20 crores was sanctioned by Government. During April to October, 1973, modernisation programmes in respect of another 18 undertakings involving an outlay of about Rs. 8 crores had been formulated by the Corporation. Modernisation programme in respect of one undertaking had been sanctioned by Government and the rest was being examined. Most of the mills had taken effective steps to implement the sanctioned modernisation programme. The Corporation was also operating a cotton purchase scheme on the basis of a loan of Rs. 2 crores obtained from Government, which was being utilised as margin money to obtain cash credit facilities from the banks for the purchase of cotton. A Labour Rationalisation Scheme had also been evolved to provide for payment of retrenchment and gratuity compensation for superannuated or disabled workers, with the agreement of the labour unions.

11. The Government managed mills had been in the forefront in the production of controlled cloth for the weaker sections of the society. During the period 1st January to 30th September, 1973, Government managed mills produced 847.25 lakhs sq. metres of controlled cloth against the total obligation of 560.48 lakhs sq. metres. In order to ensure that the controlled cloth reached the weaker sections of the society, Government managed mills had so far opened about 240 fair price shops predominantly in the rural and labour areas. The Government managed mills exported cloth to the extent of 761.44 lakhs sq. metres during January to September, 1973, against their total export obligation of 705.17 lakhs sq. metres.

12. Due to various steps taken by the National Textile Corporation, there had been considerable improvement in the working of the mills managed by the Government.

13. The Government added that the other aspects of the recommendation related to the question of Government keeping a strict watch on the performance of textile mills and also taking timely measures to ensure their continued production in the interest of meeting the requirements of the common man and obviating the

chances of their becoming a liability to the public sector. In the present set up, the working of a textile mill could be judged from its balance sheet and the profit and loss account or by conducting a techno-economic survey of the unit concerned. The balance sheet and the profit and loss account alone did not always represent a true picture about the condition of the unit. Moreover, the balance-sheet and profit and loss account were available after a gap of more than a year. If, therefore, a real check had to be kept, it could not be based only on the performance assessed from the balance sheet and profit and loss account.

14. It was not possible to undertake surveys of textile mills as a matter of routine. Firstly, the Textile Commissioner was not equipped to carry out surveys of a large number of mills at a time. Surveys of mills to be conducted on the basis of the balance sheet, etc. would be of no use as by the time the balance sheet was received, and a survey was conducted, the condition of the mill might change radically. Moreover, undertaking of Surveys had its own repercussions on the working of the mill in that the reputation of the mill went down in the eyes of the creditors leading to the scarcity of working finance needed for the mills' smooth working.

15. An idea about the working of a mill could also be had from its production returns submitted to the Textile Commissioner and also the regularity in payment of statutory dues, such as Provident Fund and ESI. Here also the difficulty was that an analysis of the production returns alone of a mill and regularity in the payment of statutory dues by it would not lead to any conclusions and might have to be followed up by an on the spot survey of the mill concerned for which the Textile Commissioner was not fully equipped.

16. It would be seen from what has been stated above that it was very difficult for the Textile Commissioner to keep a watch on the health of individual units of the textile industry and it would be much more difficult to prevent them from becoming sick even if it was known, of course, at a later stage, that a unit was likely to become sick. The State Governments, who were concerned with the labour problems of the textile industry, etc., would perhaps be able to keep a better watch on the working of cotton textile mills in the State.

17. The Committee are not convinced with the reply of Government. In this connection, they would like to invite attention to their recommendation contained in paragraph 2.18 and 2.19 of the 63rd Report of Committee on Public Undertakings (5th Lok Sabha) (1974-75) on the National Textile Corporation Ltd. wherein the

Committee have recommended that the preventive measures proposed to be taken may be finalised and implemented expeditiously so as to obviate the danger of textile mills becoming sick and, therefore, having to be closed, and creating a national loss. The Committee would reiterate that it should be possible for Government to keep a strict watch on the performance of textile mills and take timely measures which would ensure their continued production in the interest of meeting the requirements of common man and obviating the chances of their becoming a liability to the public sector.

WHITE PAPERS ON FINANCIAL, ECONOMIC AND SOCIAL OBJECTIVES OF
PUBLIC SECTOR UNDERTAKINGS

Recommendation Serial No. 4 (Para 1.44)

18. As far back as 1963, the Estimates Committee had, in their 32nd Report of the National Coal Development Corporation, recommended that broad principles regarding financial and economic obligations of public sector enterprises should be laid down by Government. The recommendation was reiterated by the Committee on Public Undertakings in their 7th Report (3rd Lok Sabha) in 1965. In October, 1967, the Administrative Reforms Commission recommended that Government should "make a comprehensive and clear statement of objectives and obligation of public undertakings".

19. The Committee noted that even though a period of 10 years had elapsed since the Estimates Committee made their recommendation, Government had not laid the financial, economic and social objectives of public sector enterprises so far. The Committee considered it unfortunate that Government should have taken so long to implement a recommendation of such a far reaching importance.

The result had been that the performance of public undertakings continued to be judged by a variety of vague objectives and considerations and afforded scope for uninformed criticism which made for dilution of managerial accountability.

20. The Committee hoped that at least now this matter would receive serious consideration of the Government and the white paper promised to the Committee would soon be presented to Parliament, setting out *inter alia* the following:—

- (i) A frame work of principles of Government's general economic, financial and social strategy for public sector undertakings;

- (ii) micro objectives, both financial and economic, of each public undertaking and providing for review from time to time; and
- (iii) quantification of social objectives and obligations and issue of Government directives in appropriate cases.

21. The Government in their reply (14-3-74) stated that they had taken note of the recommendation made by the Committee that a White Paper should be presented to Parliament, setting out the objectives and obligations of the public sector. Government stated that they accepted the recommendation and would take steps to present the Paper as early as possible to Parliament. The Bureau of Public Enterprises had already commenced the formulation of the Paper in consultation with the Administrative Staff College of India. In view of the wide-spread of activities in the General public sector and the variety of companies and economic activities which were covered, the preparation of the White Paper had to be done with considerable care and comprehensiveness.

22. The Ministry of Finance, Bureau of Public Enterprises, were asked to indicate when the white paper on the lines recommended by the Committee on Public Undertakings was likely to be presented to Parliament.

23. The Bureau of Public Enterprises in their further reply (15-2-1975) stated that in view of the widespread activities of Central Public Sector undertakings, the proposed White Paper on the objectives and obligations had to be very comprehensive. Various developments which took place recently regarding social obligations of public sector enterprises were to be taken into consideration while preparing the white paper. It was therefore likely to take some time before the White Paper was finalised.

24. The Committee are not happy at the inordinately long time taken by the Bureau of Public Enterprises in finalising the White Paper. They would like that the White Paper on the lines recommended by the Committee should be prepared and presented to Parliament without further delay.

PLANNING FOR GROWTH CORPORATE PLANS OF PUBLIC SECTOR ENTERPRISES

Recommendation Serial No. 6 (Para 2.16)

24. While there was a need for the growth of public sector, the Committee felt that such growth should be achieved through a careful planning both at the micro and macro level. The Committee found that while by and large undertakings had micro plans, some

undertakings found it difficult to have a macro plan for their industries (H.S.L.), in the absence of timely management information. The Committee were informed that Five Year Plans formulated by the Planning Commission contained overall plans of public sector programme as well as the programmes of individual undertakings for the five year period. In addition, Annual Plans were formulated for them. The Committee felt that public sector in India being one of the largest industrial assets in the world today, a modern and dynamic approach should be brought to bear on its planning and functioning.

25. The Government in their reply (20-3-74) stated that as indicated in the Government's reply to recommendation at Sl. No. 4, the recommendation of the Committee that a White Paper should be presented to Parliament setting out the objectives and obligations of public sector had been taken note of by Government, and steps were being taken to present to the Parliament, the Paper as early as possible. To fulfil the national objectives enunciated in the White Paper as adopted, each of the enterprises would have to prepare a corporate plan which would clearly indicate the objectives, tasks, goals, programmes and techniques. The corporate plan should also cover such vital matters as pricing policy, growth rate, possibilities of expansion and diversification, resources, planning, employment planning, capital requirements and training needs. Of course, even now in principle most of the public enterprises had already accepted the idea of corporate planning. But it was a fact that the techniques of corporate planning adopted by the enterprises need to be considerably improved. The Bureau was taking steps to bring about the desired improvement.

26. The Ministry of Finance Bureau of Public Enterprises, were asked to indicate the steps being taken by them to improve the technique of corporate planning adopted by the public enterprises.

27. The Government (Ministry of Finance, Bureau of Public Enterprises) in their further reply (20-2-1975) stated that in February, 1974 they had addressed the various Ministries to ascertain the position of corporate planning each of the public sector enterprises under their administrative control and to strengthen this function where it existed and where it did not exist to set up special cells for the purpose. This was followed up in June, 1974, with further suggestions from the Bureau to help the public sector enterprises to formulate and process their corporate plans. The attention of all the Ministries was also drawn to the draft of the Bharat Heavy Electricals' corporate plan.

28. The Committee would like that the Bureau should pursue the matter till the corporate plans are actually drawn up by all the

public sector undertakings. In the meantime a review of the procedure already followed should be made.

WORKERS PARTICIPATION IN MANAGEMENT

Recommendation Serial No. 10 (Para 3.27)

29. The Committee reiterated their recommendation contained in para 8.27 of their 17th Report (5th Lok Sabha) that participation of workers and their representatives should be at all levels beginning from the shop level to the Board of Directors "with a view to promote industrial harmony and maximise production." The Committee stated that they attached great importance to this recommendation which was of a very fundamental nature inasmuch as that mere appointment of a workers representative on the Board of Management without workers participation at all levels would have only a symbolic value. The Committee expected that no further time would be lost by Government in its implementation and to give this measure a wider coverage.

30. The Government in their reply (2-3-74) stated that so far as the appointment of workers on the Boards of Management of Public Enterprises was concerned, the Government had decided to try the scheme on an experimental basis in a limited number of undertakings. A worker Director had been appointed in Hindustan Antibiotics Limited, Pimpri, in April, 1973, and the question of appointment of workers' representatives on the Boards of some other suitable undertakings had been taken up with the Ministries concerned.

31. As regards the workers' participation in management at other levels, at present there was a voluntary scheme of Joint Management Councils, which envisaged labour management co-operation through consultations and mutual discussions at a Joint Council, consisting of equal number of representatives of the management and labour. The scheme was applicable to both private and public sector undertakings. The recommendations of the Committee on Public Undertakings in regard to securing labour participation at all levels would be kept in view, while finalising the comprehensive Industrial Relations law, presently under Government's consideration.

32. The Committee are not satisfied with the reply of Government. In this connection they would like to invite attention of the Government to paragraph 24 of their 30th Report (5th Lok Sabha) on Action Taken by Government on the recommendations contained in the Seventeenth Report of the Committee on Public Undertakings

(5th Lok Sabha) on Personnel Policies and Labour Management Relations in Public Undertakings wherein they had observed that mere appointment of worker's representatives on the Board of Management without workers' participation at all levels would have only a symbolic value.

The Committee note that appointment of workers' representatives even on the Board of Management has not been made in all the Public Sector Undertakings. They understand that the voluntary scheme of Joint Management Councils has also not been introduced in most of the public sector undertakings. The Committee therefore, reiterate that Government should not lose any more time to implement their earlier recommendation of having workers participation in management from shop level upwards with a view to promote industrial harmony and maximise production. The Committee would in this connection like to invite attention to their recommendation in para 8.32 of their 17th Report (5th Lok Sabha).

APPOINTMENT OF CHIEF EXECUTIVES

Recommendation Serial No. 13 (Para 3.41)

33. The Committee noted that "normally, part-time Chief Executives who have to attend to their own private interests in a competitive concern, are not considered for any appointment in Public Sector Undertakings, and that in this case an exception was made in view of his vast experience and knowledge in the field of paper industry." The Committee were of the view that appointment of a person who had his own private interests in a competitive concern as Chairman of a public sector concern even on a part-time basis, was wrong in principle. The Committee desired that Government should review the position in this and other similar cases, if any, in the larger interests of the Public Sector and inform them of the action taken in the matter.

34. The Government in their reply (17-2-75) stated that as desired by the Committee on Public Undertakings, the Administrative Ministries had been advised to conduct the review of the incumbencies of Chairmanship of the public enterprises under their administrative control, and wherever necessary, the administrative Ministries had also ascertained the factual position from the concerned Chairman. From the replies received, it was seen that at present the Chairman of public enterprises under the control of the various Ministries/Departments did not have any private interests in any concern which competed with the public enterprise of which

he was the Chairman. In respect of Chairman, Indian Dairy Corporation, however, the information was still awaited from the Ministry of Agriculture.*

35. The Government added that the Chairman, of Hindustan Paper Corporation had some shares in private paper manufacturing concern, but did not own interest in a competitive concern, as he had no executive responsibility there. Similarly Chairman, National Small Industries Corporation was an ordinary shareholder of several companies, but he was neither the proprietor nor the partner of any business concern. The Chairman, National Textile Corporation was a Director in a number of private companies, including some manufacturing textiles (Appendix I) but he had stated that he had no executive responsibilities in these companies, either part-time or full time.

36. The Committee are not happy at the long time taken by Government in reviewing the position regarding appointment of part-time chief Executives who have to attend to their own private interests in competitive concerns.

37. The Committee reiterate that appointment of a person, who has his own private interests in a competitive concern, as Chairman of a Public Sector concern, even on a part-time basis, is wrong in principle and should not be made in the larger interest of the Public Sector.

BUREAU OF PUBLIC ENTERPRISES

Recommendation Serial Nos. 14, 15, 18 (Paras 3.53, 54, 57)

38. The Committee noted that the original idea underlying the setting up of the Bureau of Public Enterprises was to provide one centralised agency which would act as the eyes and ears of Government and provide an overall critical review of the functioning of the public sector for identification of the problems be-setting them and suggest concrete measures to remedy the shortcomings.

39. The Committee also noted that the strength of the Bureau had increased from 96 as on 1-6-1969 with a budget of Rs. 14 lakhs to 237 as on 1-3-1973 with a budget of Rs. 41.17 lakhs in 1972-73.

*At the time of factual verification, the Ministry of Finance, Bureau of Public Enterprises stated as under:—

"From the reply furnished for this recommendation, it will be noted that only the information regarding Chairman, Indian Dairy Corporation was to be transmitted to the Lok Sabha Sectt. The position in this regard, as communicated to us by the Deptt. of Agriculture, is that the Chairman of the Company has no private interest in a competitive concern. The Deptt. of Agriculture have also stated that the recommendations of the COPU have in any case been kept in view."

Recommendation Serial No. 15 (Para 3.54)

40. The Committee gathered the impression during their visits to public undertakings as well as during the evidence tendered by the Chief executives of the public undertakings that the Bureau had not been able to discharge its role and functions to the entire satisfaction of public undertakings. Not only have its guidelines or advice not found ready acceptance with the undertakings, it had also not been able to resolve the problems facing some undertakings in any tangible manner. In the circumstances, the Committee could not but look askance at the heavy expenditure which was being incurred on this top heavy bureau and they could not help expressing the feeling that if the Bureau had to serve the original objective, it must be made more compact and be manned by persons who had long experience of working in public undertakings and who could command respect of the undertakings by virtue of their knowledge and proven leadership in management.

Recommendation S. No. 18 (Para 3.57)

41. The Committee had considered the necessity or otherwise for such an agency in the context of the latest move to set up sectoral holding companies for various undertakings which could oversee working of constituent units and co-ordinate common matters bearing on planning and development of production capacity recruitment training programme, etc.

42. The Committee recognised the need for a small compact Bureau staffed by experienced technical personnel drawn from public undertakings to study larger issues relating to capital structure, cost of construction, inventory control, productivity etc. with a view to assisting the public undertakings particularly in the initial stages, to evolve their own norms.

43. The Committee noted that the working of the Bureau of Public Enterprises was currently being reviewed by a high powered task force headed by Member, Planning Commission. They hoped that the task Force would critically go into the functioning of the Bureau and would clearly demarcate its role and functions so that it could be reorganised to serve effectively the objective that Government had in view in setting it up. The Committee desired that they should be kept informed of the recommendations made by the Task Force and the concrete action taken by Government in pursuance thereof to rationalise and reorganise the working of Bureau of Public Enterprises so as to act as an effective clearing house of information, policy guidance, monitoring agency which

commanded the regard of the public undertakings by virtue of its knowledge and leadership and of Government by rendering timely reports on focussing light on important issues, coming in the way of the achievement of production target by the Public Undertakings.

44. The Government stated in reply (11-4-74) that the Bureau of Public Enterprises had been functioning in accordance with the charter envisaged by the Government at the time of its establishment in 1965 and as modified by the Government pursuant to the recommendations of the ARC in their Report on Public Sector Undertakings. The Action Committee on Public Enterprises under the Chairmanship of Shri M. S. Pathak, Member, Planning Commission, which also examined the relationships between the Public Sector and the various organs of the Government dealing with the Public Enterprises with a view to recommending improvements and organisational changes, wherever necessary, had also considered the appropriate role of the Bureau of Public Enterprises for achieving the desired objectives. The recommendations of the Action Committee in this regard were now under the active consideration of the Government. The Committee on Public Undertaking would be apprised of the recommendations of the Action Committee as also the Government's decisions thereon, as soon as the decisions were finalised.

45. The Ministry of Finance, Bureau of Public Enterprises, were asked on 2nd September, 1974 to indicate the recommendations of the Action Committee, the reactions of the Government thereto and when the Government's decision on the recommendations of the Action Committee was likely to be finalised.

46. The Government (Ministry of Finance, Bureau of Public Enterprises) in their further reply (22-2-75) stated that the recommendations of the Action Committee had been considered in the Finance Ministry. Further processing of the recommendations with a view to finalising the Government's decision thereon was dependent on spelling out in some detail the functions that the Bureau of Public Enterprises should perform directly and activities which the Bureau might stimulate using various consultancy services which existed in the country. It had been decided that the administrative Ministries concerned with public enterprises should also be involved in the further discussion relating to the determination of the immediate priorities for the functions of the Bureau. It was expected that after such Inter-Ministerial discussions Government decisions on the recommendations of the Action Committee would also be finalised.

47. The Committee feel that it is time that the Government should finalise their decision on the recommendations of the Action Committee so that the Bureau of Public Enterprises may be clear about its role vis-a-vis the Public Undertakings. The Committee also stress the need for a small and compact Bureau staffed by experienced technical personnel to discharge its role efficiently. The Committee would like that the final decision taken in the matter should be brought to the notice of Parliament.

FORM AND CONTENTS OF ANNUAL REPORT OF BUREAU OF
PUBLIC ENTERPRISES

Recommendation Serial No. 19 (Para 3.58)

48. The Committee reiterated the recommendation made by the Estimates Committee in paragraph 14.5 and 14.6 of the 24th Report, Fifth Lok Sabha, on 'The Form and Contents of Demands for Grants' that the contents of the Bureau's Annual Report on Industrial and Commercial Enterprises should be improved and that the Report should be made available to Members of Parliament along with budget papers. The Committee would like the Bureau to so improve the Annual Report that it brought out clearly the achievements of public undertakings as also focussed attention on significant issues which were hampering the achievement of production targets by the public undertakings, in the interest of greater accountability to Parliament.

49. Government's reply to this recommendation had already been furnished and considered by the Committee *vide* the Committee's 46th Report (Fifth Lok Sabha) Action Taken by Government on the recommendations contained in paragraph 3.58 of the Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Role and Achievements of Public Undertakings—Form and Contents of the Annual Report of the Bureau of Public Enterprises on the working of Industrial and Commercial Undertakings of the Central Government.

50. The Committee on Public Undertakings have already dealt with this recommendation in their 46th Report (5th Lok Sabha) regarding Action Taken by Government on the recommendation contained in paragraph 3.58 of the Fortieth Report of the Committee on Public Undertakings (5th Lok Sabha) on Role and Achievements of Public Undertakings—Form and Contents of the Annual Report of the Bureau of Public Enterprises on the working of industrial and commercial undertakings of the Central Government.

UTILISATION CAPACITY

Recommendation Serial Nos. 21, 22, 23 and 24 (Para 4.14, 15, 16 and 28)

Recommendation Serial No. 21 (Paragraph 4.14)

51. The Committee were glad to note the high level of utilisation of capacity achieved by public sector refineries (Gujarat Refinery—121 per cent, Gauhati Refinery—107 per cent, Cochin Refinery 109 per cent, Madras Refinery 100 per cent) and by the H.M.T. Watch Factory (131 per cent) and Lubrizol India Ltd. (140 per cent). This was an impressive achievement.

52. It was a matter of satisfaction to the Committee that several public enterprises had brought about considerable improvement in capacity utilisation in 1971-72 as compared to the level of utilisation in 1967-68. There were, however, certain undertakings where the capacity utilisation was far from satisfactory. For instance, the percentage of achievement of rated capacity in 1971-72 by Hardwar Plant of Bharat Heavy Electricals was 12.6 per cent, by Tannery and Footwear Corporation 24 per cent, by Co-axial Plant of Hindustan Cables 34 per cent, by Durgapur Steel Plant of Hindustan Steel 44 per cent, etc. etc. The main reasons for non-achievement of rated capacity were shortage of power, insufficient orders, lack of raw materials, change of pattern of demand, insufficient quantum of foreign exchange etc.

53. The Government in their reply (14-3-1974) stated as under:—

Hindustan Cables Limited

It might be mentioned that in Hindustan Cables Ltd., during the period under review in the Committee's report was marked by strained industrial relations in the eastern belt. The multiplicity of unions in the factory led to acute inter-union and intra-union rivalries adversely affecting the productivity of the unit. The production of co-axial cables in 1972-73 had increased to a level of 49 per cent of rated capacity. The production was 79 per cent during 1973-74 (April—December).

Tannery and Footwear Corporation

54. The capacity utilisation of TAFCO was, however, still not satisfactory. The main reasons for under utilisation of capacity were

as under:—

(i) The undertaking inherited 40—60 years old machinery and equipment, having low productivity.

(ii) Shortage of power.

(iii) Frequent shortage of process materials and chemicals.

Action Committee on Public Enterprises had been asked to look into the various problems of TAFCO, with a view to suggesting remedial measures for all round improvement. The Committee's report was now under consideration of the Government. The replacement/modernisation of machinery and plant was under consideration. It was also expected that with the implementation of the recommendations of the Action Committee, implementation of Modernisation Programme and purchase of generators, the capacity utilisation would improve.

Bharat Heavy Electricals Ltd.. Hardwar

55. The shortfall in production in the past as compared with installed capacity was due to delays in the supplies of alloy steel castings, and forgings, both indigenous and imported. Apart from various measures taken to ensure timely supplies, a captive foundry forge plant at Hardwar was also being set up.

There had been considerable improvement in production also. The percentage utilisation for the year 1972-73 is 24% and for the year 1973-74 (April to December) was 37% as shown below:—

	(Rs. in lakhs)		
	Installed capacity	Production	% age
1972-73	9680	2311	24
1973-74 (April—December)	9680	2671	37

Durgapur Steel Plant

56. The major reasons for low production in the past were persistent labour unrest, generally poor discipline amongst supervisors and officers, poor maintenance of plant and machinery and adverse changes in the quality of raw materials, particularly coal.

The Action Committee on Public Enterprises had looked into the various problems of D.S.P. with a view to suggesting remedial measures for all round improvement and their report was expected to be submitted shortly.

The production of this plant was showing some signs of improvement as shown below:—

	Installed capacity	Production	%age
	(In '000 tonnes)		
<i>Steel Ingot</i>			
1972-73	1600	723	4
1973-74 (April to December)	1600	597	50

57. The Ministry of Finance, Bureau of Public Enterprises, were asked on 21st September, 1974 to indicate what were the recommendations of the Action Committee and what action had been taken by Government thereon.

58. The Government (Ministry of Finance, Bureau of Public Enterprises) in their further reply stated (21-2-1975) that though the Action Committee had prepared a draft report on Durgapur Steel Plant and a copy was also sent to the Minister of Steel and Mines for discussion, a meeting could not be arranged between the Members of the Action Committee and the Minister of Steel and Mines. In the meantime the term of the Action Committee expired and as such the Report on Durgapur Steel Plant could not be finalised.

59. As regards supplementary information required by the Committee on Public Undertakings with regard to Tannery and Footwear Corporation, the Bureau furnished a detailed note prepared by the Ministry of Industry and Civil Supplies (Deptt. of Industrial Deve-

lopment) (Appendix II) and it was stated that information with regard to BHEL, Hardwar would follow.*

Recommendation Serial No. 22 (Paragraph 4.15)

60. The Committee noted that the role of Public Sector in terms of Industrial Policy Resolution was generally accepted. Concern was, however, voiced about the performance of public sector and this in particular concerned actual production turn-out as compared to the installed capacity. The Committee, however, pointed out that the under-utilisation of production capacities not only led to locking up of scarce resources but also resulted in wide-spread repercussions in linked industries and heavy avoidable imports. It had also the effect of inflating the cost of production and adversely affecting the financial results of the undertakings. Besides, it meant that the plant and machinery might become obsolescent and even up

*At the time of factual verification the Ministry of Finance, Bureau of Public Enterprises forwarded a copy of their further reply dated 15th July, 1975 wherein the following was stated:—

“Hardwar unit has consistently shown an improvement in growth rate since 1971-72 as indicated below:—

Year	Turnover	Growth Rate
		(Rs. crores)
1971-72	13.12	22%
1972-73	23.19	77%
1973-74	44.42	92%
1974-75	56.25	27%

The unit has budgeted for a finished output of Rs. 95.05 crores during 1975-76 comprising of—

	Financial	Physical
Thermal sets	Rs. 57.84 crores	1280 MW
Hydro sets	Rs. 20.24 crores	480 MW
Electrical	Rs. 12.74 crores	
Others	Rs. 4.23 crores	255 MW/460 Nos.

In terms of gross turnover, a growth of 58% is envisaged during 1975-76. No unit is expected to achieve the installed capacity to a large extent by 1975-76.”

unprofitable because of technological development before full value of the investments made had been derived.

61. The Government in their reply (2-3-1974) stated that the observation of the Committee had been noted. The same had been brought to the notice of the Public Enterprises for information and guidance through the administrative Ministries *vide* BPE Office Memorandum No. 3/1/74-Prod. dated 13-2-1974. (Appendix III).

Recommendation Serial No. 23 (Para 4.16)

62. The Committee recommended that Government should immediately analyse the reasons for the persistent under-utilisation of capacities in the various undertakings and take remedial measures in respect of each of them. These measures and the improvements made should be reviewed every year and the same specifically brought to the notice of Members of Parliament through a special Chapter in the Annual Report of the Bureau of Public Enterprises on Central Government industrial and commercial undertakings. It should bring out in clear terms the percentage of utilisation of installed capacities and the reasons for ideal idle capacities, if any, its implications in financial terms and the remedial measures taken or proposed to be taken by Government to improve utilisation of capacity in the Public Sector.

Recommendation Serial No. 24 (Para 4.28)

63. The Committee noted that even where attempts had been made by individual undertakings for diversification of their production, such attempts had been rather sporadic and diffused and no serious efforts seemed to have been made to have a comprehensive plan of diversification consistent with the market trends of the products. The Committee recommended that Government should pay special attention to the question of diversification and create a machinery for taking suitable steps in this direction with a view to deriving maximum benefit from the installed capacity in various modern techniques.

64. The Government in their reply (20-3-74) stated that the Government and the individual enterprises made regular analyses of the reasons for persistent under-utilisation of capacity. Remedial measures were taken by the management of the enterprises. As a result of trend analysis arising out of monitoring of the performance of enterprises carried out by Government such enterprises which showed persistently low output, were being examined in depth with the help of agencies such as Bureau of Public Enterprises

and the Action Committee on Public Enterprises. So far, a large number of enterprises in the core and basic sectors had been studied in depth and remedial measures in almost all the cases had been instituted. This organised approach would continue with a view to assisting the public sector enterprises in achieving optimum levels of production in the shortest possible time.

65. Government stated that they were also making an organised review of 'capacity' of all "production" enterprises with the help of suitable consultancy organisations to establish the current level of utilisation and for diagnosing the important causes of low utilisation so that an objective appraisal could be made of the efforts made to improve utilisation.

66. In addition to identification of enterprises that persistently showed under-utilisation of capacity, Government also continued to assist them in diversifying their production to make the maximum use of installed capacity. While appreciating the need for each enterprise to develop its expertise in market research and product design and development, Government was also considering the question of setting up a special monitoring cell to oversee the effort being made in this particular area.

67. As regards the observations of the Committee in the recommendation at Sl. No. 23 relating to inclusion of a special chapter in the Annual Report of the Bureau of Public Enterprises on Central Government industrial and commercial undertakings to deal with the position regarding under-utilisation of capacities in the various public enterprises, measures taken to improve the same, improvements made, etc., Government invited attention to the 46th Report of the Committee on Public Undertakings (Fifth Lok Sabha), in which the Committee had made a number of other suggestions also in order to make the above Report a more comprehensive document from the point of view of accountability to Parliament. Government was separately considering the above mentioned recommendation in the 46th Report *vide* para 1.16 thereof, which also *inter alia* referred to the question of including in the Annual Report a critical appreciation of the performance of public undertakings as compared with the performance of each of the previous two years especially with reference to production/performance targets, etc., *vis-a-vis* installed capacity, findings of Government as a result of reviews conducted and remedial measures taken, with particular reference to improvements in management control. Government added that their detailed reply on the recommendation in para 1.16 of the 46th Report would be communicated as early as possible.

68. The Ministry of Finance (Bureau of Public Enterprises) were asked to indicate the names of Public Undertakings which were being examined in depth with the help of agencies, such as BPE and the Action Committee on Public Enterprises and the remedial measures taken in the case of Public Undertakings in the core and basic sectors.

69. The Government in their further reply (7-4-1975) furnished:

- (i) a list of Public Undertakings in whose case the BPE had undertaken studies in depth.
- (ii) a list of Action Committee's Reports submitted to Government.
- (iii) remedial measures taken to improve the working of Public Enterprises in the core and basic sectors.

70. The Government in their subsequent reply (25-6-1975) stated that "Government have accepted that the dictates of Public Policy and need of the public sector might necessitate a more aggressive exploration of the scope for expansion of public needs with resources available in the public sector. Bureau is currently engaged in the study of possible areas of consumer goods industries which the public sector could enter advantageously. There was a proposal to set up a separate Marketing Division in the Bureau consisting of a small group for developing and examining the marketing programmes of companies. However, in view of the general economy measures in administrative expenditure, this proposal has not been pursued. The question will again be taken up subsequently, particularly after the results of the capacity utilisation study and the study relating to the consumer goods industries which Public Sector should enter are available."

71. The Committee have noted the efforts being made by the Government with a view to improving capacity utilisation of Public Undertakings. They feel that merely bringing these recommendations to the notice of the public undertakings is not enough. What is required is continued follow-up action without which no improvement is possible. While reiterating their recommendations the Committee hope that the Government will continue to give utmost importance to this problem and urge upon the public undertakings to spare no efforts to achieve the rated capacity of production in the shortest possible time.

CENTRAL ROAD TRANSPORT CORPORATION**Recommendation Serial No. 38 (Para 7.5)**

72. In regard to the Central Road Transport Corporation the Committee invited attention to their recommendation in para 7.6 of their Sixty-second Report (Fourth Lok Sabha) wherein it was stated that as the Ministry had failed to put the Central Road Transport Corporation on a commercially sound footing during the course of last six years and as the Corporation had practically consumed the entire investment, it should be wound up, as early as possible. The Committee recommended that Government should take an early decision in this matter.

73. The Government stated in reply (14-3-1974) that so far as the closure of Central Road Transport Corporation was concerned, the matter was in an advanced stage of consideration in the Central Government in consultation with the Government of West Bengal also.

74. The Ministry of Finance, Bureau of Public Enterprises, were asked on 23-11-1974 to indicate the latest position regarding the Central Road Transport Corporation.

75. The Ministry of Finance, Bureau of Public Enterprises in their further reply (6-2-1975) stated that the Government (Ministry of Shipping and Transport) had requested the Chief Minister of Assam and Ministries of Chemicals and Steel and Mines and Heavy Industry to indicate whether it would be possible for the public sector organisations in the Eastern Region under their charge to take over the vehicles and the corresponding staff of the Central Road Transport Corporation. The Managing Director of the Corporation was also requested to find out whether the employees of the Corporation would be agreeable to form a cooperative society which could take over the entire fleet of the Corporation in the Eastern Region. It appeared that public sector organisations in the Eastern Region were not in a position to take the vehicles and staff of the Corporation. The employees of the Corporation had also not shown any interest in the proposal to organise a cooperative society to run the vehicles of the Corporation. The matter was being further considered in the Government in the light of these developments.

76. The Committee wish again to invite attention to their recommendation in para 7.6 of their Sixty-second Report (Fourth Lok Sabha) and stress that final decision in the matter be taken at an early date and reported to Parliament.

WORKING OF FOOD CORPORATION OF INDIA

Recommendation Serial No. 39 (Para 7.8)

77. The Committee found that the Food Corporation of India had emerged as the biggest trading enterprise in the Public sector. Its turnover was Rs. 1641.61 crores in 1971-72.

78. The Committee desired the Food Corporation of India to take concerted measures to reduce its handling charges so that the benefit of State procurement could be passed on to the consumer without involving an unduly high subsidy from the State Exchequer to cover administrative and handling charges, storage and transit etc.

79. The Government stated in reply (2-3-1974) that the observations of the Committee had been noted. The organisational set up and the working of the Corporation were constantly reviewed not only by the management of the Corporation but also the Government with a view to effecting such improvements and economies as were possible. Due to the recent general increase in prices, no major reduction in the various operational cost seemed possible. However, the Government had appointed a high-level Committee under the Chairmanship of the Food Secretary to scrutinise and critically analyse the procurement and distribution incidentals of the Corporation. The recommendations of the Committee expected to be finalised shortly.

80. The Ministry of Finance, Bureau of Public Enterprises, were asked on 23-11-1974 to indicate when the Committee under the Chairmanship of the Food Secretary to scrutinise and critically analyse the procurement and distribution of incidentals of the Food Corporation was expected to submit their Report.

81. The Government (Ministry of Finance, Bureau of Public Enterprises) in their further reply (1-2-1975) stated that the high level Committee under the Chairmanship of the Union Food Secretary was appointed on 11-1-1973 and the report was submitted by the Committee on 15-4-1974. They have not indicated the action taken by the Government on the recommendations of this Committee.

82. The Committee would like the Government to finalise their decision on the recommendations of the high level Government Committee expeditiously and report the same to Parliament. They would also like to reiterate that the Food Corporation of India should take concerted measures to reduce its handling charges so that the benefit of State procurement can be passed on to the common man.

Recommendation Serial No. 45 (Para 7.47)

83. The Committee found that though the Engineers India Limited was incorporated as back as March, 1965, it had failed to grow into a full-fledged, self-reliant Consultancy Organisation in the public sector even in the Limited sphere of petro-chemicals and fertilizer industries. Its dependence on foreign companies was evident from the fact that it had entered into agreements with foreign countries for Heat Exchangers, Trays and Fired Heaters.

84. The Committee attached the highest importance to achievement of self-reliance at the earliest in chemical industries as these occupy a place of strategic and vital importance in present day economy. The Committee were, however, not very clear about the role of Engineers India Limited in the field of technology and engineering for fertiliser industry *vis-a-vis* the expertise developed by the Fertilizer Corporation of India. The Committee were also not very clear as to what role these two organisations both of which were in the public sector were going to play in the Government's declared intention of having a crash programme for setting up fertilizer industry in the Fifth Plan in the country. The Committee liked the Government to examine this matter in all its aspects and lay down a clear policy so as to obviate any controversy developing between these two organisations and for ensuring that the best technological and engineering skills were employed in the larger national interest for developing fertilizer manufacturing capacity in the country in the shortest time in the Fifth Plan.

85. The Government in their reply (2-3-1974) stated that although the Company was incorporated in March, 1965 as a Joint venture between the Government of India and Bechtel International Corporation a real start towards rapid progress could be made only by the middle of 1967 when the Company was reconstituted as a wholly owned Government of India Undertaking. The first two years witnessed tardy progress mainly on account of the delay in the construction of the Madras Refinery, EIL's first job, as a consequence of the conflict with Pakistan in 1965 and partly because of the incompatibility of Bechtel Management in EIL. Soon after the re-constitution of the Company in 1967 it started making rapid progress, initially in the field of petroleum refining.

86. In the field of fertilizer industries, EIL started work only in 1972 with the undertaking of engineering work for M/s Indian Farmer's Fertilizer Co-operatives' Ammonia plant and M/s Southern Petrochemical Industries Corporation's Urea Plant. EIL was then in a position to undertake the design engineering of Ammonia and Urea plants based on licensors' process packages. This corresponded to the degree of indigenisation currently obtaining in the country in the design phase of these facilities.

87. The considerations that weighed with the Government in taking a decision to entrust to EIL the designing and engineering of three fertilizer plants, included in the crash programme of setting up additional fertilizer manufacturing capacity in the country during the Fifth Five Year Plan, were as follows:—

- (1) The programme for enhancement of fertilizer capacity in India—immense and probably the largest undertaken in any part of the world—called for the harnessing of the skills developed in various organisations in India for undertaking the challenge of implementing the programme involving an enormous volume of engineering design, construction supervision and commissioning work. The magnitude was such that it necessitated setting up capacity in more than one design organisation in the country.
- (2) It would be much beyond the capacity of any single organisation to organise the manpower and ancillary facilities required for undertaking this massive effort.
- (3) Building up capacity in any single organisation for handling this work-load would have created problems of contraction when the work-load tapered off; it was, therefore, necessary to off-load part of the work to some other organisation, where with marginal additions to the manpower and ancillary facilities, the work could be undertaken.
- (4) Fertilizer plants belonged to the same family of process plants as petroleum refining and petrochemical plants. Design of fertilizer plants was facilitated to the extent that it was much simpler to standardise these than was the case with petroleum refining and petrochemicals, which almost always involve individually designed plants. EIL's competence in the field of design engineering of petroleum refining and petrochemical plants was already well established and recognised not only in India but also

overseas. The marginal additions to man-power and facilities that would be required to be arranged in EIL for undertaking work relating to Fertilizer Plants could conveniently be utilised for work relating to other process plants, if and when, the work relating to Fertilizer plants ceased to exist.

- (5) EIL already had the infra-structure necessary in the various engineering disciplines—chemical, mechanical civil, electrical, instrumentation etc.—which could take care of the basic aspects of the work-load relating to Fertilizer Plants.
- (6) EIL had already undertaken design work for the Ammonia plant of M/s Indian Farmers Fertilizer Co-operative and the Urea Plant of M/s. Southern Petrochemical Industries Corporation at Tuticorin, and, therefore, had the basic experience for undertaking work relating to Fertilizer Plants.

Considering all the aspects of the matter the Government took a conscious decision to entrust the work relating to three Fertilizer Plants to EIL, without hurting the interests of other organisations already in the field. The Government were convinced that it was in the best national interests—particularly with the reference to the need for developing fertilizer during manufacturing capacity in the country in the shortest time during the Fifth Five Year Plan—to entrust this responsibility to EIL. All the relevant organisations being under the administrative control of the same Ministry (Ministry of Petroleum and Chemicals) there was no danger of any unresolvable controversies developing between the Fertilizer Corporation of India and EIL in this regard.

88. The Committee had not taken any objection to the Government entrusting EIL with the responsibility of designing and engineering three new fertilizer plants in preference to Fertilizer Corporation. What they had stated was they were not clear as to what role these two organisations in public sector (viz. EIL and Fertilizer Corporation of India) were going to play in setting up fertilizer industry in the Fifth Five Year Plan in the country. The Committee therefore reiterate that Government should lay down a clear policy in this regard so as to obviate any controversy developing between these two organisations and to ensure that the best technological and engineering skills are employed in the larger national interest for developing fertilizer manufacturing capacity in the country in the shortest time in the Fifth Plan.

WORKING RESULTS OF PUBLIC ENTERPRISES

Recommendation Serial No. 47, (Para 8.09)

89. The Committee found that the number of profitable concerns in the public sector had gone up from 52 in 1970-71 to 58 in 1971-72. The Committee also found that number of undertakings in whose case, return on investment (i.e. gross profit as percentage to capital employed) was more than 25 per cent had gone up from 2 in 1967-68 to 10 in 1971-72. While some improvement in general was thus discernible the Committee found from the overall working results of the Public Sector Undertakings that the overall net loss of Rs. 2.86 crores in 1970-71 had risen to Rs. 18.96 crores in 1971-72. Such losses, apart from being a drain on the country's resources cloud the real achievements of the Public Sector notably, the development of basic and strategic industries in the country, achievement of self-reliance, development of know-how, increase in employment potential etc.

90. The Committee agreed with the view that in assessing the performance of Public Sector Undertakings the financial profit or loss should not be the sole criterion and the contribution to the Public Exchequer should given due weight.

91. The Committee hoped that with the introduction of the new system of conducting a six monthly review of the working results by Government and submission of a Report thereon to the Cabinet would enable the Central Government/Public Undertakings to fathom the underlying reasons for low profitability in each enterprise and would enable the Government and the Public Undertakings concerned to take timely remedial measures to improve the profitability of the Undertaking. The Committee also hoped that the assurances given to them by the Finance Secretary during evidence that Indian Drugs and Pharmaceuticals Ltd. would break-even in 1972-73, Hindustan Steel Ltd. in 1973-74 and Heavy Engineering Corporation Ltd. and the Mining and Allied Machinery Corporation Ltd. in 1975-76 would be realised.

92. The Government in their reply (30-5-74) had stated that the overall working results of Public Enterprises had considerably improved in 1972-73, as compared to the previous years. Thus, for the first time, after many years, the public sector enterprises had collectively earned a net profit after taxes aggregating to Rs. 19.85 crores after prior period adjustments. Of the 101 running enterprises excluding 7 enterprises under construction, 3 insurance companies, SAIL financed by Government grants during 1972-73 and Mineral

Exploration Corporation from which accounts were not yet due), 71 enterprises earned a total profit of Rs. 104.25 crores while the remaining 30 suffered a total net loss of Rs. 84.40 crores resulting in an overall net profit of Rs. 19.85 crores as against a net loss of Rs. 15.41 crores in 1971-72. The net profit of Rs. 19.85 crores had been arrived at after allowing Rs. 235 crores for depreciation and amortisation, Rs. 12 crores for write off deferred revenue expenditure, Rs. 162 crores for interest payments and Rs. 63 crores for taxation.

93. The factual position about the attainment of break-even point BY IDPL, HSL, HEG and MAMC was as follows:—

Indian Drugs and Pharmaceuticals Ltd.

In the original budget for 1972-73, a net profit of Rs. 3 lakhs was contemplated. However, a number of factors beyond the control of management affected production and consequently sales, which meant that the operations of the Company during 1972-73 resulted in a net loss of Rs. 3.7 crores as against the estimated net profit of Rs. 3 lakhs.

Actual production was less than the budgeted targets in all the Plants for the reasons stated below:—

- Antibiotics Plant :
- (i) 'Tool down.' strike by the workers followed by lock-out of the Plant between 19th June, 1972 and 28th June, 1972.
 - (ii) Shut-down of the Plant for cleaning and overhauling for a fortnight in July, 1972.
 - (iii) Power-cut on account of strike of engineers of Uttar Pradesh State Electricity Board in January, 1973.
 - (iv) Production of Sodium Penicillin was suspended in February, 1973 for modifications in that section. Modification in Procaine Penicillin Section could not be completed by March, 1973 as planned, due to non-receipt of stainless steel pipes and replacements of glass fittings.
 - (v) Technical problems like quality failure and non-sterility.
- Synthetic Drugs Plant :
- (i) Shortage of raw materials like Ammonia gas, Sodium Sulphide, Meta-aminophenol and alcohol which affected the production of Sulphas, Sodium PAS, Vitamin B₁ and Folic Acid.
 - (ii) Shortage of water due to break-down of supply from State Government.
 - (iii) Go-slow tactics adopted by the labour from July, 1972 onwards.
 - (iv) Curtailment of production necessitated by power cut enforced by Andhra Pradesh State Electricity Board.

- Surgical Instruments Plant :**
- (i) Power-cut is imposed by Tamil Nadu State Electricity Board in October, 1972 which was increased to 75% in February, 1973.
 - (ii) As a result of the severe power-cut, selective lay-off had to be resorted to by the plant from March, 1973.

As a result, the Company could not achieve break-even during 1972-73 as originally estimated.

The Company had also suffered many set-backs during 1973-74, e.g.

- Antibiotics Plant :**
- (i) Disturbed labour conditions in the Plant resulting in strike by workers and lock-out between 26-4-73 and 12-5-1973.
 - (ii) Continued Power restrictions imposed by UP State Electricity Board and frequent power interruptions.
 - (iii) Persisting technological problems relating to cost-sterility in streptomycin sulphate.
 - (iv) Shut-down of sodium and procaine Penicillin Sections upto the end of September, 1973 for modifications.
 - (v) Shortage of certain essential raw materials.
- Synthetic Drugs Plant :**
- (i) Continued power-cut imposed by Andhra Pradesh State Electricity Board.
 - (ii) Continued shortages of raw materials.
- Surgical Instruments Plant :**
- (i) Continued power-cut upto July, 1973.
 - (ii) Heavy absenteeism in Grinding and Assembly Shops which was being experienced since September, 1973.

In view of the steep rise in prices of raw materials and with no indication of any increase in prices of products in the near future, difficulties in procuring raw materials, and the anticipated increase in wage bills, the operational results for 1974-75 had also been forecast to result in a loss of Rs. 20.42 lakhs.

The Company, however, hoped to break-even during 1974-75 subject to acceptance of its persistent requests for upward revision of the drug prices in view of the incidence of increased prices of inputs and wages and salaries.

Hindustan Steel Ltd.

94. The important factors responsible for the losses incurred by Hindustan Steel Ltd. had been the lower volume of production *vis-a-vis* the installed capacity of each of the Steel Plants and the inadequacy of the structure of steel prices in relation to the gross block of the plants.

There was an allround improvement in production from all the units of the Company in 1972-73 over the production in 1971-72; the aggregate production of ingot steel as well as saleable steel from the three integrated steel plants in 1972-73 was the highest annual production so far and represented an increase of nearly 15 per cent over the production in 1971-72. Expecting that this upward trend of production would continue in 1973-74, higher targets of production were fixed in the beginning of the year. A revised system of pricing of steel materials was also introduced from 15th October, 1973. It was, therefore, estimated that Hindustan Steel Ltd. would either earn a small profit or at least break-even during 1973-74. Unfortunately, however, the production during the months, April 1973—January 1974, had not only fallen short of the targets for this period but was even lower than the production during the corresponding period last year. This shortfall in production was due principally, first to shortage of power which had affected directly all the plants except Bhilai Steel Plant and, secondly, the inadequate availability of coal, again largely due to power shortage, which had affected all the plants. Disturbed industrial relations also affected production at Durgapur and to some extent in Rourkela. The strike by the workers of the Cast House Section of the Blast Furnace Department of the Durgapur Steel Plant during August/September, 1973 paralysed the operation of the entire plant for 25 days. The operations of the steel plants had also to face very serious dislocation on account of dislocation in rail movement resulting from the strike by locomen in August, 1973, the strike by the section of the railway staff in the Dhanbad Division from 30-11-1973, from the agitation of the locomen from 16th December, 1973 and the agitation of wagon and carriage staff and station masters in January-February, 1974. All the plants had to impose drastic cuts in production in keeping with the minimum in-flow of raw materials. All this had resulted in shortfalls in production and accumulation of stocks of finished steel. In consequence, Hindustan Steel Ltd. would not break-even in 1973-74.

Heavy Engineering Corporation Ltd.

95. The Company was expected to break-even during 1974-75 with a production value of Rs. 75 crores. In any case, the assurance given for the break-even during 1975-76 would be kept up.

Mining & Allied Machinery Corpn. Ltd.

96. The Company was expected to make a profit of Rs. 25 lakhs and Rs. 1 crore during 1973-74 respectively; the Company had already earned a profit of Rs. 12.42 lakhs during 1972-73.

97. The Committee regret to note that the assurance given by the Finance Secretary during evidence has not materialised inasmuch as the IDPL did not reach the break-even stage in 1972-73.

98. The Committee would reiterate that Government should make concerted efforts to bring about improvements in the working of these undertakings so that these undertakings not only reach the break-even stage but also start giving the expected return on capital invested there at the earliest. The Committee would also reiterate that Government should keep constant watch on the performance of the Public Sector Undertakings which were or are incurring losses and take suitable remedial measures to prevent these Undertakings incurring losses.

FIXATION OF PRICES

Recommendation Serial No. 50, (Para 8.25)

99. The Committee noted that the pricing policy guidelines issued by the Bureau of Public Enterprises in 1968 continued to remain in operation. While these guidelines set out the position in correct perspective, the Committee had come across cases where the price was firmly settled *e.g.*, the price paid for iron ore to National Mineral Development Corpn. with the result that the Public Undertaking had no clear picture how it was faring financially. The Committee felt that Government should ensure that prices were fixed within a time schedule to be prescribed in this behalf so as to remove all ambiguity and uncertainty which initiated against efficient functioning of an organisation as well as sound financial management.

100. The Government stated in reply (20-3-74) that cases of pricing involved apart from differences between two Public Sector Companies, one being the purchaser and the other seller, also the Administrative Ministries under whose control they were operating, and sometimes the Companies might be operating under different Administrative Ministries. The Government had established a formal mechanism for resolving price disputes by referring them to a Pricing Committee under the Chairmanship of Director General, Bureau of Public Enterprises. In such cases, Government accepted that the Pricing Committee should at the time of its constitution itself be furnished with a time schedule within which the price should be determined.

101. Ministries and Public Sector Undertakings were already aware of the procedure for referring cases to the Ministry of Finance for setting up a Pricing Committee. They were, however, being informed that in the light of the recommendation made by the Com-

mittee on Public Undertakings they should take all steps necessary to finalise pending cases expeditiously either by referring them to the Pricing Committee or through direct negotiations.

In the case of National Mineral Development Corporation, specifically referred to in the Committee's recommendation, the price for Bailadila ore supply to Minerals and Metals Trading Corporation during the years 1972-73, 1973-74 and 1974-75 had been finally settled between the company and MMTC. The price for Kiriburu ore supplies to Bokaro Steel Ltd. was under consideration.*

102. The Ministry of Finance, Bureau of Public Enterprises furnished along with their reply (received on 20.5.1975) a copy of the instructions issued to the administrative Ministries to take all necessary steps to finalise pending cases of price disputes *inter se* as well as between Government Departments and Public Sector Undertakings expeditiously either by referring them to the Pricing Committee or through direct negotiations. The Ministry of Finance also stated that the settlement of price for the Bailadila ore supplied by NMDC to MMTC as also the price for Kiriburu ore supplied to Bokaro Steel would be intimated separately.

103. The Committee deprecate the inordinate delay on the part of Government in settling the prices of Bailadila Iron Ore and Kiriburu Iron Ore and reiterate that Government should ensure that price disputes are settled within a time schedule to be prescribed in this behalf so as to remove all ambiguity and uncertainty which militates against sound financial management.

At the time of factual verification the Ministry of Finance, Bureau of Public Enterprises stated that the Department of Steel have informed them as under:—

"The NMDC and MMTC have arrived at a price settlement for the sale of Bailadila iron ore for the years 1971-72 to 1974-75. The prices agreed to are as under:—"

1971-72 Rs. 20.50 per DMT F.O.R. Vizag.

1972-73 } and Rs. 24.00 per DMT F.O.R. Vizag.
1973-74 }

1974-75 Rs. 25.00 per DMT F.O.R. Vizag.

(Railway freight from Bailadila to Vizag. will be on MMTC account).

The MMTC has also since agreed in principle to an increase of Rs. 5.50 per DMT in the year 1974-75 price with effect from the 1st September, 1974."

"For the year 1974-75, NMDC will be paid by Bokaro Steel Plant at the rate of Rs. 28.35 per tonne for iron lumps and Rs. 22.16 per tonne for fines plus royalty and cess as per actuals for kiriburu.

For supplies made to Bokaro prior to 1974-75, the price to be paid has not yet been finalised. Similarly, for supplies to be made from 1-4-1975 onwards, fresh price will be negotiated in due course."

Further, Deptt. of Steel have stated that they have been informed by the Comptroller & Auditor General of India that NMDC has agreed to pay the price of Rs. 30.50 per DMT for supplies from 1-9-1974 to 31-3-1975.

INVENTORY CONTROL

Recommendation Serial No. 65, (Para 14-10)

104. The Committee stated that the increasing pace of industrialisation in the country called for a scientific control of inventory. They found that while 17 Public Undertaking plants, had achieved significant success in bringing down the level of inventory in terms of months consumption, the inventory goes up in the case of 9 public undertakings.

105. The Committee felt that the importance of inventory control and the scope it offered for rationalisation had not been realised by a good number of Public Undertakings who continued to carry heavy inventories representing consumption levels of one year and more. The Committee felt that the stores organisation should receive special attention of the Management right from the inception so as to make sure that machines, equipment and spares were not ordered in excess of the requirements as had happened in several instances. It should not be too difficult to work out the minimum and the maximum levels for stores equipment in the light of experience available in the undertaking or in comparable organisations. In this connection, the Committee noted the initiative taken by the Bureau of Public Enterprises in reviewing inventory management in a number of undertakings and laying down broad guidelines. The Committee felt that if these guidelines were implemented in letter and spirit, it should be possible to effect a great deal of improvement. The Committee suggested that study should be made of slow-moving and non-moving stores in order to identify the factories which were responsible for such a situation to arise.

106. In reply (14-3-74) Government stated that they were fully conscious of the importance of the various aspects of materials management including the disposal of slow moving/non-moving items. The high level Committees which examined the inventories in depth of some of the enterprises every year, gave considerable stress on this aspect. Necessary circulars (APPENDICES IV & V) had also been issued on the subject. The progress in the disposal was watched from the yearly reports which were received from the units by the Bureau of Public Enterprises.

Overall inventory levels during the last 6 years had shown progressive improvement. The level which was at 6.7 months production/sales in 1968 had come down to 4.6 in 1973.

107. The position in respect of 9 units referred to in paragraph 14.3 of the COPU's Report for 1973-74 (5th Lok Sabha) had been fur-

ther examined and the comparative position for the last 3 years in respect of these units was as indicated in Appendix VI. The inventory levels should normally be compared against production/sales and not with consumption of materials since the same would not bring out correct comparative position. It might be observed from this annexure that out of 9 units inventory in terms of number of months production/sales turnover had improved during 1972-73 in 4 units viz. Hindustan Cables, Air India, NCDC and MAMC.

108. In the case of Air India major portion of their inventory was held under spares, most of which were imported and were obtained alongwith the aircrafts. The Consumption of spares would rise gradually. Air India had fixed norms for their inventories and the present stock holdings under spares were more or less within the approved norms.

109. The inventories of Trichi unit of BHEL were depth studied by the Committee on Inventory Control in 1970. Recommendations made by the Committee had been implemented. The present level of 11.14 months in this unit was considered reasonable.

110. The increase in the inventory level of the remaining 4 units was due to the following reasons:—

(1) *Hindustan Shipyard Ltd.*

The rise in inventory level was mainly due to increase in the stock under raw materials (steel) and work-in-progress. High stocks of steel had been kept by the management to ensure uninterrupted production for years. The same, however, did not materialise due to frequent disruption of work resulting in lesser utilisation of materials. In order to reduce the work-in-progress average construction period had been reduced by HSL from 28.33 months in 1971-72 to 23.50 months in 1972-73. Efforts were continuing to reduce this further. Bureau had advised them to use net work analysis for this purpose.

(2) *NMDC*

Major overhauls in respect of their equipments were planned during 1973-74. The spares required for the same were received during 1972-73 and increased the level of inventory. Most of these were imported.

There was also considerable expansion taking place and consequently increased quantum of construction materials had been received. The position was expected to improve during 1973-74.

(3) *Tannery & Footwear Corpn.*

The increase in the inventory level was due to lower production and increase in the stocks of raw materials and work-in-progress. The unit had requested to take remedial steps.

(4) *Neyveli Lignite Corpn.*

Their level of holdings in respect of spares had increased. These spares had to be imported against West German Credit for undertaking major overhauls in subsequent years. NLC had appointed M/s. Sarabhai Consultants to examine their inventory management in respect of their spares and their report was expected shortly.

111. The Committee find that the reply of Government is incomplete in so far as the study regarding slow-moving and non-moving stores are concerned. The Committee reiterate their recommendations that the Bureau of Public Enterprise should undertake the study without further delay so as to identify the factors responsible for accumulation of such stores. The Committee also find from the Annual Report of the Bureau of Public Enterprises for the year 1973-74 that the inventory in terms of months production in the case of MAMC, NCDC, NDMC and Neyveli Lignite Corporation has shown an upward trend and continue to be much in excess of the norms. The Committee would like to reiterate that Government should take effective steps in the light of the guidelines already issued to bring down the inventories to the optimum level. The Committee would also like that the measures taken by the Government in this regard and the improvements made as a result thereof should be reported to Parliament from time to time.

SOCIO-ECONOMIC OBJECTIVES

Recommendation Serial No. 51 (Para 9.7)

112. The Committee noted that while the growth of investment in the public sector had to some extent helped to reduce the concentration of economic power in private hands, there was yet a great leeway to be made in realisation of this objective and making the public sector an effective instrument for preventing inequalities in income and wealth. So far even the derivative advantages accruing from the setting up of public enterprises seemed to have mainly gone to a small section of the population like contractors, distributors, suppliers of raw materials and the big industries and the benefits had not proportionately percolated to the lower sections of the community. This trend needed to be checked. The Committee felt that

apart from the measures already being taken by Government in bringing about change in the structural content of the corporate sector, there was need to pursue a deliberate policy of preferring public sector agencies for construction, supply of products and materials and distribution. They would recommend that Government should examine this problem with a view to removing deficiencies, if any, and devising suitable measures for an early realisation of the objective.

113. The Government in their reply (20-3-1974) stated that for better utilisation of costly productive capacities created in the public sector manufacturing industries, purchase and price preference in favour of engineering capital goods produced in the public sector had already been prescribed by the Government. Instructions also existed requesting the public enterprises to make greater use for the public sector design, consultancy, construction agencies for their work. Other public sector undertakings also received preference for supply of products and materials to Government departments and other public undertakings.

So far as the consultancy/construction organisations in the public sector were concerned, it was being examined whether some changes should be made in the procedure and the method of awarding of works to them by other public enterprises and Government departments. The idea was that while such organisations should receive preference on a continuing basis, their clients should also be assured against any possibility of being charged an unreasonable price. The matter was proposed to be considered in depth at a meeting of all the consulting and contracting companies in the public sector, being convened by the Bureau shortly.

114. The Ministry of Finance, Bureau of Public Enterprises were asked on 23-11-1974 to indicate as to what machinery was set up for examining whether some changes should be made in the procedure and the method of awarding of works.

They were also asked to indicate whether the matter had been considered in depth at the meeting of consultancy and construction companies in the public sector and if so a copy of the proceedings of the meeting held for the purpose should be furnished.

115. The Government (Ministry of Finance, Bureau of Public Enterprises) in their further reply (5-2-1975) stated that a Conference of Public Sector Construction and Consultancy Companies was held on 17-7-1974 at New Delhi. A Committee under the Chairmanship of Shri R. K. Sethi, Managing Director, NIDC was constituted to go

into the various aspects of tendering procedures and make specific recommendations which could be considered by the Standing Conference of Public Enterprises. The Committee had not yet submitted its recommendations.

116. The Committee are unhappy to note that the Government have taken unduly long time in finalising action on this Recommendation. They would like the Government to expedite the final decision in the matter and implement the recommendation of the Committee without avoidable delay.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 1 (Paragraph No. 1.20)

The Committee note that by the Industrial Policy Resolution of 1948, the responsibility for setting up new undertakings was reserved to the State in six basic industries *viz.* coal, iron and steel, aircraft manufacture, ship-building, mineral oils, manufacture of telephone, telegraph and wireless apparatus (excluding radio receiving sets). By its subsequent Resolution of 1956, Government expanded the role of public sector so as to include eleven other basic and strategic industries *viz.* arms and ammunition, atomic energy, heavy castings and forging of iron and steel, heavy plant and machinery, heavy electrical plant including hydraulic and steam turbines, mining, minerals, air and railway transport, Generation and distribution of electricity.

The industrial Policy Resolution of 1956 had settled the broad areas which should be the responsibility of the public sector. The Committee note that significant progress made in these key sectors constituting basic and strategic industries had laid the foundation for sound economic growth. The Committee suggest that Government may examine the matter and lay down as precisely as possible in the Fifth Plan the role and targets of production to be attained by the public sector and the private sector—industry-wise—so as to remove any ambiguity and provide clear guide-lines to all concerned.

Reply of Government

The attention of the Planning Commission has been drawn to the above recommendation. The Commission would examine the suggestion and keep it in view while finalising the Fifth Five Year Plan.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I) dated 2-3-74].

Further Information called for by the Committee

Please indicate as to what action has been taken by the Planning Commission for implementing the recommendations of the Committee.

[L.S. Sectt. No. 25-PU/73 dated 30-8-74]

Further reply of Government

The recommendations of CPU have been noted and will be kept in view while finalising the Fifth Five Year Plan. Meanwhile an attempt to lay down the annual Physical Targets for the more important Public Undertakings is being made in connection with the preparation of the Annual Plan for 1975-76.

[Planning Commission (Industry and Minerals Division.
O.M. No. I & II-4(9)/11/73 dated 5-10-1974].

Recommendation Serial No. 5 (Para 2.4)

Public Sector has been growing both in absolute as well as in relative terms. Further, most of the public sector enterprises are in basic industries like Steel, Heavy Engineering, Heavy Electricals, Machine tools, etc. which have a bearing on the development of other industries in national economy.

The number of public sector undertakings has risen from 5 at the commencement of the First Five Year Plan to 101 by the end of March, 1972. The investment in these enterprises during that period has increased from Rs. 29 crores to Rs. 50.52 crores. The Committee find that the Hindustan Steel Ltd. has so far produced 11.5 million tonnes of pig iron for sale and Rs. 26 million tonnes of sale-able steel valued at Rs. 27,000 million. Heavy Engineering Corporation has produced goods worth Rs. 95 crores. Hindustan Machine Tools Ltd.'s share in indigenous production of machine tools is more than 40 per cent. Tiruchy Plant of BHEL has manufactured 8 industrial boilers, Hyderabad Plant of BHEL has supplied 6 industrial turbo sets. Hardwar Plant of BHEL has supplied 750 electrical motors apart from supplying thermal and hydro stations in obviating import of equipment of the value of Rs. 280 crores. Heavy Electricals (India), Bhopal has so far manufactured 10 hydro sets and 5 thermal sets apart from manufacturing power transformers and circuit breakers of sizes which are the largest so far required in the country. Hindustan Shipyard Ltd. has built 58 ships including 47 ocean-going cargo liners. The present capacity of the 5 operating units of the Fertilizer Corporation of India is 0.412 million tonnes of nutrients.

The Fertilizer and Chemicals Travancore Ltd. has so far produced 4,26,021 tonnes of nitrogen and 1,75,174 tonnes of P, O₅. The Oil and Natural Gas Commission has so far produced and sold over 24 million tonnes of Crude Oil and about 2,024 million cubic meters of natural gas thereby saving free foreign exchange to the tune of

Rs. 250 crores. The total refining capacity of public sector enterprises is 11.75 million tonnes. This capacity would increase to 17.75 million tonnes after commissioning of the Mathura Refinery. Public Sector has also not lagged behind in Air and Sea transport. Air India has a fleet of nine 707 aircraft and four 747 aircraft. Indian Airlines has a fleet of 51 aircraft. The Shipping Corporation of India has increased its fleet from 18 vessels in 1971 to 95 vessels on 31-8-1973. The share of the public sector shipping in the total tonnage of the country is now 46.74 per cent. The State Trading Corporation's turnover has reached Rs. 265.83 crores in 1971-72.

While taking note of the positive contribution made by the undertaking towards the country's aim of achieving self-reliance in key sectors of economy, the Committee wish to point out that production in certain critical industrial sectors continues to depend on imports. For instance, in 1971-72 alone, imports of iron and steel were of the order of Rs. 245 crores, of petroleum products Rs. 194 crores and of fertilizers Rs. 113 crores. They hope that Government would gear up the planning and implementation machinery to the tasks so that by the end of the Fifth Plan the economy becomes capable of self-generating growth, and dependence on imports particularly in critical sectors is reduced to the minimum.

Reply of Government

Noted. The recommendation has been brought to the notice of the administrative Ministries/Departments for guidance.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 2-3-74].

Further Information called for by the Committee

Please furnish a copy of the circular letter issued to the administrative Ministries. Please also indicate as to what positive steps have been taken to see that imports particularly in Key Sectors are reduced to the minimum and for self-generating economy.

[L.S. Sectt. O.M. No. 25-PU/73 dated 2-9-1974]

Further reply of Government

A copy of the Bureau's O.M. of even number dated 30th January, 1974 (APPENDIX VII) is sent herewith as desired. As regards information regarding positive steps taken to reduce imports to the minimum, this is being ascertained from the concerned administra-

tive Ministries/Department and the same will be furnished to the Lok Sabha Secretariat shortly.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (5)/73-BPE (GM I) dated 23-9-1974].

Recommendation (Serial No. 7, Para 3.14)

The Committee note that Steel Authority of India has been set up as a holding Company with the expectation that it will bring about improvement in efficiency and economies in procedure and develop a steel cadre which is of vital importance for this sector. The holding company will also help in better planning of steel production.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 2-3-74].

Recommendation (Serial No. 11, Para 3.38)

The Committee view with concern the fact that as on 1st September, 1972, 19 public undertakings were being run without top managers of which 10 undertakings did not have even Chief Executives. In the Fertilizer Corporation of India alone as many as 9 posts of General Managers of projects were vacant and of these 7 had remained unfilled for over two years. The Committee note that high level group of Ministries are already seized of this question that major public undertakings are without top men or key-men and a decision is likely to emerge shortly.

Recommendation (Serial No. 12, Para 3.39)

It transpired during the evidence that the main delay was on account of some misunderstanding between the Fertilizer Corporation of India and the administrative Ministry concerned, since so far, the Empanelment Board, constituted as it was, consisted solely of Secretaries to Government and had no representative of public sector enterprises in it.

Now that the Empanelment Board has been reconstituted by including in it an equal number of representatives of public undertakings, the Committee hope that such controversies, which neither behave Government nor bring credit to the enterprise, would not arise in future and that deeper understanding and greater confi-

dence would prevail in the relationship of Government and public-sector enterprises. During evidence, the Finance Secretary admitted that "the reason for the vacancies was lack of advance planning." The Committee hope that the Government would finalise soon the details of the framework for the new managerial personnel policy demarcating clearly the role of the Bureau of Public Enterprises and the High level Selection Board.

Reply of Government

It may be mentioned that the Empanelment Selection Board, which was entrusted with the work of empanelment of persons for appointment to top posts in public enterprises, had consisted of an equal number of representatives of Public enterprises and Secretaries to the Government of India since 1970. However, the matter was engaging the attention of the Government as to how best the procedure of appointment of incumbents of top posts could be further streamlined. Certain decisions have since been taken to ensure that sufficient advance planning takes place in the matter of filling up of such vacancies and to assist the process of development of specialised skills, greater continuity and commitment in the work-force, also encouraging increased mobility of managers between public enterprises. Instead of the present procedure of empanelment of persons for possible vacancies in all the public enterprises, it is proposed to set up a suitable High Level Selection Board of eminent persons including Chief Executives from the public sector and private sector, to recommend suitable names for specific vacancies at the top level that may occur, if none within the public sector can be located for holding the post. It is also proposed to invest the High Level Selection Board with the task of overseeing management development in the public sector as a whole and the evolution of appropriate appraisal procedures to assist objective selection. The details of the new framework are being finalised along these lines.

[Ministry of Finance (Bureau of Public Enterprises)
O.M. No. 9(135)/73-BPE(GM I) dated 29-4-1974].

Further Information called for by the Committee

Please indicate whether—

- (a) a suitable High Level Selection Board of eminent persons has been set up; and
- (b) the details of the new frame-work if the same have since been finalised.

[L.S. Sectt. O. M. No. 25-PU/73 dated 2-9-74]

Further reply of Government

A high level Selection Board known as Public Enterprises Selection Board, has been set up. The details regarding its composition, etc. are given in the Ministry of Finance (Bureau of Public Enterprises) Resolution No. 5 (1)/74-BPE(PESB) dated the 30th August, 1974, published in Gazette of India, Extraordinary Part-I, Section 1 dated the 30th August, 1974 (not appended).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 18th September, 1974].

Recommendation (Serial No. 25, Para 4.26)

The Committee note with satisfaction that in the case of 30 Undertakings/Plants there has been a notable increase in the quantum of production during the period from 1967-68 to 1971-72.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 2-3-74].

Recommendation (Serial No. 27, Para 4.45)

From the replies furnished to the Committee and the views expressed at the time of evidence by representative of some of the leading public undertakings, the main factors which can be said to have been responsible for non-achievement of targets of production in varying degrees, in different industries in the public sector, were (i) shortage of irregular supplies of power; (ii) shortage and irregular supply of raw materials, components; stores and spares; (iii) lack of demand for products; (iv) inadequate maintenance of plant and machinery; (v) strained industrial relations; (vi) non-availability of foreign exchange and procedural delays in obtaining import licences etc; (vii) teething troubles in the case of new plants etc; (viii) technological or other problems.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I), dated 5th September, 1974].

Recommendation (Serial No. 28, Para 4.46)

Production is the need of the hour. Needless to emphasise that non-achievement of targets of production and under utilisation of

capacity have an adverse effect on profitability of the undertaking. Public Undertakings should, therefore, do all in their power to achieve optimum level of production and thus contribute to the achievement of country's goal of achieving self-reliance. In this connection, the Committee note that Government have appointed an "Action Committee" to identify the problems in the way of achievement of optimum production and find solutions therefor. They hope that this Committee will be able to find abiding solutions to the difficulties experienced by the public sector enterprises in stepping up their production.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises)
O.M. No. 9(135)/73-BPE(GM I) dated 2nd March, 1974].

Recommendation (Serial No. 29, Para 4.47)

The Committee also recommend that public undertakings should set up "Monitoring Cell" to carry out concurrent review of the production performance, identify the weak areas and initiate remedial measures promptly so as to ensure that production does not lag behind but conforms to estimates of quantity, quality, time and cost.

Reply of Government

The Committee's recommendation that the Public Enterprises should set up Monitoring Cells in their organisation is accepted. The functions of these cells should be to collect and compile information with a view to help in the day-to-day management of the undertakings. Each public undertaking should have definite production targets with their quarterly and monthly break-ups; and the monitoring cells should help in watching the progress of achievement and the short-falls, if any, and also ascertaining the reasons for short-falls, so that timely remedial or corrective measures may be taken. Indeed, the Board of Directors of all public enterprises should ensure the build-up of a good system of management information which flow up to the Board. In this context reference is invited to the BPE's O.M. No. 2(9) |70-BPE(GM I) dated 24.1.1970 (*Appendix VIII*) which indicates the broad guidelines for responsibilities of Board of public enterprises with regard to policy formulation, managerial control and coordination etc. The Boards of Directors of Public Enterprises are being advised to review the position in their respective enterprises in the light of the foregoing instructions, with a view to improving the present arrangements

for the flow of relevant management information to the top management, including the Boards.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM-I), dated 2nd August, 1974].

Further Information called for by the Committee

Please furnish a copy of the instructions issued to the Public Enterprises.

(L.S. Sectt. No. 25-U/73 dt. 21-9-1974)

Further Reply of Government

Bureau of Public Enterprises is now finalising the guidelines to be issued to the public enterprises, including the associated reporting formats, so far as, reporting to Government by Public Enterprises is concerned. The need for a careful review of the management information system within the enterprises with a view to bring about the necessary improvements therein, keeping in view also the area and nature of reporting to be done to Government is proposed to be suitably stressed in the guidelines referred to above. Evidently, the arrangements for the flow of relevant management information to the top management including the boards within the enterprise will have to fit in the general scheme of reporting from the enterprise to the Government.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/(29/73-BPE(GM I) dated 19-2-1975]

In a further reply, the Ministry of Finance, Bureau of Public Enterprises have furnished a copy of their O.M. No. BPE|GL-003|75| I & R (16/4/72) dated 11-3-75 (not appended) issued on Management Information System—Reporting by Public Enterprises to Government.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (29)/73-BPE(GM I) dated 11-7-1975]

Recommendation (Serial No. 31, Para 45.3)

The Committee note that the sales turnover of manufacturing concerns in the public sector has increased from Rs. 1059.65 crores in 1967-68 to Rs. 2162.67 crores in 1971-72, an increase of 104 per cent in the period of 5 years. The gross sales turnover and other income of the Non-manufacturing concerns in the public sector has gone up from Rs. 794 crores in 1967-68 to 1811.95 crores in 1971-72, an increase of 128 per cent in a period of 5 years. Sales turnover (gross) in 1971-72 as percentage of capital

employed increased in the case of as many as 42 out of 54 industrial and manufacturing enterprises and 26 out of 30 non-manufacturing enterprises as compared to the previous year and in 14 industrial and manufacturing enterprises exceeded 100 per cent. The Committee hope that manufacturing enterprises would gear up their sales organisation to achieve better sales performance in the years to come.

Reply of Government

The problem of marketing does not normally arise when demand outstrips supply. The question of improvement in sales performance would arise in the following circumstances:

- (a) where, public sector undertakings have built up inventories of finished goods, which they are unable to dispose of;
- (b) where capacity utilisation is deliberately curtailed because there is not adequate demand for the product; and
- (c) where, there are possibilities for expansion of production in new lines by a process of diversification.

The Bureau would pay particular attention to the strengthening of marketing organisations of such enterprises so that they could improve the utilisation of their resources and serve the consumer better.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 11-4-1974].

Recommendation (Serial No. 34, Para 6.11)

The Committee are happy to find that the number of manufacturing enterprises which export goods and their value of exports had been rising every year till 1970-71. In 1967-68, 8 manufacturing enterprises in the public sector exported products of the value of Rs. 50 crores. In 1968-69, 17 enterprises exported products of the value of Rs. 69.35 crores, an increase of 38 per cent. In 1969-70, the number of such manufacturing enterprises went upto 23 and the value of their exports totalled Rs. 89.76 crores. In the subsequent year *i.e.* 1970-71, 24 manufacturing enterprises exported products worth Rs. 96.34 crores. This rising trend, however, suffered a net set back in 1971-72 when the value of exports was Rs. 65.76 crores only, the percentage decline on value of exports over 1970-71 being 31 per cent. The Committee, however, note that this decline has mainly due to

restriction imposed by Government on export of steel because of shortage of steel in the domestic market.

Consequently, the value of exports of Hindustan Steel Ltd. had declined from Rs. 53 crores in 1970-71 to Rs. 15 crores in 1972-73. The Committee hope that before long the capacity of Bokaro Steel Plant will be expanded and it will be possible for India to resume export of steel in full measure.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O. M. No. 9(135)/73-BPE (GM I) dated 2-3-1974].

Recommendation (Serial No. 35, Para 6.12)

The Committee find that while the share of the public sector in the import trade has gone up to 3/4 of total imports, its share in the export trade is only 1/5th of the total exports. This points to the need for redoubling the efforts to increase exports.

The Committee recommend that Public Undertakings especially those which have idle productive capacity should explore the possibility of taking up the manufacture of products which have export potential. Needless to say the Public Undertakings can increase their competitiveness in the field of export by reduction in cost and maintaining excellence in quality in consumer appeal of their products. The Committee suggest that there should be close coordination between the Ministry of Commerce which is responsible for foreign trade, the administrative Ministries concerned and the project authorities so as to make full use of the potentialities of public undertakings to step up exports and earn valuable foreign exchange.

The Committee would also like Govt. to study closely the trends of demands in foreign markets so that where long-term opportunities exist, the manufacturing capacities could be developed in the public sector.

Recommendation (Serial No. 36, Para 6.16)

The Committee appreciate the attempts being made by public sector enterprises for earning foreign exchange by exports and other ways. They find that foreign exchange earnings by exports made

by public sector enterprises have increased from Rs. 95.39 crores in 1967-68 to Rs. 191.136 crores in 1971-72, an increase of 100 per cent in a period of 5 years. During the same period foreign exchange earning other than through exports increased from Rs. 65.07 crores in 1967-68 to Rs. 102.57 crores in 1971-72, an increase of 57 per cent. The Committee hope that the tempo of foreign exchange earnings can be accelerated in the years to come with better production performance, rationalisation of prices competitive to similar products from other countries, improvement in quality and wider range of productmix to compete in the international market and undertaking export promotion drives.

Reply of Government

The total value of foreign exchange earned by manufacturing, trading and marketing enterprises amounted to Rs. 375.57 crores in 1972-73. In addition, the foreign exchange earned by Public Enterprises from services rendered amounted to Rs. 124.65 crores during that year. The details are indicated in (Appendix IX). The operations of many of the Public Enterprises also result in saving of considerable foreign exchange, as distinct from earning of foreign exchange referred to earlier. Government are confident that the Public Enterprises will further improve their performance in the export front also in future, coupled with improved efficiency in operations. For this purpose, the Public Enterprises are also taking the assistance of Trade Development Authority wherever considered necessary. Similarly, the possibility of recognition by the Ministry of Commerce, as an export house, is also being explored by some enterprises, with a view to stepping up their contribution in the area of exports.

Ministry of Commerce ensures close coordination between that Ministry and the administrative Ministries concerned with the Public Enterprises as well as project authorities as and when the situation so warrants. With the organisation of the Export Production Department in the Ministry of Commerce, it will now be possible for the Ministry to formalise and put on a sounder footing such coordination efforts in order to make the same continuous, planned and well-directed. Further steps will also be taken, if need be, to see that there is a constant and continuous contact between the Ministry of Commerce and the project authorities so that measures are initiated by the enterprises for expansion of the exports on a sustained basis.

[Ministry of Finance (Bureau of Public Enterprises) O. M. No. 9(135)/73-BPE(GM I), dated 30-5-1974].

Recommendation (Serial No. 37, Para 6.24)

It would be evident that efforts being made by leading public undertakings like the Bharat Heavy Electricals Ltd., Heavy Electricals (India) Ltd., Hindustan Antibiotics Ltd., Heavy Engineering Corporation Ltd., Hindustan Shipyard Ltd., Hindustan Steel Ltd., etc. have resulted in considerable foreign exchange savings. The Committee note that these savings have been achieved mainly by taking up in the country itself, the production of products, materials, machinery equipment and components, etc., which were benignly imported or by locating indigenous items for the imported ones. The Committee recommend that each Public Undertaking should set up an import substitution cell to give a clear direction to such efforts and to keep a watchful eye on the progress in import contents of products manufactured in the public sector. The Committee at the same time would like to stress that in the process of import substitution, the need for excellence in the quality of products should not be sacrificed.

Reply of Government

Instructions already exist *vide* O.M. No. 9(28)FI/67/Cir/Adv-(P)-16 dated 16-10-67 (Appendix X) advising public enterprises to make systematic efforts to develop indigenous substitutes and to achieve self-sufficiency in the matter of raw materials, spares and components. Public enterprises were requested in this communication that there should be separate cells for research and development in the field of import substitution in undertakings depending substantially on imported products.

Major public enterprises have set up import substitution cells and are making reasonably good progress in this direction.

The Committees on Inventory Control which make in-depth studies of inventory management of selected public enterprises also keep on stressing this aspect during the course of their examinations.

The progress in import substitution is watched by the Bureau of Public Enterprises through an yearly report from the units.

Directorate General, Technical Development also keeps watch on the import substitution efforts by the public enterprises.

Total savings in foreign exchange achieved by public enterprises as a result of their import substitution efforts during 1972-73 is approximately Rs. 22 crores.

Further instructions as proposed by the Committee have been issued *vide* O.M. No. 21/15/74-BPE/MM dated 6-3-74 (Appendix XI).

[Ministry of Finance (Bureau of Public Enterprises) O. M. No. 9(135)/73-BPE(GM I), dated 20th March, 1974].

Further Information Called for by the Committee

Please furnish a few reports received from the Public Undertakings for the last year.

Please indicate whether achievement in import substitution are incorporated in the annual Reports of the Bureau of Public Undertakings.

Further Reply of Government

Copies of form 'D' received from some major enterprises for 1973-74 as indicated below are enclosed (not appended):

1. Instrumentation Ltd., Kota.
2. Bharat Heavy Electricals Ltd.
3. Hindustan Aeronautics Ltd.
4. I.D.P.L.
5. O.N.G.C.
6. Hindustan Shipyard
7. Bharat Dynamics Ltd.
8. Hindustan Antibiotics Ltd.
9. Mining and Allied Machinery Corpn.
10. Bokaro Steel Ltd.

Bureau has also received in addition comprehensive reports from some of the Public Enterprises in response to our O.M. dated 6-3-74, copy of which has already been furnished with the Government's reply to the recommendation at Sl. No. 37.

[Min. of Fin. Bureau of Public Enterprises O.M. No. 9(135) (37)/73-BPE(GM) dated 20-1-1975].

Recommendation (Serial No. 41, Para 7.21)

The Committee feel that with the growth of affluence in the developed countries a distinct preference is growing for all goods which have the artistry and merit of handicrafts and handlooms. Since our country has a great tradition and experience of turning out exquisite handlooms and handicrafts, the Committee feel that this potentiality should be put to effective use by properly encouraging the production of handicrafts and handloom goods to earn valuable foreign exchange.

Government's Reply

Various steps have been taken to encourage the production and exports of handicrafts and handloom goods both by the public sector undertakings and the Government. They are briefly stated below:—

(i) *Steps Taken by the Public Sector Undertaking*

The H.H.E.C. is charged with the task of promoting production of Handicrafts and handlooms and to organise their exports. The H.H.E.C. has been undertaking pioneering work for development of the village crafts viz. tribal brass in the tribal areas of West Bengal, Bihar and Madhya Pradesh, bronze|bell metal items from Bihar and Kerala and a range of costume jewellery items representing the traditional crafts of Kashmir, Delhi, Jaipur, Jodhpur and Bikaner and has been developing exports of the village crafts and other folklore items to the sophisticated markets of Western Europe and the Americas to take advantage of the growing purchasing power of the widest part of population in these countries.

Similarly in the handloom sector, H.H.E.C. has continued to lay stress on the development of new designs in printed cottons and silks. The big-boom in the market for cotton fabrics in Europe, USA and Japan is mainly due to the development of new designs. The development of export of handicrafts and handlooms in the above line has helped in expanding the production base considerably.

3. H.H.E.C. has continued to develop new designs in woollen handmade carpets and the reproduction of some of these designs in Mirzapur/Bhadohi areas, Eliluru in Andhra Pradesh and Kashmir has given a big boost to the export of hand knitted carpets from India. The annual production of carpets in the country is valued at around Rs. 24 crores and about 90 per cent of the total production is exported.

(ii) *Steps taken by Government*

The Government has set up an All India Handicrafts Board for development of handicrafts in the country. The All India Handicrafts Board is continuously engaged in the task of rendering service to the exporters and removing the bottlenecks and the difficulties at home. The Board has five regional offices at Delhi, Lucknow, Calcutta, Madras and Bombay, four Design Centres at Bombay, Delhi, Calcutta and Bangalore and two Research and Deve-

lopment Centres at Bangalore and Madras. The activities of the Board can be broadly divided under the following functional heads:—

1. Product development
2. Marketing and Export Promotion
3. Preservation, Revival and Development.

The Board is responsible for expanding the production base of Indian handicrafts, provision of raw materials both imported and indigenous, training of craftsmen, provision of finance for production, development of new designs and technical development. It also takes up with appropriate authorities the question of supply of indigenous raw materials like sheesham wood, dyestuffs etc. to the handicrafts industry. Distribution, however, is done either through the State Directors of Industries or through the Handicrafts and Handlooms Exports Corporation.

Among the notable schemes of the Board are the Centres for training of carpet weavers in the Bhadohi area in Uttar Pradesh, Obra in Bihar and Srinagar in Kashmir. More training Centres are being set up. Women have been trained in carpet weaving for the first time in Bhadohi with the intention of drawing them into this craft. Training to apprentices is being imparted under Master-craftsmen in all major crafts for preserving the skills.

As far as the finance is concerned, though the All India Handicrafts Board does not arrange for any finance directly, it takes steps through the State Directors of Industries as well as the credit institutions to ensure that handicrafts producers are not starved of funds.

During 1972-73, the four Design Centres of the Board produced nearly 1,325 new designs covering different materials like bronze castings, sheet metal, rose wood, sheesham wood, ivory, paper-machinc, pottery, horns and shells, cane and bamboo, sholapath and leatherwares. The designs are widely exhibited and are placed at the disposal of craftsmen and exporters without fees.

At the Handicrafts Development Centre at Bangalore, research is carried out in improved techniques of production. These new techniques alongwith new tools are disseminated among the craftsmen by mobile demonstration teams. Exports of handicrafts have

been steadily increasing year by year as will be seen from the following figures:—

	Value in Rs. crores
1970-71	80.30
1971-72	90.52
1972-73	130.62
1973 (April-October)	79.07

2. As regards handloom, Government has taken various measures for promoting their production and exports.

Under the auspices of the All India Handloom Board, Government have already set up 8 Weavers Service Centres equipped with technical officers and field staff who work out new designs for adoption by the co-operative and handloom interest. These new patterns are designed to cater to promotion of handlooms exports. Government have recently sanctioned setting up of 7 more Weavers' Service Centres to increase the coverage of larger number of handlooms and thus extend additional help for promotion of handloom exports. The Weavers Service Centres are equipped with dyeing, processing and printing equipments and their field staff go to handloom concentrations from time to time to assist them in solving their technical problems, teach them new techniques in handloom weaving, dyeing and processing/printing. The establishment of the additional Centres would considerably help to increase the variety wise production of handlooms which would attract more foreign markets.

Several measures have been taken from time to time to boost export of handlooms. The Handloom Export Promotion Council set up in Madras has been doing pioneering work in this respect. The Council sends out delegations and study teams to foreign countries to study the market potential and consumer tastes, so that the home industry could be geared up for production of such fabrics and materials which would be easily absorbed in those markets. The Council also participates in International Fairs from time to time in which sales promotion and publicity to Indian made handlooms are effected satisfactorily. The All India Handloom Fabrics Marketing Co-operative Society is another organisation which has been exporting handlooms in a big way. The Society's exports during last few years have gone up from 1.5 crores of rupees to Rs. 2.5 crores this year. For promotion of fur-

ther exports of handlooms, they have established show rooms and offices in foreign countries where handloom goods are prominently displayed.

Exports of handloom manufacturers in the form of made ups fabrics and readymade garments have gone up considerably in the last three years, as may be seen from the following figures:—

	(Exports in crores of Rupees)
1970-71	26·10
1971-72	30·07
1972-73	48·46

[Ministry of Finance (Bureau of Public Enterprises) OM. No. 9 (135)/73-BPE(GM-I) dated 14-3-74].

Further information called for by the Committee

Please furnish the expenses on export promotion and steps taken for these years as compared to share of Exports.

[L. S. Sectt. No. 25-PU/73 dated 23-11-74].

Further Reply of Government

A brief note (not appended) indicating the expenses on export promotion and steps taken in 1970-71, 1971-72 and 1972-73 by the Handloom Exports Promotion Council in the area of Export Promotion for Handloom items is forwarded herewith.

[Min. of Fin. Bureau of Public Enterprises O.M. 9(135) (41)/73-BPE (GMI) dated June, 1975].

Recommendation (Serial No. 42, Para 7.22)

The Committee find that while the imports through Minerals and Metals Trading Corporation have been increasing, the exports registered a fall in 1971-72 as compared to the preceding year. The Committee recommend that Minerals and Metals Trading Corpn. should redouble its efforts to step up its exports, particularly of iron ore and manganese ore, etc.

Reply of Government

Iron Ore:

Iron Ore is the principal item of export handled by the MMTC. The Corporation exported 11 million tonnes of iron ore during

1971-72 though export contracts totalled over 14 million tonnes (export during the preceding year totalled 12 million tonnes). The main reason for this set-back to the MMTC's export efforts was that the country's infrastructure could not gear itself up sufficiently in the production, inland and port fronts.

2. Production shortfall in Bailadila mines, the mechanised mine at Daitari not going into operation during the year; inadequate rail movement from Barajamda sector for Calcutta and Paradeep ports; prolonged strike at Madras Port during the first half of the year (1971-72); Paradeep port not achieving the requisite draft; dislocation due to cyclone at Paradeep port during November 1971; December 1971 hostilities between India and Pakistan and consequent disruption in rail movement and shipping and the general recession in steel industry the world over during the year were the important reasons contributing to the decline in iron ore exports of the MMTC during 1971-72.

3. In 1972-73 again, export contracts totalling over 14 million tonnes were concluded by the MMTC but despite best efforts by the MMTC, iron ore exports fall further to 10.6 million tonnes when apart from the serious deterioration in handling and shipping conditions of Paradeep port throughout the major parts of the year and labour troubles, strikes and go slow at Madras port, the Bailadila mines suffered serious slippages in production due to, *inter alia*, a major fire mishap in the mines.

4. For the current financial year, the export contracts concluded have been about 15 million tonnes. Having regard to the inadequate response from the other sectors of export operations in the two preceding years, the MMTC took the additional precaution of drawing out a shipping programme of 15 million tonnes and insisted that the agencies responsible for mining and other infra-structural facilities should gear up their programme to meet this level of export. As a result, despite the inadequacies that continue to manifest themselves in the infrastructural back up, exports by the MMTC during the first nine months of the current financial year. (April-December 1973) have been 9.30 million tonnes against 7.71 million tonnes during the corresponding period of the last year, thus registering an increase of 20 per cent. The increase in terms of value has been more than 25 per cent. The target for exports of iron ore by the MMTC during the current financial year (1973-74) is 13 million tonnes valued at about Rs. 83 crores and the Corporation is not only confident of realising this target in quantitative terms but exceeding it in value terms.

5. The MMTC has concluded contracts with Japan for export of 9 million tonnes of iron ore during 1973-74. These are further planned to be increased to 11 million tonnes in 1974-75 and 13.5 million tonnes in 1975-76:

Manganese Ore:

Hitherto, Manganese Ore has been predominantly an export oriented industry. The annual production of manganese ore has been in the past, around 17 lakh tonnes out of which export was to the extent of 12 lakh tonnes. The exports of manganese ore (excluding black iron ore) during the last five years have been as under:—

Year	Quantity (In lakh tonnes)	Value—Rs. crores
1968-69	10.43	11.35
1969-70	10.67	10.62
1970-71	13.65	12.46
1971-72	10.53	10.24
1972-73	8.55	9.08

2. In view of the lack of proved reserves and growing internal requirements of the Iron & Steel and Ferro Alloys industries, the Government has imposed restrictions on the exports of various grades of manganese ore from 1973-74 onwards as under:—

- (i) Export of manganese ore containing more than 46 per cent Mn. should not be continued after 31st March, 1973, except to the extent commitments have already been entered into;
- (ii) Export of manganese ore bearing 35 per cent to 45 per cent Mn. should from the 1st April 1973 be reduced to 80 per cent of the 1971-72 level during 1973-74, to 60 per cent during 1974-75 and the position for the future reviewed before the 31st March, 1974, in the context of indigenous requirement vis-a-vis production of manganese ore at that time;

3. On the basis of the above decision, the ceilings for export of manganese ore during 1973-74 and 1974-75 work out as follows:

Grades	Qty. in lakh tonnes	
	1973-74	1974-75
Manganese ore containing 46% & above (High Grade)	0.89	..
Manganese ore containing 35% to 45% (Medium grade)	1.70	1.28
Manganese ore below 35% (exclgd. black iron ore) (Low Grade)	7.48	7.48
	10.07	8.76

4. The position in regard to actual exports of manganese ore during the current financial year upto 31-12-73 and the exports anticipated during January|March, 1974 is as follow:—

Grade	Qty. in lakh tonnes Value—Rs. crores					
	Actual exports upto 31-12-73		Anticipated exports during Jan/March. 1974		Total anticipated exports during fiscal year 1973-74	
	Qty.	Value	Qty.	Value	Qty.	Value
High Grade	0.16	0.24	0.40	1.18	0.56	1.42
Medium Grde	1.34	2.39	0.36	0.59	1.70	2.98
Low grade	3.81	3.65	3.67	4.11	7.48	7.76
	5.31	6.28	4.43	5.88	9.74	12.16

5. MMTC is likely to export the quantities upto the ceiling fixed by the Government.

Mica:

The export trade of mica was taken over partially by the Corporation during the year 1971-72 and the export of the commodity is gradually increasing as would be seen from the figures stated below:—

1971-72	Rs. 17.70 lakhs
1972-73	Rs. 1454.35 lakhs

2. According to the plan target for export of mica (processed and fabricated, including mica products) for the five years commencing from 1974-75 are given below:

1974-75	. . . . .	Rs. 22 crores
1975-76	. . . . .	Rs. 23 crores
1976-77	. . . . .	Rs. 24 crores
1977-78	. . . . .	Rs. 25 crores
1978-79	. . . . .	Rs. 26 crores
	TOTAL	<u>Rs. 120 crores</u>

Efforts are being made to exceed the target and it is expected that export of mica would be of the order of Rs. 128.75 crores during the plan period.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135)/73-BPE(GM I) dated 2-3-74].

Recommendation Serial No. 46 (Para 7.60)

The Committee feel that with the progress made in agricultural production in the country the warehousing for storage of food-grains and other commodities assumes great importance. The Committee feel that there should be close coordination between the Food Corporation of India and the Central Warehousing Corporation as well as the State Warehousing Corporations and other State sponsored organisations dealing with storage to avoid duplication in building and providing storage facilities. The Committee need hardly emphasise that these warehousing facilities should first and foremost become available for the use of State and the producers in the field and cooperatives and should not be allowed to be exploited by the intermediaries. The Committee would also suggest that the Central Warehousing Corporation should give a significant lead in developing storage facilities which are most modern and most competitive in charges so as to encourage development of new lines of trade and industry, e.g., refrigerated foods, fruits etc.

Reply of Government

Government agree that there should be coordination both in construction as well as in utilization of storage facilities by the different organisations which provide such facilities, and Government's policy has always been to promote this objective. For coordination at the Central level for example, there is a Central

Storage Committee consisting of representatives of the Food Department, the Food Corporation of India, the Central Warehousing Corporation, the National Cooperative Development Corporation, etc. The central function of this Committee is to ensure that construction of godowns|warehouses by the different agencies is taken up in a coordinated and planned manner so as to avoid duplication amongst them. At the State level also, coordination is effected through State Level Committees formed by most of the State Governments. These committees include representatives of the State Government, the State Warehousing Corporation, Co-operative Societies, etc. The Central Warehousing Corporation ensures coordination and liaison between the Central Storage Committee and the State-level Committees. The State Governments have been advised recently to co-opt the nominee of the Food Corporation of India on the State Coordination Committees. State Governments and Public Undertakings have been advised that where storage facilities provided by the Central Warehousing Corporation are available, these should be utilized to the fullest possible extent.

2. With expanding activities of Government and Government agencies with regard to procurement, purchase, storage and distribution of foodgrains, fertilizers and other essential commodities, the bulk of C.W.C. capacity is being utilized by Government and Government sponsored agencies. As at the end of 1973-74, for example, as much as 76 per cent of the capacity of the Central Warehousing Corporation was being utilized in this manner. FCI uses its storage facilities for its own purposes, and no private parties or intermediaries are allowed use of it.

3. Government agree that the Central Warehousing Corporation should give a lead in developing modern and scientific storage facilities and provide these at competitive prices. Over the 5th Plan, the Corporation plans to increase its currently owned capacity of about 1.2 Million Tonnes by 1.7 Million Tonnes. The facilities currently provided for storage of foodgrains, fertilizers and notified commodities conform to these standards. Stocks stored in the warehouses of the Corporation are well preserved and storage losses are minimal. The Corporation also has a few cold storages and an air-conditioned godown. Besides, the National Cooperative Development Corporation is encouraging development of cold storages in the country.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM) dated 18-9-74].

Recommendation Serial No. 48 (Para 8.15)

The Committee note with satisfaction that the total internal resources (i.e. depreciation plus retained profits generated by public undertakings) rose from Rs. 104 crores in 1967-68 to 215 crores in 1971-72. Besides this some of the major public undertakings like Hindustan Steel Ltd., Heavy Engineering Corporation, Fertilizer Corporation of India have been making substantial contribution to the National Exchequer by way of taxes, Central Excise Duty, interest on loans, etc., which during the last 5 years (1967-68 to 1971-72) amounted to Rs. 529.66 crores from these three undertakings alone.

The Committee also hope that public Enterprises will in due course be generating more surpluses to be deployed for internal expansion.

Reply of Government

The expectations of the Committee are being brought to the notice of all concerned.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I) dated 2-3-74].

Recommendation Serial No. 49 (Para 8.19)

The Committee note that Government have recently reviewed the capital structure of a number of undertakings and have taken measures to see that the equity debt ratio is 1: 1. Besides, special consideration has also been given to the investment made by the Public Undertakings on township and other developmental activities involving social obligations as an employer. The Committee understand that in Britain the capital structure of nationalised industries with reference to the gestation period, etc. had been reviewed. The Committee have no doubt that Government will take all aspects into consideration while reviewing the capital structure of the Public Undertakings particularly those which have a long gestation period and are serving basic developmental needs and are not allowed freedom of pricing policy.

Reply of Government

Government accepts this recommendation. While reviewing the capital structure of Central public sector undertakings, all relevant factors like gestation period, type of product, profitability at

prevailing prices, future ways and means position, etc., are carefully considered.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Recommendation Serial No. 52 (Para 9.12)

The Committee find that in pursuance of the Industrial Policy Resolution and consistent with the demands of efficiency, the dispersal of Public Sector enterprises in various parts of the country has made significant contribution to developing some of the traditionally backward areas, like Bhilai, Rourkela, Bokaro, Assam, Ranchi. Development potential is also being created in several other areas like Konarak, Khajurao, Aurangabad, Belgaon, Gulmarg. The Committee hope that the good work initiated in this direction will be continued.

Reply of Government

The Committee's observations have been brought to the notice of administrative Ministries/Departments *vide* Bureau of Public Enterprises O.M. No. 9(135)(52)/73-BPE(GM I) dated 16-2-74. (Appendix XII).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I) dated 2-3-74].

Further Information called for by the Committee

Please furnish a copy of O.M. dated 16-2-74.

[L.S. Sectt. No. 25-PU/73 dated 23-11-74].

Further Reply of Government

A copy of this office O.M. of even number dated 16-2-74 issued pursuant to recommendation No. 52 of the Committee on Public Undertakings (5th Lok Sabha) is enclosed. (Appendix XII).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)(52)/73-BPE(GMI) dated 6-1-75].

Recommendation Serial No. 53 (Para 9.20)

The Committee find that in the process of development of ancillary industries so far only 12 public undertakings had set up 139 new ancillary units and the progress has not been uniform. There

is tremendous scope for setting up more ancillary industries around giant public sector enterprises. The Committee feel that development of ancillary and small scale industries around public sector enterprises should be planned along with the major industry itself and there should be a clear understanding of the types of products to be obtained through the small scale sector for the use of major industry. The Committee are of the view that such an arrangement can go a long way in solving the gigantic problem of unemployment, removing regional disparities and tackling the problem of eradication of poverty. The Committee were given to understand by the Federation of Small Industries of India during the evidence that small industries in India were facing numerous difficulties including the availabilities of steel, raw material and component, in adequate quantities and at a reasonable price.

Recommendation Serial No. 54 (Para 9.21)

The Committee recommended that Government should draw up in consultation with Development Commissioner, Small Scale Industries, a comprehensive scheme for integration of small scale sector with the public sector. The scheme should aim at optimum level of production by the public sector, strive to reduce the cost of production, meet the requirements of small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector in full after a thorough assessment of their needs and providing technical guidance to the small scale sector.

The Committee feel that if this objective is pursued in letter and spirit it would lead to an help in widening the area of industrialisation and in creating a climate which would make for productive employment. The Committee would like public sector units to make a specific mention of the role they have played in developing and sustaining small scale industrial units to feed their manufacturing programme in their Annual Reports.

Reply of Government

The Government is already fully conscious of the importance of ancillary development and comprehensive guidelines have been issued on the subject in February 1971. Each of the major public enterprises have been asked to prepare a time bound programme for the development of ancillary industries. The salient features of the guidelines are—

- (i) Ancillary Development Committee to be constituted in each unit with Chief Executive as Chairman.

- (ii) Full time Ancillary Development officer to be appointed in the senior managerial cadre.
- (iii) Items that could be developed through ancillary industries be identified and technical as well as material assistance provided to the entrepreneurs where necessary.
- (iv) Long term contracts be concluded if possible.
- (v) Constant liaison be maintained with the Development Commissioner, Small Scale Industries.

Since the issue of the guidelines the activity in this respect has increased. In so far as new Projects are concerned, it was indicated in the Guidelines of February 1971 that ancillary development should form an inherent component of the schemes and it should be ensured that the lists of Parts/Components required are scrutinised for determining items to be manufactured by the enterprise itself, items to be developed by ancillaries, items to be sub-contracted and items to be imported initially but steps taken for import substitution. It is now proposed to compulsorily include ancillary development in the detailed Project reports for the new projects.

As regards shortage of raw materials, the guidelines issued by Bureau of Public Enterprises provide that public enterprises should in addition, take the responsibility for providing imported raw materials and component, scarce/critical indigenous raw materials and components. Further the Import Licensing Policy in respect of the small scale industries has been liberalised in 1973-74 and also in 1974-75.

In regard to formulation of comprehensive scheme for integration of small scale sector with the public undertakings, it has been decided to constitute joint team consisting of senior officers of Bureau of Public Enterprises, DG, SSI and the concerned Ministry who would visit some of the selected public sector undertakings. The objective of the visit of this joint team is to give suitable directives to the management of the undertakings and also to prepare the ground for visits by Techno-economic Study Team of the Small Industries Service Institutes to the enterprises for undertakings intensive in depth analysis of the present procurement policies, extent of imports and identification of parts and components that could be sub-contracted to new small scale units.

However, the Committee's recommendations are accepted and the public enterprises are being once again advised to give constant attention to this aspect and they would be asked to make a specific mention of the role they had played in developing and sustaining small scale industries units to feed their manufacturing programmes in their annual reports.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 1-6-74].

Further information called for by the Committee

Please indicate whether any instructions have been issued to the public undertakings and if so, a copy thereof may please be furnished.

[L.S. Sectt. No. 25-PU/73 dt. 23-11-74].

Further reply of Government

Pursuant to COPU's recommendation Nos. 53 and 54 instructions have been issued to public undertakings on the subject—Growth and Development of Ancillary Industries by Public Enterprises. A copy of this Office O.M. No. 34/MG/74-BPE/MM dated 27th May, 1974. (Appendix XIII) is enclosed herewith for perusal of the Committee.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)(53 & 54)/73-BPE(GM I) dt. 10-1-75].

Recommendation Serial No. 55 (Para 9.27)

The Committee are glad to note that public sector enterprises have been able to generate employment to the extent of 6 to 8 per cent each year. As on 31st March, 1972, the total staff strength of these enterprises stood at 7 lakhs and the total wage bill (including other benefits) at Rs. 415.01 crores for the year 1971-72. The Committee feel that if the public sector enterprises work at optimum capacity and after consolidating it enter into new fields, they can help a lot in relieving unemployment in the country.

Reply of Government

Noted.

The views of the Committee are being circulated to Public Sector Enterprises for information and guidance.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Further information called for by the Committee

Please furnish a copy of the letter issued to the public undertakings in this regard.

[L.S. Sectt. No. 25-PU/73 dt. 23-11-74].

Further reply of Government

A copy of this Office Memorandum of even No. dated 9th August, 1974 issued pursuant to recommendation No. 55 of the committee on Public Undertakings (5th Lok Sabha) is enclosed. (Appendix XIV).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)(55)/73-BPE(GM I) dt. 6-1-75].

Recommendation Serial No. 56 (Para 9.33)

The Committee find that during the years 1968-69, 1969-70, 1970-71, and 1971-72, public sector enterprises incurred expenses of Rs. 25.1, 28.7, 34.4 and 34.3 crores respectively on maintenance of townships for their employees and on other social over-heads like education, medical facilities, transport subsidy etc. The Committee regard this expenditure as a commendable effort of public enterprises. The Committee hope that such social welfare schemes should be more and more taken in hand keeping in view the availability of resources.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dt. 17-2-1975].

Recommendation Serial No. 57 (Para 10.17)

The Committee feel that in the interest of improving performance, Public Sector Undertakings could with advantage make use of modern productivity and management techniques like maintaining progressive and comparative productivity indices.

Reply of Government

The recommendation is being communicated to Public Enterprises through their administrative Ministries for them to take necessary action.

Use of modern productivity techniques has always been actively advocated by the Bureau of Public Enterprises and various write-ups containing suggestions, guidelines etc. about these have been sent to the Public Sector Enterprises. Very recently a paper on performance Trends in Manufacturing Public Sector Enterprises which was based on the study of certain productivity indices for the 5 Year period 1967 to 1970-71 was prepared and circulated to those Public Sector Enterprises.

The Government would continue to lay emphasis on this.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Further information called for by the Committee

Please furnish a copy of the instructions issued.

Please furnish a copy of Paper based on the Study of Productivity indices and circulated to Public Undertakings.

[L.S. Sectt. No. 25-PU/73 dt. 23-11-74].

Further Reply of Government

A copy of this Office O.M. No. 3/1/74-Produ, dated 13-2-1974 (Appendix XV) and a paper (not appended) on Performance Trends in Manufacturing Public Sector Enterprises based on the Study of Certain Productivity indices circulated to Public Sector Undertakings.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dt. 13-1-75]

Recommendation Serial No. 58 (Para 10.18)

The Committee regard psychological factors in an enterprise to be as much important for productivity as financial ones. The Committee recommend that apart from monetary incentives that are given by Managements, Government should institute schemes of public recognition of public sector enterprises who set up new records of productivity.

Reply of Government

Government are in complete agreement with the Committee that psychological incentives are as important as financial inducements for raising productivity. In fact, some schemes already exist for granting public recognition to outstanding corporate performance. National Awards are given to enterprises, who achieve creditable

success in their exports. Awards are also given to enterprises, which achieve success in import substitution. Public enterprises compete for these awards and have in quite a few cases, won them.

2. For the Central Government industrial and commercial undertakings, the Government of India also introduced, in 1961, a special Presidential Award Scheme under which Certificates of Merit are awarded to five enterprises for outstanding performance and a copper or silver shield is awarded to the best among the winners of the Certificates of Merit. In addition, Certificates of Honour are presented to each of the enterprises whose performance is adjudged as satisfactory.

3. The Government are reviewing the Presidential Award Scheme for Central Government enterprises to make it more purposeful and integrated with objective appraisal system operating within the enterprises themselves. Directions in which the other Award Schemes can also be improved to achieve better motivation are also being considered.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Recommendation Serial No. 59 (Para 11.13)

The Committee are glad to note that the main thrust of the Science and Technology Plan being prepared for the first time in the country would be to reduce dependence on foreign technologies and to develop self-reliance. They find that some infra-structure for carrying out applied research is already available in the public sector.

Reply of Government

Noted.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dt. 2-3-74].

Recommendation Serial No. 60 (Para 11.14)

The Committee also stress that an integrated and well thought-out arrangement should be developed for meaningful coordination between the research organisation, particularly in Public Sector and Government, in the interest of making a concerted effort to find workable and practical solutions to the production problems in the shortest time.

The Committee feel that basic and fundamental research and development which calls for heavy investment with long gestation periods should be the responsibility of specialised institutions already established and research institutions should establish, close communication between themselves and potential users of Research and Development of which Public Undertakings form a significant part.

Reply of Government

Noted.

As regards the need to establish closer communication between the research organisations in the Government and the Public Sector Enterprises the subject has been receiving attention of the Government. A top level Coordination Committee to deal with all aspects of cooperation between Public Sector Enterprises and Council of Scientific and Industrial Research laboratories and consisting of representatives of the Council of Scientific and Industrial Research, Bureau of Public Enterprises, National Council of Scientific Technology and Standing Committee on Public Enterprises is being constituted.

As regards the need to establish closer communication between the established Research and Development institutions and all quarters of potential users, the Committee's recommendation is being brought to the notice of National Council of Scientific Technology and Council of Scientific and Industrial Research.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Further information called for by the Committee

Please indicate whether the Coordination Committee has since been constituted.

Please furnish a copy of the letter issued to the National Council of Technology and Council of Scientific and Industrial Research.

[L.S. Sectt. No. 25-PU/73 dt. 23-11-74].

Further Reply of Government

Deptt. of Science and Technology has set up in June, 1974, a Working Group to suggest measures for organising and promoting R&D in the public sector units of Heavy Engineering, Heavy Electricals, Chemicals, Oil, and Metallurgy. This group which has been

set up pursuant to the recommendation made by the National Committee on Science and Technology, includes as members, Chairman, Standing Conference of Public Enterprises and Director General, Bureau of Public Enterprises, as also Director General, CSIR (or his nominee), apart from representatives of two major public enterprises, National Committee on Science and Technology, DGTD (or his representative) and Director of one of the National Laboratories under CSIR. The terms of reference of the Working Group *inter-alia* includes suggesting measures for establishing meaningful co-operation in a substantial way between the public enterprises and the National Laboratories in the five sectors mentioned above.

As regards the letter communicating the CPU's recommendation to NCST and CSIR, reference is invited to Bureau's O.M. No. 3/1/74-Prod. dated 13-2-1974, a copy of which is enclosed. (Appendix XVI).

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9(135)(59)/73-BPE(GMI) dated 19-2-75].

Recommendation Serial No. 61 (Para 11.24)

The Committee find that some progress has been made towards achievement of self-reliance in technology in areas like fertilizers, oil exploration, steel, etc. but in other areas the country is still largely dependent on foreign technical collaboration. The Committee hope that Development of indigenous know-how will be undertaken more vigorously and dependence on foreign collaboration progressively reduced.

Reply of Government

Noted.

The recommendation is being communicated to the Public Sector Enterprises through their administrative Ministries for them to take note and necessary action where appropriate.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9(135)/73-BPE(GMI) dt. 2-3-74.]

Recommendation Serial No. 62 (Para 12.18)

The Committee are glad to find that public sector undertakings showing keen awareness of the need for standardisation and quality control. Whereas scope for improvement in these directions is always there, the Committee hope that the public sector undertakings would continue to devote unrelaxed attention to achieving a situation in which their trade marks or brand names become synonymous with high quality. The Committee also hope that some

of the undertakings where the percentage of rejections is high will take immediately steps to improve standardisation and quality control.

Reply of Government

Noted.

The recommendation is being communicated to all the Public Sector Enterprises through their administrative Ministries for them to note and take necessary action.

On their part, the Govt. have been laying emphasis on standardisation and quality control and would continue to do so.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9 (135)/73-BPE (GM I) dt. 2-3-74]

Further Information Called for by the Committee

Please furnish a copy of the letter issued to the Public Undertakings in this regard.

[L.S. Sectt. No. 25-PU/73 dt. 23-11-74].

Further Reply of Government

A copy of each of O.M. No. 3|1|74-Produ. dated 16-2-74 (APPENDIX XVII) and No. 3|1|74-Produ. dated 13-2-1974 (APPENDIX XVIII) respectively are enclosed.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9 (135) (62) |73-BPE (GM I) dated 17-2-75]

Recommendation Serial No. 63 (Para 13.13)

While the success of the Indian Drugs and Pharmaceuticals Ltd. in bringing down the cost of production is laudable, the Committee are not happy at the present trend of rising cost of production in various plants and its going wide off the mark from stipulations made in the Detailed Project Reports in certain undertakings. Management efficiency lies in reducing the cost of production and achieving optimum results with minimum use of resources.

They would like all the Boards to seriously address themselves to the task of keeping down costs by economising in the use of manpower and resources and having under constant review their forecasting and decision-making techniques, manpower budgeting, extent of work-study, scope for operational research, management control systems, methods of investment appraisal, inventory control.

Recommendation Serial No. 64 (Para 13.14)

The administrative Ministries should also keep a close watch over the costs of production at various undertakings and take steps

to develop indicators of performance which would provide them regular and systematic information about the undertakings success in controlling costs and increasing efficiency.

Reply of Government

Government have accepted these recommendations and the necessary instructions have been issued to the administrative Ministries *vide* Bureau of Public Enterprises Office Memorandum No. BPE|15(1)|Adv(F)|74 dt. 14-2-1974. (APPENDIX XIX).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 2-3-74].

Further Information Called for by the Committee

Please furnish a copy of O.M. No. BPE|15(1)|Adv. (F)|74 dated. 14-2-74.

(L. S. Sectt. No. 25-PU/73 dt. 23-11-74).

Further Reply of Government

A copy of this Office Memorandum No. BPE|15(1)|Adv. (F)74 dated 14-2-74 is enclosed. (APPENDIX XIX).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (63 & 64) |73 dated 9-1-75].

CHAPTER III

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

Recommendation Serial No. 8 (Para 3.15)

The point whether the holding company should have been established under an Act of Parliament as is done in some other countries can be decided only after some experience with the present set up. The Committee, however, feel that the relationship between the Ministry, the Steel Authority and its component units should be clearly demarcated.

Reply of Government

Government agree that the relationship between the Ministry of Steel & Mines (Department of Steel) and the Steel Authority of India Ltd. (SAIL) on the one hand and between SAIL and its subsidiaries on the other, should be demarcated as clearly as possible. This has already been done in the more important areas through the Articles of Association of SAIL and those of its subsidiaries and the issue of suitable executive instructions. For example, it has been laid down that the Chairman of the Board of Directors of SAIL shall be appointed by the President and all other members of the Board except those representing the Government would be appointed by the President in consultation with the Chairman of the Company. The Chairman of the subsidiaries shall be appointed by the Chairman, Steel Authority of India Ltd., with the approval of the President and the Directors on the Boards of these subsidiaries shall be appointed by the Chairman, Steel Authority of India Ltd. in consultation with the Chairman of the concerned subsidiary. The General Managers and Chief Executives of the subsidiaries shall be appointed through a Selection Committee of SAIL.

SAIL has been authorised to approve programmes of capital expenditure for an amount which does not exceed Rs. 10 crores in cases which do not form part of estimates sanctioned by Government provided there is budgetary provision. Programmes costing more than Rs. 10 crores are required to be referred to Government for examination by the Public Investment Board and specific

sanction. In terms of these powers, financial limits have been prescribed by SAIL in respect of these subsidiaries and capital programmes exceeding this limit are either sanctioned by SAIL itself or are recommended to Government for sanction, as the case may be. SAIL has also been authorised to promote and establish wholly or partly owned companies or subsidiaries without seeking prior approval of Government provided the operations of such companies are financed entirely from SAIL's internal resources.

Five-year and annual plan of development and the capital budget of SAIL and of its subsidiaries require Government approval.

Agreements involving foreign collaboration proposed to be entered into by the subsidiaries and SAIL require the approval of Government.

The appointment of Indian Personnel over the age of 58 years and over a specified pay limit in subsidiaries and in SAIL require Government approval.

2. Any overlapping of functions in the other areas should get eliminated in the course of actual day-to-day working.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 6-7-74].

Further Information Called for by the Committee

Please indicate as to what are other areas of overlapping and how will these get eliminated in the course of actual day-to-day working.

(L.S. Sectt. No. 25-PU/75, dated 2-9-1974).

Further Reply of Government

In the earlier Government reply to recommendations No. 8, it had been stated that the relationship between the Ministry of Steel & Mines (Deptt. of Steel) and the Steel Authority of India (SAIL) on the one hand and between SAIL and its subsidiaries on the other had been demarcated through the Articles of Association and executive instructions in important areas. It was also stated that any overlapping of functions in other areas should get eliminated in the course of actual day-to-day working. This was meant to indicate that should, in the course of day-to-day working, it comes to notice that there were any areas in which there was any overlapping of functions or the demarcation was not clear, 1111 L.S.—8.

further suitable instructions could be issued. It may be added that no instance of such over-lapping has come to notice so far.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018
(20)/73-Parl. dated 9-10-1974].

Recommendation Serial No. 9 (Para 3.26)

Since the pattern of Board consisting of not only full time functional but also part time members is the common type prevailing in the larger enterprises both in the public and the private sectors all over the World, the Committee have no objection to that pattern but Government should ensure that part time members are persons who have established an outstanding reputation in the fields of industry, trade, public administration or trade union organisation and last but not the least are conscious of the role of public sector and possess a missionary zeal to prove the standards of management. In order to perform its functions effectively, the Board should meet as often as necessary so that it is able to grapple with the problems of the enterprise promptly.

Reply of Government

As regards the qualifications of part-time Directors, the Government's policy at present is that the Government representatives should be on the Boards of the public enterprises by virtue of their office, while in the case of part-time Members from outside the Government, they should be persons with proven ability in the fields of industrial, commercial or financial enterprise or in administration or in trade union organisation. It is also stipulated that these part-time Members from outside the Government should have faith in public enterprise and should not have such business or other interests, as may affect their objectivity in the discharge of their duties on the Board. Government's decision on the ARC's recommendation No. 4 in their Report on "Public Sector Undertakings" refers. Thus, the criteria indicated by the Committee are already being followed in the case of such Directors.

As regards the periodicity of the Board meeting, in the case of Government companies, the Companies Act already requires that the Board of Directors should meet at least once in three months. However, this provision only ensures that the gap between the two Board meetings is not more than three months. Actually, many of the Boards meet more frequently, say once in four to six weeks. However, the Committee's observation that the Boards should meet as often as necessary in order to perform its functions effectively and grapple with the problems of the enterprise promptly is being

brought to the notice of the public enterprises through the administrative Ministries/Departments for information and guidance.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9(135)/73-BPE(GM I) dt. 2-3-74].

Further Information Called for by the Committee

Please furnish a copy of instructions issued to the public enterprises through Administrative Ministries/Departments in implementing these recommendations.

(L.S. Sectt. No. 25-PU/73, dated 2nd September, 1974).

Further Reply of Government

A copy of this Office O.M. of even number dated 6-11-74 (APPENDIX XX) is enclosed.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. (135)/(9)/73-BPE(GM I), dated 10-1-75].

Recommendation Serial No. 16 (Para 3.55)

The Committee note from the written reply furnished by Government that the monitoring and reviewing functions of the Bureau have not been discharged effectively, else there would not have been the necessity for appointment of Action Committee under the chairmanship of a Member, Planning Commission, to review the working of a number of Public Undertakings.

Reply of Government

In the written reply furnished by Government [vide O.M. No. 9(104)/72-BPE(GM I) dated 4th April, 1973], Government have indicated the work done by the Bureau of Public Enterprises and the manner in which the organisation has sought to achieve the objectives for which it has been set up. Government has not in this note indicated that the Bureau has not discharged its functions effectively

2. The appointment of the Action Committee under the Chairmanship of a Member of Planning Commission was an additional step taken for improving the performance of the public enterprises. The Secretariat of the Action Group was furnished by the Bureau itself and there was the closest possible coordination between the work of the Action Group and the work of the Bureau. The functions of the Action Committee were therefore closely related to the functioning of the Bureau itself. The implementation of the

Action Committee's recommendations is being pursued by the Bureau. The Bureau had also adopted the practice in the past and continuous to about the practice of appointing Committees of outside Consultants for various specialised examinations of public enterprises.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135) 73-BPE (GM I) dated 1st June, 1974].

Further information called for by the Committee

Please indicate as to why this additional step was necessary especially when the functions were related to those of the B.P.E. and how the monitoring and reviewing functions were discharged by the B.P.E. so far.

[L.S. Sectt. O.M. No. 25-PU|73 dated 21-9-74].

Further reply of Government

The monitoring and reviewing functions of the Bureau are being discharged as indicated below:—

- (a) The Bureau prepares an Annual Report in which a composite review of the overall performance of all the Central Government enterprises is made. The report covers such aspects as overall and sectoral performance, production and utilisation of capacity, state of health of plant and machinery, working capital and inventories, generation and deployment of internal resources, profitability, exports and foreign exchange earnings, employment townships and social overheads. This report is placed on the Table of Parliament annually.
- (b) The Bureau undertakes a quarterly review of the performance of all the running enterprises. In particular, a detailed review is made of the performance of 28 major enterprises, investment in which constitute about 80 per cent of the total capital investment in the public sector.
- (c) The monitoring of progress of public enterprises under construction is also being done by the B.P.E. On the basis of quarterly progress reports received from the various units. The old proforma laid down by the B.P.E. in December, 1966 has since been modified in consultation with the Planning Commission and an integrated proforma prescribed for submission of the quarterly progress reports and circulated to the various public enterprises for adoption in October, 1973.

- (d) The performance of the manufacturing units is being kept under review by the Bureau, apart from the administrative Ministries, on the basis of monthly production reports received from the units. On the basis of such performance reviews, in consultation with the administrative Ministries, the Bureau had instituted "in-depth" studies of selected enterprises which were seen to face recurring problems. Such studies had been taken up by expert teams even before the Action Committee had been appointed.
- (e) A comprehensive six-monthly review on the performance of 7 giant enterprises whose performance has been consistently poor, is also undertaken and submitted to the Cabinet Committee for Economic Coordination.
- (f) The Bureau is actively associated with the periodical review of performance undertaken by the Ministries concerned.
- (g) While the Annual Report gives the consolidated picture of the actual performance of the Public Undertakings, the Bureau also prepares the consolidated perspective view of the actual performance of the Public Undertakings, the budget year against which performance is appraised.
- (h) With a view to reducing the number and frequency of reports being received by the various agencies of the Central Government from Public Enterprises and also with an idea of streamlining the existing monitoring and reviewing procedures the form and contents of the reports are being amended for introduction shortly.
- (i) The Bureau has also been actively engaged in taking up horizontal and in depth studies of selected management areas in the public sector with a view to obtain a realistic "state of the art" picture on the selected subject and thence to generate suggestions and recommendations for improvement in the future. Among management areas so covered so far may be cited (i) Maintenance of Equipment, (ii) Design and Development Organisations, (iii) operation of Incentive Schemes, (iv) Use of computers in public Enterprises, and (v) Industrial Engineering Organisations. Such studies and surveys have also given a direction to the Bureau's own efforts as they have revealed the weaker areas where more promotional/consultancy/training effort was needed.

3. As already indicated in the original reply to Recommendation No. 16, the appointment of the Action Committee under the Chairmanship of a Member of Planning Commission was an additional step taken for improving the performance of the public enterprises. Apart from the Action Committee, Bureau has been setting up from time to time Special Committees to look into the specific aspects of the working of the public enterprises e.g. High Power Committee for Inventory Control for going into the specific problems areas and also suggesting remedial measures. Similarly, the services of outside experts in organisations like Administrative Staff College, National Productivity Council etc. are utilised for the purpose of in-dept study of specific areas relating to the functioning of the enterprises. In other words, it is the Bureau's view that it will neither be possible nor it would be desirable to employ within the Bureau itself experts in all the specialities and consequently it will be necessary frequently to seek the assistance of acknowledged experts in specific fields outside the Bureau, whenever necessary, for assisting the Bureau in analysing, isolating and solving the technological and managerial problems of public enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M.
No. 9(135)16|73-BPE(GM I) dated 21-3-75]

Recommendation (Serial No. 17, Para 3.56)

The Committee also note that the Bureau is still attempting to build an appropriate data bank for information relating to public sector. The Committee feel that there is a pressing need for development of a system of reporting which would enable Government to effectively monitor the performance of each undertaking, focus attention without delay on problems which are coming in the way of its allotted role and assist Government public undertakings in resolving these issues without loss of time.

Recommendation (Serial No. 20 Para 3.71)

The Committee feel it is of the utmost importance that not only management of public undertaking but the administrative ministry concerned and Government as a whole should be contemporaneously informed of the production and financial results of each undertaking in which nation's scarce resources have been invested. The Committee feel that in the light of experience gained in the working of public undertakings over several years and the technique of production and management reporting developed in recent years, it should be possible for Government to ensure that meaningful re-

ports giving the performance data of each undertaking reach them at least once a quarter so that it can be monitored and suitable measures initiated as necessary in the interest of efficient functioning of the undertaking. The Committee would in this connection like to recall that some of the public undertakings particularly State Trading Corporation, have developed a technique of management reporting which places at the disposal of the management the working results not only for each month but also for each week. The Committee see no reason why with suitable modifications, this technique of management reporting cannot be extended to other public undertakings. This, in the Committee's view would provide the best discipline for the undertakings to spare no efforts to achieve their assigned role and thus contribute their share in the development of economy.

Reply of Government

So far as the building up the data bank relating to the public sector in the Bureau is concerned, the various Divisions in the Bureau have over the years built up data on diverse aspects of public sector management, e.g. Pay and Allowances, consultancy services, financial management, inventory control, production control and planning etc. The various studies undertaken by the Divisions have also yielded considerable data. Even now the administrative Ministries/Departments and the public enterprises are making use of the information available with the Bureau, whenever there is need for the same. In the reorganized set-up of the Bureau, which is now under consideration, the question of organising "Storage and Retrieval" of the data already available and also a regular system of obtaining data generated with the Bureau and outside is receiving active consideration.

2. The question of developing a model information system for adoption by the undertakings was considered at a Seminar in September, 1972. The consensus was that the varying operational environment in which the public enterprises function and the character of business operations would not permit of one model system of universal applicability. It was decided that the problem of information reporting for control should be tackled at two levels. Firstly, the information flow from the public enterprises to the Government should be rationalised to enable the Government to more effectively monitor and appraise the performance of the undertakings. Secondly, the undertakings should be encouraged to review their present systems of information collection and help-

ed to institute modern systems of information flow for monitoring and decision-making at various levels within the enterprise.

As regards rationalising the information flow from the enterprises to the Government, a Working Group is currently working on the information need at the Ministry level for purposes of monitoring, control and appraisal of performance of the enterprises under the administrative control of the various Ministries. A draft Report has been prepared by the Committee and at present is under circulation for eliciting comments and suggestions. The Report when finalised and made available to the Government will help to rationalise the information flow at the Government level.

While the bigger enterprises like Hindustan Steel Ltd., Fertilizer Corporation, Hindustan Machine Tools and Indian Oil Corporation have developed their own systems of collection and reporting of information for management control with the help of consultants, the smaller undertakings need assistance to develop such systems. The Bureau of Public Enterprises in consultation with the Ministry of Industrial Development, and the Ministry of Petroleum and Chemicals have selected the Hindustan Cables and the Oil & Natural Gas Commission for a study of their information systems. The two enterprises are presently in touch with the consultants. The Bureau will be closely associated in the studies, so that the experience gained could be transmitted to other undertakings who need similar help.

3. The Committee have referred in the recommendation to the practice in the State Trading Corporation of monthly and weekly results being made available to the management, and have desired that such a practice may be adopted by other undertakings. Government have already (in February, 1969) commended to the public enterprises adoption of a quarterly and monthly profit and loss accounts wherever possible. The management information systems when evolved on the lines indicated in para 2 above, will also achieve the basic objective of management reporting to the appropriate levels and at appropriate intervals, as envisaged by the Committee.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I) dated 14-3-74]

Further Information called for by the Committee

1. Please indicate (i) the steps taken for obtaining data on diverse aspects of public undertakings on a regular basis and also

for organising "storage and retrieval" of the data already available with the Bureau.

(ii) the composition of the working group and when was it constituted, its terms of reference and when the report will be finalised.

(iii) When was the study of information systems of Hindustan Cables and O&NGC undertaken, who was to study and what was the result of this study.

2. Please also furnish (i) a copy of the decisions arrived at the Seminar held in September, 1972; and (ii) a copy of the instructions issued to Public Undertakings for adoption of a quarterly and monthly profit and loss accounts.

(L.S. Sectt. No. 25-PU/73 dt. 21-9-74).

Further Reply of Government

(a) As stated earlier, the question of organizing 'Storage & retrieval' of the data already available and to be obtained in future was being considered as part of the wider proposals for reorganizing the set-up of the BPE. Subsequently, in the context of the need for effecting economy, the reorganisation scheme has been purned and the proposals with regard to the data Bank are being reformulated on a restricted basis.

(b) The decisions pertaining to the devising of model information systems taken at the Seminar held in September, 1972 are given below.

(a) M.I.S. in each enterprise for levels of management upto and including the Board had to be tailored to its needs from time to time; building up models for general application was not, therefore considered practicable.

(b) However, it was agreed that it would be worthwhile making a general examination of the reporting system between the public enterprises and the ministries to have some standardisation in reporting to the Ministries.

(c) The Bureau of Public Enterprises should initiate action to set up a Working Group consisting of persons drawn from Ministries|Enterprises and specialists to review the existing information inflow to the Ministries and to evolve a broad framework of M.I.S. for reporting to

the Ministries by the undertakings and providing feedback.

(C) & (D) The composition of the Working Group and the terms of reference are as under:—

- (1) Shri O. K. Ghosh, Director, Fertiliser Corpn. of India.
(Since appointed as Director, Hindustan Petroleum Corpn.)
- (2) Shri D. K. Saxena, Joint Secretary, Ministry of Industrial Development.
- (3) Shri K. V. Ramanathan, Joint Secretary, Deptt. of Steel.
- (4) Shri M. M. Kohli, Joint Secretary, Ministry of Heavy Industry.
- (5) Shri M. Ramaswami, Officer-on-Special Duty, Ministry of Petroleum & Chemicals.
(Since appointed as Joint Secretary, Ministry of P & C).
- (6) Shri M. M. Luther, Consultant, Planning Commission.
(At present General Manager, Engineering Projects (India) Ltd.
- (7) Shri N. Rajan, Financial Adviser, Hindustan Aeronautics Ltd.
[At present Advisor (Finance) (B.P.E.)]
- (8) Shri K. Ramaswamy, System Manager, Bokaro Steel Ltd.
- (9) Prof. S. M. Ramachandran, National Institute for training in Industrial Engineering, Bombay.
- (10) Prof. Ramaswamy P. Aiyar, Indian Institute of Management, Calcutta.
- (11) Shri D. K. Chakravorty, Deputy Adviser (Finance), Bureau of Public Enterprises.
- (12) Shri S. Kasi Aiyar, Officer-on-Special Duty, Bureau of Public Enterprises.
- (13) Shri Y. P. Passi, Director, Member, Secretary, Bureau of Public Enterprises.

Shri M. M. Kohli ceased to be a Member from 30th May, 1973 as the Ministry of Heavy Industry intimated that Shri M. M. Luther, Chairman of the Committee, set up by the Ministry to organise a Technical Services Wing and MIS formats, would represent that Ministry. The working group was constituted in December, 1972.

Terms of reference

(b) 'The Working Group review (a) purpose and periodicity of the reports, (b) reporting level, (c) the extent of utilisation, (d) the extent of overlapping, (e) arrangements for analysis and the nature of output reports for (i) planning, (ii) decision-making, (iii) performance evaluation etc. The Working Group would look upon the information needs of the Government as primarily arising out of its entrepreneurial objectives. The Group was left free to formulate its methodology for evolving the broad framework of the M.I.S. for the reporting between the administrative ministries and the undertakings under their control'.

The Working Group submitted its Report in August, 1974. The Secretaries Committee on Public Enterprises, considered the recommendations of the Working Group and suggested issue of guidelines to the Public Enterprises in the matter of reporting to the Government. These guidelines and the reporting formats are being finalised.

As stated above, one of the conclusions reached at the seminar held in September, 1972, is that the public enterprises should rationalise and evolve suitable formats of reporting within the enterprises, if necessary, in consultation with the specialists in M.I.S. Accordingly, the Bureau maintains close liaison with the enterprises desirous of taking up M.I.S. studies so as to be in a position to render such assistance as may be required by the enterprises. The Hindustan Cables Ltd. have got the project proposal finalised in consultation with the Indian Institute of Management, Calcutta who have been appointed as the consultants for this project. The Administrative Staff College of India have taken up the study of the structural set up of Oil and Natural Gas Commission in its totality. In this context it has been emphasized that an effective management Information System should be an important part of the exercise that is being carried out by Administrative Staff College of India.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135) (17) & (20)/73-BPE(GM-I) dated 13-2-1975].

Recommendation (Serial No. 26 Para 4.44)

The Committee are glad to note that during 1971-72 production exceeded the targets at Tiruchy Plant of Bharat Heavy Electricals Ltd., Electronics Corporation of India, Heavy Electricals (India) Ltd., Hindustan Photo Films Mfg. Co., Hindustan Antibiotics Ltd. (Penicilline Production), Oil and Natural Gas Commission (crude oil), National Instruments Ltd., National Newsprint and Paper Mills Ltd., Madras Refineries, Modern Bakeries Ltd., Instrumentation Ltd. etc. The Committee also note that there were many undertakings which achieved their targets substantially, the shortfall in their cases being only 10 per cent. The Committee, however, cannot but view with concern instances, even if they are few in number, where shortfalls in achievement of targets were as high as 50 per cent and more, for example, Hardwar Plant of Bharat Heavy Electricals, Electronics Corporation of India, Synthetic Drugs Plant of IDPL in 1967-68, Bharat Ophthalmic Glass Co. Ltd. and Hindustan Cables Ltd. in 1968-69 to 1971-72, Foundry Forge Plant of Heavy Engineering Corporation Ltd. in 1969-70 and Cement Corporation of India Ltd. in 1970-71. The Committee are unable to see why shortfalls in achievement of targets of production should be so high. The Committee recommend that undertakings should neither fix over-ambitious targets and find it too difficult to achieve them nor pitch them low deliberately so as to cover up poor performance. The Committee would like to invite the attention to their recommendation in their 67th Report on "Production Management" and reiterate that annual targets of production should not only be fixed after taking into account all the relevant factors pertaining to production but such targets should be equal to or as near to the rated capacity as possible and fixation of targets lower than the rated capacity should be with the prior approval of Government.

Reply of Government

The observations of the Committee have been brought to the notice of the respective administrative Ministries. The specific reasons for shortfall in production, as intimated by the administrative Ministries, are indicated below:—

Electronics Corporation of India Ltd.: The shortfall is attributed to the following reasons:—

- (1) non-availability of the foreign exchange in time and procedural delays in obtaining import licences;

- (ii) Shortage and irregular supply of raw materials and components;
- (iii) teething troubles in the cases of new plants; and
- (iv) technological or other problems.

Cement Corporation of India: The first unit of the Cement Corporation of India i.e. Mandhar Unit, went into commercial production with effect from 19th July, 1970. During the last half-year of 1970-71, this unit produced 1,04,774 metric tonnes of cement as against the target of 90,000 metric tonnes for the half year.

Synthetic Drugs Plant of IDPL: The Unit has suffered in production even during 1972-73 and during 1973-74. The reasons for this in 1972-73 were—

- (i) Shortage of raw materials like Ammonia Gas, sodium Sulphide, Meta-aminophenol and alcohol which affected the production of Sulphas, Sodium PAS, Vitamin B1 and Folic Acid.
- (ii) Shortage of water due to break-down of supply from State Government.
- (iii) Go-slow tactics adopted by the labour from July 1972 onwards.
- (iv) Curtailment of production necessitated by power-cut enforced by Andhra Pradesh State Electricity Board.

Similarly, the production in 1973-74 suffered a setback owing to—

- (i) continued power-cut imposed by Andhra Pradesh State Electricity Board.
- (ii) Continued shortages of raw materials.

As regards to other Units referred to by the Committee where the shortfall in achievement of target was 50 per cent or more, the Ministry of Heavy Industry, who are concerned with Hardwar Plant of BHEL and Foundry Forge Plant of HEC, have accepted the recommendation of the Committee and also issued the necessary instructions to the Enterprises under their control to carefully plan their production programmes, fix up the year's targets which should be realistic and capable of attainment during the Fifth Five-Year

Plan and get them approved by the Boards before submission to Government for approval.

Bharat Ophthalmic Glass Ltd. have also agreed with the recommendation in question of the Committee while Hindustan Cables Ltd. have noted the observations of the Committee for future guidance.

The Committee's recommendation in their 67th Report on "Production Management" has already been accepted by the Government; the necessary instructions were issued to the administrative Ministries' *vide* Bureau's Office Memorandum No. 1(7)/DAP(R)/69 dated 18th March, 1971.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135)/73-BPE(GM-I) dated 5-9-1974].

Further Information Called for by the Committee

Please furnish a copy of instructions issued by the Ministry of Heavy Industry to all heads of Public Undertakings under their control regarding production targets/programmes.

[L.S. Sectt. O.M. No. 25-PU/73 dated 23rd November, 1974]

Further Reply of Government

Copies of the following communications on the basis of which the earlier reply was framed to the recommendations of the Committee are enclosed:—

- (i) D.O. No. 7-1/73-Coord. dated 18th June, 1973 from Shri N. J. Kamath, Addl. Secy., Deptt. of Heavy Industry to the heads of Public Sector Undertakings.
(Appendix XXI)
- (ii) D.O. No. 13(23)/73-Coord. dated 5th February, 1974 from Shri N. J. Kamath, Addl. Secy., Deptt. of Heavy Industry.
(Appendix XXII)
- (iii) D.O. No. 245/SII/D/73, dated 16th June, 1973 from Secretary, Deptt. of Heavy Industry, to heads of Public Sector Undertakings.
(Appendix XXIII)

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135) (26 and 27)/73-BPE(GM-I) dated 5-2-1975].

Recommendation Serial No. 30 (Para 4.59)

The Committee recommended that Detailed Project Reports should invariably contain an indication about the likely gestation period of the Project not only to serve as a guideline but also to provide a yardstick for measuring the performance or profitability of a project. The Committee recognise that there are possibilities of deviation between the Designer's expectations and actual realisation in terms of commissioning of units as well as in the rate of development of production due to various local factors and peculiarities special to different undertakings. The Committee, therefore, feel that it is for these reasons that it is all the more necessary that such a specific provision is made in the DPR so that management can determine the extent of deviation from the normal gestation period stipulated in the DPR analyse the reasons for deviation and initiate on-course corrections to see that projects are completed, commissioned and developed for production according to schedule. Needless to stress that such delays prove costly to the Exchequer and put the clock of the progress back. To give an example, delays in the construction and commissioning of fertilizer plants under execution by the Fertilizer Corporation of India have already cost the country Rs. 122.09 crores by way of loss in production and increase in departmental charges etc.

Reply of Government

'The observations of the Committee have been brought to the notice of all the administrative Ministries/Departments *vide* Bureau's Office Memorandum No. BPE/15(1)/Adv(F)/74, dated the 16th March, 1974 requesting them to issue suitable instructions to various agencies entrusted with the preparation of DPRs to take note of the Recommendation while preparing the DPRs and to monitor progress with reference to DPRs'.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135)/73-BPE(GM-I), dated 25-7-1974].

Further Information Called for by the Committee

Please furnish a copy of the Bureau of Public Enterprises O.M. No. BPE/15(1)/Adv.(F)/73, dated 16th March, 1974.

Further Reply of Government

A copy of the Bureau's O.M. No. BPE/15(1) Adv. (F)/74 dated the 16th March, 1974 (Appendix XXIV) which relates to recommendation No. 30 is enclosed.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 4(135)-30/73-BPE(GM-I), dated 10th October, 1974].

The Public Sector Undertakings under the control of this Department were advised to take note of the recommendation No. 30 while preparing the Detailed Project Reports and to monitor progress with reference to the Detailed Project Report. A copy of this Department letter of even number dated the 18th April, 1974 (Appendix XXV) under which instructions were issued to the Public Sector Undertakings etc. in this regard is also enclosed.

[Ministry of Industry & Civil Supplies, Deptt. of Industrial Development No. PSC-16(19)/74, dated 22-1-1975].

Recommendation (Serial No. 32, Para 5.7)

The Committee find that the Indian Drugs and Pharmaceuticals Ltd. and Hindustan Antibiotics Limited have each set up a sales and marketing organisation even for sale of common products like antibiotics. Similarly, the Fertilizer and Chemicals, Travancore Ltd., and the Fertilizer Corporation of India have marketing organisations of their own even though both the companies are in the public sector and are engaged in production of fertilizers. The Committee recommend that Government should see if it would be possible to evolve a centralised sales and marketing set up for each type of industries and if that is not possible at least for specified products which are manufactured by more than one public undertakings. In the opinion of the Committee, a centralised organisation apart from being economical would lead to greater coordination, evolution of effective sales strategies and development of expertise in the field of sales and management.

Reply of Government

It is accepted that there is scope for greater coordination of marketing activities in order to achieve economies, evolve common strategies and develop expertise. Such centralised marketing is likely to be more applicable in the following circumstances:—

- (a) Where the nature of goods produced by different undertakings is more or less similar, e.g. Petroleum, Steel, Fertilizers;

- (b) Where a common pricing policy and pricing strategy have been agreed to either voluntarily or exists because of a system of Governmental controls; and
- (c) Where specialised after-sales service and supply of spare parts and other forms of technical assistance are not required from the manufacturer.

Besides the above, there is considerable scope for greater coordination of marketing activities in foreign countries. Establishment of foreign offices is an extremely costly affair and maximum coordination of efforts in foreign markets is required to make the best use of these organisations abroad.

As the Committee on Public Undertakings are aware, common marketing facilities already exist in the case of petroleum products and steel. In the case of engineering enterprises, two Consortia have been formed for Power Projects and Engineering Projects—The Indian Consortium for Power Projects and Engineering Projects (India)—which provide some common marketing facilities.

The Ministries in administrative control of public enterprises are being requested to examine the further scope of centralisation of marketing facilities for different units keeping in view the considerations referred to above.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)|73-BPE(GM-I), dated 11-4-1974].

Further Information Called for by the Committee

Please indicate:

- (a) the position regarding Drugs, Fertilizers, Seeds, etc.
- (b) What is the result of the communication sent to the Administrative Ministries and whether any replies have been received from the Administrative Ministries.

[L.S. Sectt. O.M. No. 25-PU|73, dated 21st September, 1974]

Further Reply of Government

So far as the marketing of seeds is concerned, recently a common full-time Chairman has been appointed for State Farms Corporation and National Seeds Corporation, the two public enterprises, who are operating in allied fields. One of the objectives of this appointment is to achieve greater coordination between the activities of the two enterprises, including in the area of marketing.

1111 LS—7.

2. With regard to marketing of drugs, the Committee on the drugs and pharmaceuticals industry, which was set up under the Chairmanship of Shri Jaisukhlal Hathi, Member of Parliament, in February, 1974, was, under its terms of reference *inter alia*:

- (i) to recommend measures necessary for ensuring that the public sector attains a leadership role in the manufacture of drugs and formulations, and in research and development;
- (ii) to make recommendations for promoting the rapid growth of the drugs industry and particularly of the Indian and small scale industries sector.

The Hathi Committee has since submitted its report, which is under the consideration of the Government. Department of Fertilizers and Chemicals has been separately requested to intimate the bureau the latest position regarding Government's policy on the centralised arrangements for the marketing of drugs manufactured by the public sector units; the information will be transmitted to the Lok Sabha Sectt. as soon as a reply is received from that Department.

3. The details of centralisation achieved in marketing of fertilizers are being ascertained from the Deptt. of Fertilizers & Chemicals and will be communicated to the Lok Sabha Sectt. shortly.

4. With regard to the concluding portion of the Government's reply to the recommendation, no general instructions had been issued by the Bureau to the administrative Ministries regarding examination of the further scope of centralisation of marketing facilities, as Bureau was discussing this issue on a sector by sector basis with the concerned enterprises like marketing companies, consultancy and contracting companies, etc. Thus, the Conference of marketing companies in the public sector was held on 14th March, 1974. 'Corporation in Internal Marketing' was one of the subjects discussed at the Conference, and the relevant extract of the proceedings of the Conference, so far as this item is concerned, is enclosed (Not Appended).

The relevant extract from the proceedings of the Conference of consultancy and contracting companies in the public sector in July, 1974, is also enclosed (Not Appended). However, a general circular has now been issued to all the administrative Ministries bringing to

their notice the Committee's recommendation at Sl. No. 32, and the Government's reply thereto; the Ministries have been requested to examine the further scope of centralisation of marketing facilities for different units, keeping in view the consideration set out in the Government's reply to the recommendation.

[Min. of Fin. Bureau of Public Enterprises D.O. No. 8894/BPE (GM-I) 75, dated 19th June, 1975].

Recommendation (Serial No. 33, Para 5.33)

The Committee are of the view that the marketing and sales organisations of public undertakings should be made more compact and better co-ordinated with a view to eliminating some of the difficulties faced by the consumers because of defects in distributing channels, for instance, in the case of steel and fertilizers. The Committee are also of opinion that the marketing survey technique should be more and more utilised for assessing demands of various products and helping the undertakings to plan their production. In the opinion of the Committee, Public Sector Enterprises need not imitate the sales promotion and marketing techniques of the private sector largely in advertising the products of the public sector but should give greater emphasis in bringing out the role of the public sector in national economy.

Reply of Government

Government's view on coordination of marketing activities and strengthening of sales organisations have been conveyed in reply to Recommendation Nos. 31 and 32.

The point made by the Committee on Public Undertakings in respect of public relations and advertising policies is extremely valid. The type of public relations and advertising done by private sector concerns in India is primarily associated with consumer marketing in a competitive economy. This would not be appropriate to many companies in the public sector. Quite obviously, in the case of companies, which are in the field of capital goods or production of infra-structurals, the accent will have to be in the building-up of their general image and contribution made by them towards the development of the economy. In the case of consumer goods-producing companies as well as those suffering from lack of demand, the normal techniques of demand stimulation by advertising and public relations may have to be adopted. The public sector companies have to adjust their advertising and sales promotion policies to their marketing

needs. The views of the COPU are being communicated to the public enterprises through their administrative Ministries for their guidance.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)|73-BPE(GM-I), dated 11-4-1974].

Further Information Called for by the Committee

Please furnish a copy of the instructions issued to the Public Undertakings.

[L.S.S. O.M. No. 25-PU|73, dated 23-11-1974.]

Further Reply of Government

After the issue of the Government's reply to the Rec. No. 33 in April, 1974, when the instructions to be issued to the public enterprises emphasising the need for bringing out the role of the public sector in national economy in their sales promotion and marketing programmes were being finalised, Government had separately decided to advise the public enterprises, to undertake economy measures in certain areas, keeping in view the difficult economic position in the country. The administrative Ministries concerned with public enterprises, who were to issue suitable instructions to public undertakings under their control, were specifically asked in August, 1974, to consider 12 specific areas for achieving possible economies. One of the 12 areas related to complete stopping of advertisements from the public sector units for one year. Subsequently, since it was brought to the notice of the Government that there were certain mis-understandings in the interpretation of the Government's decision and difficulties had also arisen in that the administrative advertisements had been stopped in some of the undertakings, further instructions were issued to the public enterprises in January, 1975, clarifying that the ban on the issue of advertisements will not apply in the following cases:—

- (a) *Administrative Advertisements*, i.e., advertisements covering tender notices, invitation for contracts, advertisements for disposal of materials and scrap, advertisements for filling up of posts.
- (b) *Sales Promotion Advertisements*—These are primarily intended for creation of demand and marketing of the products or services of the company concerned (The need to advertise products and services was particularly felt in the case of those public sector companies, which are

directly selling their products and services to the consuming public).

The instructions of January, 1975, also made it clear that while requests for advertisements in connection with Charitable purposes should not ordinarily be entertained, requests for advertisements in Brochures or the journals and papers having wide circulation may be considered in selective cases, to give publicity to the programmes and performances of the public sector undertakings. The other cases of advertisements were to be decided by the Chief Executives of public enterprises personally. A copy of the d.o. letter No. BPE (I&R)23(5) |74, dated the 30th January, 1975 (not appended) addressed to the Chief Executives of public enterprises [enclosing a copy of the d.o. letter No. 1(65) |74-Coord., dated the 25th January, 1975 (not appended), from Additional Secretary, Department of Heavy Industry] is enclosed for ready reference. It will be noted that the policy to be followed by the public enterprises with regard to various advertisements has been clearly laid down. The importance for giving publicity to the programmes and performances of the public sector undertakings in the advertisement policies has also been indicated to the public enterprises."

[Miny. of Fin. Bureau of Public Enterprises D.O. No. 9(135) |31|
73-BPE(GM-I), dated 17-6-1975.]

.. Recommendation (Serial No. 40, Para 7.17)

The Committee find that though 60 per cent of production of Small Scale Industries was of Engineering goods, STC's export was only about 60 per cent of total small scale industries export. There is also an impression of high margin of profit being charged by the Corporation in its import and export trade. While the Committee are glad at the dominant role which State Trading Corporation has come to assume for canalization of export and import trade, they feel that the Corporation should win the confidence of the users in the country by offering goods and equipment at reasonable rates without any undue margin of profits. It should also strive to keep up and enhance the confidence of the importing countries by adhering to the charging to the time schedule for delivery, guaranteed quality and charging competitive prices.

Reply of Government

The margin of profit of the STC on various raw-materials imported by the Corporation for distribution to Actual Users including those in the Small Scale Sector is determined by an Inter-

Ministerial Committee which is working under the Chairmanship of the CCI&E. The service charges of the Corporation for raw materials supplied as replenishment for export production is only 1 per cent, for raw-materials supplied to Actual Users in the priority sector i.e. those who export more than 10 per cent of their production is 2 per cent and for raw material supplied to Actual Users mainly for domestic production is 5 per cent. The margin is however, higher in the case of high profit items where the intention is to mop up a portion of large gap in STC's import prices and market prices.

As regards export of goods outside India, the Corporation's margin is normally 1 per cent of the value of exports. However, in the case of small scale sector, the Corporation has been assisting the exporters in various fields, namely:—

- (i) Ensuring delivery schedules and quality control.
- (ii) Adapting to the quality specifications, latest fashions and designs.
- (iii) Providing export marketing intelligence.
- (iv) Rendering technical|financial assistance.
- (v) Helping to secure remunerative prices from the overseas buyers as far as possible.
- (vi) Assisting in the procurement of imported raw material and modern machines for export production.

The service charges of Corporation in such cases are slightly higher depending upon the quantum of services rendered.

3. It may be added that exports by the STC have been progressively increasing from year to year as follows:—

Years	Crores of Rs.
1967-68	23·6
1968-69	48·5
1969-70	55·2
1970-71	70·6
1971-72	78·6
1972-73	170·1
1973-74 (Target)	244·0

The STC is taking all possible measures for effecting delivery of goods to foreign buyers in accordance with the delivery schedules, quality specifications and at competitive prices and for strengthening their ties with foreign buyers.

[Miny. of Fin. (Bureau of Public Enterprises) O.M. No. 9 (135) 73-BPE (GM-I) dated 14-3-1974.]

Recommendation (Serial No. 43, Para 7.23)

The Committee feel that with the expansion of capacity for turning out engineering goods in the country, the potentiality for exports would keep on rapidly increasing. In order to earn valuable foreign exchange as also provide experience of international markets and economics of large scale production, the Projects and Equipment Corporation of India should leave no stone unturned to step up the exports by a systematic and intelligent study of world's requirements and potential demand for goods. The Committee also feel that now that India has developed capacity for setting up turn-key projects, particularly in textile mills, cement plants, Government may consider forming a consortium to avail of the promising opportunity available in the Middle East and other developing countries for setting up such plants.

Reply of Government

The Projects and Equipment Corporation is already engaged in the export of a large variety of engineering goods, railway equipment etc., ranging from railway coaches, foundry equipment, diesel engines, and handtools. The Corporation has been adopting a consortium approach in executing its contracts and has also taken a pioneering role in setting up turn-key projects in areas where the country has developed the required expertise and potential. The Corporation has been conducting on a continuous basis detailed studies of market possibilities, maintaining close liaison with the industry and developing close contact with buyers abroad. The consortium had been adopted by the PEC in supply of textile machinery to Egypt and railway wagons to Yugoslavia. The Corporation is now negotiating for undertaking a turn-key project for a textile complex in Iraq. In keeping with the general strategy to increase exports to the Middle East countries, the PEC has been making special efforts to develop its export to this region and the measures that it has been taking are being constantly reviewed for increasing its turn-over and profits.

As has been mentioned by the Committee, India has developed the capacity for supply of textile mills and cement plants on a

turn-key basis. The textile and cement industry is not only in a position to supply the plants on a turn-key basis but have an organisation especially designed for this purpose. So far as the public sector is concerned, the consortium functions can be co-ordinated by public enterprises which have already been functioning like Engineering Projects (India) Limited, Project Engineering Corporation.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135) ;
73-BPE (GM-I), dated 11-4-1974]

Recommendation (Serial No. 44, Para 7.38)

The Committee are happy to note that the resources generated by the Life Insurance Corporation are largely being invested in Government securities and are also being utilised for public utility like provision of finance for own your houses scheme policy holders and such public utility services as housing, water supply electrification etc. The Committee are, however, of opinion that the investment of 11 per cent resources of the Corporation at present going into private sector enterprises in the form of shares and debentures, the financial aspect of it may be examined and suitable steps taken for a profitable diversion in this direction.

Reply of Government

It has been suggested by the Committee that investment of 11 per cent of the resources of the Life Insurance Corporation being made in private enterprises in the form of shares and debentures should be analysed with all their financial implications and the possibility of diverting this fund for a more profitable use should be explored.

2. Life Insurance Corporation takes several factors into consideration while deciding its investment portfolio. Two factors, viz, statutory provisions of Section 27A of the Insurance Act, as applied to the LIC, and its primary obligation to its policyholders whose money it holds in trust, are major determination of the directional pattern of its investment. The interests of the policyholders postulate that investments of the Corporation should be made in such a manner so as to yield the highest return consistent with the security of capital so invested. However, as the single largest investor in India, it has to keep before it the interests of the community as a whole and the Corporation is, therefore, also required to invest in ventures catering to the larger economic and social interests of the country.

3. The volume and percentage of investment of LIC funds in public and cooperative sectors, compared to its total investment, as obtaining at the time of nationalisation and as on 31-3-1973 are characterised by considerable increase. As a result the pace of diversification of its funds in socially oriented sector has gathered considerable momentum during the last few years. As observed by the Committee, the surpluses generated by the LIC have been largely invested in Government securities and are being utilised for socially-purposive schemes like housing, water supply, electrification etc. In fact, the socially-oriented investments of LIC form a predominant part of the Corporation's investment portfolio as could be seen from the figures placed below:—

	Investment as Percentage of the Controlled Fund
	(As on 31st March, 1973)
(i) Central Govt. securities.	24.89
(ii) Securities of Central/State Governments and under Govt. guarantees.	45.65
(iii) Socially-oriented sector as a whole	72.58

4. The investments of LIC in private corporate sector as on 31st March, 1972 and 31st March, 1973 are given below:—

	Rs. in Crores'	
	31-3-1972	31-3-1973
(i) Debentures of Companies.	54.36	59.80
(ii) Preference Shares of Companies.	37.39	38.68
(iii) Equity Shares of Companies.	131.30	131.33
(iv) Loans to companies.	24.97	25.95
(v) Debentures of Oil India Ltd. (Joint Sector)	4.42	3.05
TOTAL	<u>252.44</u>	<u>258.81</u>
Percentage to total Controlled Fund:	11.4	10.3

From the above statement it will be seen that even though LIC's investment in private corporate sector has marginally increased in absolute figures from Rs. 252.44 crores to Rs. 258.81 crores during 1972-73, in terms of percentage to the Controlled Fund the same has been reduced from 11.4 per cent to 10.3 per cent.

5. The Administrative Reforms Commission in its Report on the Life Insurance Corporation recommended *inter alia* as follows:—

“The yield aspect of the investments should not be ignored and the Corporation should endeavour to make its policies more attractive by reducing the premium rates and/or increasing the bonus”.

After considering this recommendation, the Government decided that “every effort should be made to increase the yield on investment and reduce the premium rates and/or increase the bonus.”

The LIC with a view to fulfilling this obligation towards its policyholders would not like to divert its limited existing investment in private corporate sector to other sectors of the economy. The Corporation is required to conduct a valuation of its liabilities and assets once in every two years. 95 per cent of the surplus which such a valuation discloses is distributed in the form of bonus among its “with profit” policyholders. Three major factors condition the surplus—these are (i) expenses, (ii) mortality, and (iii) interest. During recent years, there has been substantial increase in the management expenses of the Corporation due to continuing inflationary conditions. As the investments in Government securities or securities guaranteed by the Central Government and State Government carry little or no risk, the yield on these investments is naturally comparatively low. The investment in private corporate sector in the form of equity, preference shares and debentures is more attractive as comparatively they give higher return on the investment. The overall yield on this type of investment is much more than that obtained on many public sector securities. During the year 1972-73, the yield on equity shares was 8.91 per cent, on preference shares 6.84 per cent, on debentures 7.88 per cent and on loans to companies 8.13 per cent. This yield compares very favourably with the gross yield on the total investment for the year 1972-73 which works out to 6.27 per cent. The investment in equity shares has been attractive and of much financial value to the Corporation. As on 31-3-1973, there has been substantial appreciation of Rs. 26.98 crores in the value of equity shares. This enabled the Corporation to counter the depreciation suffered in other securities including Central Government securities.

6. While considering investment in the private corporate sector on significant scale in the form of loans to companies and also underwriting of equity and preference shares of companies, the consortium of financial institutions comprising of IDBI, IFCI, ICICI, LIC and

UTI thoroughly examines the proposals and takes a decision in the matter. Usually, projects approved by the consortium are such that they are in the interest of the economy of the country. In the case of assisted concerns of such kind where the "convertability clause" has been inserted, LIC can appoint its own nominee on the Board of Directors of such companies with a view to safeguarding its interest and also the interest of the shareholders at large.

7. In view of the position explained above, Government is of the view that 11 per cent of the resources of the Corporation going in private sector in the form of shares and debentures is remunerative and instrumental in generating more surpluses by way of dividends, etc. which can also be ploughed back for investment in socially oriented sector and also may go in the form of increased bonus to its policyholders.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135)/73-BPE(GM I) dated 29-4-74].

CHAPTER IV

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

.. .. Recommendation (Serial No. 2, Para 1.34)

The Committee note that it is the Government's objective to expand and extend the role of the public sector into new fields, including production of mass-consumption goods in which significant production gaps exist or are likely to develop. During evidence, the Committee were informed by the Special Secretary, Ministry of Industrial Development that because of limitation of resources, both human and financial, Government had adopted a 'selective approach' to this question and were already thinking of letting the public sector enter consumer industries like the tyre and tube industry where the foreign companies were dominating and where there was persistent shortage. The representative added that public sector could also step in areas where certain capacities for production of basic and strategic industries had been established in the public sector and where with a marginal adjustment consumer products could be produced. This would give the basic industries what he called their 'bread and butter'. The representative of the Ministry of Industrial Development also agreed that in areas where prices of products had shot up, the public sector could enter to bring about stabilisation of prices. The Secretary, Ministry of Steel was of the view that basic and primary industries like steel could also consider embarking upon industries to which value could be added.

It has been urged before the Committee that in the context of expanding demand for consumer goods and persistent shortages, the public sector should progressively enter into mass consumption industries. The Committee are of the view that the public sector should extend itself to areas where we have established certain capacities for production of basic and strategic materials more particularly in areas which are dominated by foreign companies. They should be organised as a catalyst to set high examples to others and provide an effective means of regulating the prices in the interest of the public. The Committee would like Government to undertake a comprehensive study to identify areas of consumer industries which

can be taken up in the public sector, keeping scrupulous regard for the interest of small and medium scale industries.

Reply of Government

It is agreed that the dictates of public policy and the need for greater utilisation of the resources built up in the public sector might necessitate a more aggressive exploration of the scope for expansion of public sector activities into the consumer goods industries. The objective of such a policy would be to meet public needs with the resources available in the public sector.

There are 3 ways in which the Committee's recommendations could be carried out:—

(1) Expansion of the activities of the existing consumer goods companies

Under the present classification of companies there are already 6 companies which are producing consumer goods. These companies could further expand their activities to cover a wide range of consumer products, with the resources that they have built up.

(2) Diversification of Heavy, Light and Medium Engineering Companies

Most of the public sector companies produce basic and intermediate goods. There may be ample scope for many of these enterprises to move directly into the production of final consumer goods and to engage in forward integration of activities so as to serve the final consumers better.

(3) The formation of new companies

In addition to the direction of existing public sector resources to the production of consumer goods by expansion and diversification activities as mentioned above there may be sufficient justification for the establishment of new companies to produce consumption goods.

An overall strategy has to be formulated for the purpose in consultation with the enterprises, the administrative Ministries and the Planning Commission. Before such consultations it is necessary to take stock of the existing situation. The Bureau of Public Enterprises is undertaking such a study.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM-I), dated 11-4-1975].

Further Information Called for by the Committee

Please indicate whether the Bureau of Public Enterprises has undertaken the study. If so, when is it likely to be completed? If completed, results thereof may be indicated.

(L.S. Sectt. No. 25-PU|73 dated 2-9-1974).

Further Reply of Government

The study mentioned in Governments' earlier reply to this recommendation has already been taken up. But as the study has a wide scope and content, it will take sometime before Bureau is in a position to formulate any concrete suggestions and conclusions. Bureau is endeavouring to complete the study as early as possible.

[Ministry of Finance (Bureau of Public Enterprises) O.M.No. 9(135)
(2)/73-BPE(GMI) dated 16-10-1974].

Comments of the Committee

Please see paragraphs 1 to 6 of Chapter I of the Report.

Recommendation (Serial No. 3 Para 1.37)

The Committee note that it is the Government's policy to take over 'sick mills' in the textile or other areas with a view to maintain employment of the people and optimum utilisation of the production assets in the national interest.

Pursuant to this, the National Textile Corporation has been able to re-open a number of sick textile units which had closed or were about to close down. The Committee would like Government to ensure that these units are re-organised on sound lines so as to become productive and viable assets and that the interests of labour are well protected. The Committee would also suggest that Government should see that the textile mills manufacture cloth to meet the requirements of the common man at most competitive rates.

The Committee are compelled to observe that Government should not allow themselves to be saddled with the problem of mills which are contrived into sick condition because of mis-management. The Committee feel that it should be possible for Government to keep a strict watch on the performance of textile mills and take timely measures which would ensure their continued production in the interest of meeting the requirements of common man and obviating the chances of their becoming a liability to the public sector.

Reply of Government

At present, there are 103 sick textile undertakings under Government management. The management of 57 undertakings has been taken over under the Industries (Development and Regulation) Act, 1951, and the management of 46 undertakings has been taken over under the Sick Textile Undertakings (Taking over of Management) Act, 1972. The total installed capacity of these undertakings is about 2.94 million spindles and 45725 looms, and their employment potential is about 1.63 lakh workers. However, physical possession of 6 undertakings has not yet been taken due to interim stay orders issued by the various Courts and 2 undertakings, although taken over, are yet to be re-started. 3 undertakings have been restarted very recently. The production of the 92 undertakings restarted during the period April to October, 1973, amounted to 445.06 million metres of cloth and 25.54 million kgs. of yarn, valued at about Rs. 120 crores.

2. The funds required by these undertakings are provided by the Central and State Governments in the proportion of 51:49. The share of the Central Government is routed through the National Textile Corporation. The major requirement of funds is in respect of working capital and modernisation. Upto the end of October, 1973, the National Textile Corporation had advanced an amount of Rs. 16.53 crores to the undertakings for working capital. The Corporation has been engaged in formulating detailed modernisation programme for the undertakings, and upto the end of March, 1973, it had drawn up programmes for 50 undertakings, for which an outlay of about Rs. 20 crores was sanctioned by Government. During April to October, 1973, modernisation programmes in respect of another 18 undertakings, involving an outlay of about Rs. 8 crores have been formulated by the Corporation. Modernisation programme in respect of one undertaking has been sanctioned by Government and the rest are being examined. Most of the mills have taken effective steps to implement the sanctioned modernisation programme. The Corporation is also operating a cotton purchase scheme on the basis of a loan of Rs. 2 crores obtained from Government, which is being utilised as margin money to obtain cash credit facilities from the banks for the purchase of cotton. A labour Rationalisation Scheme has also been evolved to provide for payment of retrenchment and gratuity compensation for superannuated or disabled workers, with the agreement of the labour unions.

3. The Government managed mills have been in the forefront in the production of controlled cloth for the weaker sections of the

society. During the period 1st January to 30th September, 1973, Government managed mills produced 847.25 lakhs sq. metres of controlled cloth against the total obligation of 560.48 lakhs sq. metres. In order to ensure that the controlled cloth reaches the weaker sections of the society, Government managed mills have so far opened about 240 fair price shops predominantly in the rural and labour areas. The Government managed mills exported cloth to the extent of 761.44 lakhs sq. metres during January to September, 1973, against their total export obligation of 705.17 lakhs sq. metres.

4. Due to various steps taken by the National Textile Corporation, there has been considerable improvement in the working of the mills managed by the Government.

5. The other aspects of the recommendation relates to the question of Government keeping a strict watch on the performance of textile mills and also taking timely measures to ensure their continued production in the interest of meeting the requirements of the common man and obviating the chances of their becoming a liability to the public sector. In the present set up, the working of a textile mill can be judged from its balance sheet and the profit and loss account or by conducting a techno-economic survey of the unit concerned. The balance sheet and the profit and loss account alone do not always represent a true picture about the condition of the unit. Moreover, the balance sheet and profit and loss account are available after a gap of more than a year. If, therefore, a real check has to be kept, it cannot be based only on the performance assessed from the balance sheet and profit and loss account.

6. It is not possible to undertake surveys of textile mills as a matter of routine. Firstly, the Textile Commissioner is not equipped to carry out surveys of a large number of mills at a time. Surveys of mills to be conducted on the basis of the balance sheet, etc., would be of no use as by the time the balance sheet is received, and a survey is conducted, the condition of the mill may change radically. Moreover, undertaking of surveys has its own repercussions on the working of the mill in that the reputation of the mill goes down in the eyes of the creditors leading to the scarcity of working finance needed for the mills' smooth working.

7. An idea about the working of a mill can also be had from its production returns submitted to the Textile Commissioner and also the regularity in payment of statutory dues, such as Provident Fund and ESI. Here also the difficulty is that an analysis of the pro-

duction returns alone of a mill and regularity in the payment of statutory dues by it will not lead to any conclusions and may have to be followed up by an on the spot survey of the mill concerned for which the Textile Commissioner is not fully equipped.

8. It will be seen from what has been stated above that it is very difficult for the Textile Commissioner to keep a watch on the health of individual units of the textile industry and it would be much more difficult to prevent them from becoming sick even if it is known, of course, at a large late stage, that a unit is likely to become sick. The State Governments, who are concerned with the labour problems of the textile industry, etc., would perhaps be able to keep a better watch on the working of cotton textile mills in the State.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135)/73-BPE(GMI) dt. 14-3-74].

Comments of the Committee

Please see paragraphs 7 to 17 of Chapter I of the Report.

Recommendation Sl. No. 4, (Para 1.44)

As far back as 1963, the Estimates Committee had, in their 32nd Report on the National Coal Development Corporation, recommended that broad principles regarding financial and economic obligations of public sector enterprises should be laid down by Government. The recommendation was reiterated by the Committee on Public Undertakings in their 7th Report (3rd Lok Sabha) in 1965. In October, 1967, the Administrative Reforms Commission recommended that Government should "make a comprehensive and clear statement of objectives and obligation of public undertakings".

The Committee note that even though a period of 10 years has elapsed since the Estimates Committee made their recommendation, Government have not laid the financial, economic and social objectives of public sector enterprises so far. The Committee consider it unfortunate that Government should have taken so long to implement a recommendation of such a far reaching importance.

The result has been that the performance of public undertakings continue to be judged by a variety of vague objectives and considerations and afford scope for uninformed criticism which make for dilution of managerial accountability.

The Committee hope that at least now this matter would receive serious consideration of the Government and the White Paper promised to the Committee would soon be presented to Parliament, setting out *inter alia* the following:—

- (i) A framework of principles of Government's general economic, financial and social strategy for Public Sector Undertakings;
- (ii) micro objectives, both financial and economic, of each Public Undertaking and providing for review from time to time; and
- (iii) quantification of social objectives and obligations and issue of Government directives in appropriate cases.

Reply of Government

Government have taken note of the recommendation made by the Committee that a White Paper should be presented to Parliament, setting out the objectives and obligations of the Public Sector. Government accept the recommendation and will take steps to present the Paper as early as possible to Parliament. The Bureau of Public Enterprises have already commenced the formulation of the Paper in consultation with the Administrative Staff College of India. In view of the widespread of activities in the Central Public Sector and the variety of companies and economic activities which are covered, the preparation of the White Paper has to be done with considerable care and comprehensiveness.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9 (135)/73-BPE(GMI) dt. 14-3-74]

Further Information Called for by the Committee

Please indicate when the White Paper on the lines recommended by the Committee on Public Undertakings is likely to be presented to Parliament.

[L.S. Sectt. No. 25-PU/73-dt. 2-9-1974].

Further Reply of Government

In view of the widespread of activities of Central Public Sector Undertakings, the proposed White Paper on the Objectives and Obligations has to be very comprehensive. Various developments which took place recently regarding Social Obligations of Public Sector Enterprises, are to be taken into consideration while

preparing the White Paper. It is, therefore, likely to take some more time before the White Paper is finalised.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (4)/73-BPE(GMI) dt. 15-2-75]

Comments of the Committee

Please see Paragraphs 18 to 24 of Chapter I of the Report.

Recommendation Serial No. 6 (Para 2.16)

While there is a need for the growth of Public Sector, the Committee feel that such growth should be achieved through a careful planning both at the micro and macro level. The Committee find that while by and large undertakings have micro plans, some undertakings find it difficult to have a micro plan for their industries (H.S.L.), in the absence of timely management information. The Committee were informed that Five Year Plans formulated by the Planning Commission contained overall plans of Public Sector programme as well as the programmes of individual undertakings for the five year period. In addition, Annual Plans were formulated for them. The Committee feel that Public Sector in India being one of the largest industrial assets in the world today, a modern and dynamic approach should be brought to bear on its planning and functioning.

Reply of Government

As indicated in the Government's reply to the recommendation at Sl. No. 4 earlier, the recommendation of the Committee is that a White Paper should be presented to Parliament setting out the Objectives and Obligations of Public Sector has been taken note of by Government, and steps are being taken to present to the Parliament the Paper as early as possible. To fulfil the National Objectives enunciated in the White Paper as adopted; each of the enterprises would have to prepare a corporate plan which would clearly indicate the objectives, tasks, goals, programmes and techniques. The Corporate Plan should also cover such vital matters as pricing policy, growth rate, possibilities of expansion and diversification, resources planning, employment planning, capital requirements and training needs. Of course, even now in principle most of the Public Enterprises have already accepted the idea of corporate planning. But it is a fact that the techniques of Corporate Planning adopted by the

enterprises need to be considerable improved. Bureau is taking steps to bring about the desired improvement.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GMI) dated 20-3-1974]

Further information called for by the Committee

Please indicate what steps are being taken by the Bureau of Public Enterprises to improve the technique of Corporate Planning adopted by the Public Enterprises.

[L.S. Sectt. No. 25-PU/73-dated 2-9-1974]

Further reply of Government

In February, 1974, the Bureau of Public Enterprises addressed the various Ministries to ascertain the position of Corporate Planning in each of the Public Sector Enterprises under their administrative control, and to strengthen this function where it exists and where it did not exist to set up special cells for this purpose. This was followed up in June, 1974, with further suggestions from the Bureau to help the Public Sector Enterprises to formulate and process their Corporate Plans. The attention of all the Ministries was also drawn to the draft of the Bharat Heavy Electricals Ltd's Corporate Plan.

The above action has helped in creating an awareness amongst top managements of Public Enterprises of the important role Corporate Planning has in the successful long-term operation of an Enterprise and of top management's responsibility in developing and implementing the Corporate Plans.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135)(6)/73/BPE(GMI) dated 20-2-1975]

Comments of the Committee

Please see Paragraphs 24 to 28 of Chapter I of the Report.

Recommendation Serial No. 10, (Para 3.27)

The Committee reiterate their recommendation contained in para 8.27 of their 17th Report (5th Lok Sabha) that participation of workers and their representatives should be at all levels beginning from the shop level to the Board of Directors "with a view to promote industrial harmony and maximise production." The

Committee attach great importance to this recommendation which is of a very fundamental nature inasmuch as they point out that mere appointment of a workers representative on the Board of Management without workers participation at all levels will have only a symbolic value and expect that no further time would be lost by Government in its implementation and to give this measure a wider coverage.

Reply of Government

So far as the appointment of workers on the Boards of Management of Public Enterprises is concerned, the Government have decided to try the scheme on an experimental basis in a limited number of Undertakings. A worker Director has been appointed in Hindustan Antibiotics Limited, Pimpri, in April, 1973, and the question of appointment of workers' representatives on the Boards of some other suitable Undertakings has been taken up with the Ministries concerned.

As regards the workers' participation in management at other levels, at present there is a voluntary scheme of Joint Management Councils, which envisages labour management cooperation through consultations and mutual discussions at a Joint Council, consisting of equal number of representatives of the management and labour. The scheme is applicable to both Private and Public Sector Undertakings. The recommendations of the Committee on Public Undertakings in regard to securing labour participation at all levels will be kept in view, while finalising the comprehensive Industrial Relations law, presently under Government's consideration.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135)/73/BPE(GMI) dated 2-3-1974]

Comments of the Committee

Please see Paragraphs 29 to 32 of Chapter I of the Report.

Recommendation Sl. No. 13, (Para 3.41)

The Committee note that "normally, part-time Chief Executive who have to attend to their own private interests in a competitive concern, are not considered for any appointment in Public Sector Undertakings, and that in this case an exception was made in view of his vast experience and knowledge in the field of paper industry". The Committee are of the view that appointment of a person who has his own private interests in a competitive concern as Chairman of

a Public Sector Concern even on a part-time basis, is wrong in principle. The Committee desire that Government should review the position in this and other similar cases, if any, in the larger interests of the Public Sector. The Committee would like to be informed of the action taken by Government.

Reply of Government

As desired by the Committee on Public Undertakings, the Administrative Ministries had been advised to conduct the review of the incumbencies of Chairmanship of the Public Enterprises under their administrative control, and wherever necessary, the administrative Ministries have also ascertained the factual position from the concerned Chairman. From the replies received, it is seen that at present the Chairman of Public Enterprises under the control of the various Ministries/Departments do not have private interests in any concern which competes with the Public Enterprise of which he is the Chairman. In respect of Chairman, Indian Dairy Corporation, however, the information is still awaited from Ministry of Agriculture.*

The Chairman of Hindustan Paper Corporation has some shares in private paper manufacturing concern, but does not own interest in a competitive concern, as he has no executive responsibility there. Similarly Chairman, National Small Industries Corporation is an ordinary shareholder of several companies, but he is neither the proprietor nor the partner of any business concern. The Chairman, National Textile Corporation is a Director in a number of private companies, including some manufacturing textiles (Appendix I), but he has stated that he has no executive responsibilities in these companies, either part-time or full-time.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 9(135)/73-BPE (GMI) dated 17-2-1975]

Comments of the Committee

Please see Paragraphs 33 to 37 of Chapter I of the Report.

*At the time of factual verification, the Ministry of finance, Bureau of Public Enterprises stated as under :—

“From the reply furnished for this recommendation, it will be noted that only the information regarding Chairman, Indian Dairy Corporation was to be transmitted to the Lok Sabha Sectt. The position in this regard, as communicated to us by the Deptt. of Agriculture, is that the Chairman of the Company has no private interest in a competitive concern. The Deptt. of Agriculture have also stated that the recommendations of the COPU have in any case been kept in view.”

Recommendation Sl. No. 14, (Para 3.53)

The Committee note that the original idea underlying the setting up of the Bureau of Public Enterprises was to provide one centralised agency which would act as the eyes and ears of Government and provide an overall critical review of the functioning of the Public Sector for identification of the problems besetting them and suggest concrete measures to remedy the shortcomings.

The Committee also note that the strength of the Bureau has increased from 96 as on 1-6-1969 with a budget of Rs. 14 lakhs to 237 as on 1-3-1973 with a budget of Rs. 41.17 lakhs in 1972-73.

Recommendation Sl. No. 15, (Para 3.54)

The Committee gathered the impression during their visits to Public Undertakings as well as during the evidence tendered by the chief executives of the Public Undertakings, that the Bureau has not been able to discharge its role and functions to the entire satisfaction of Public Undertakings. Not only have its guidelines or advice not found ready acceptance with the undertakings, it has also not been able to resolve the problems facing some undertakings in any tangible manner. In the circumstances, the Committee cannot but look at the heavy expenditure which is being incurred on this top-heavy bureau and they cannot help expressing the feeling that if the Bureau has to serve the original objective, it must be made more compact and be manned by persons who have long experience of working in Public Undertakings and who can command respect of the Undertakings by virtue of their knowledge and proven leadership in management.

Recommendation Sl. No. 18, (Para 3.57)

The Committee have considered the necessity or otherwise for such an agency in the context of the latest move to set up sectoral holding companies for various Undertakings which will oversee working of constituent units and co-ordinate common matters bearing on planning and development of production capacity recruitment training programme, etc.

The Committee recognise the need for a small compact Bureau staffed by experienced technical personnel drawn from Public Undertakings to study larger issues relating to capital structure, cost of construction, inventory control, productivity etc. with a view to assisting the Public Undertakings particularly in the initial stages, to evolve their own norms.

The Committee note that the working of the Bureau of Public Enterprises is currently being reviewed by a high powered task force headed by Member, Planning Commission. They hope that the Task Force will critically go into the functioning of the Bureau and would clearly demarcate its role and functions so that it can be reorganised to serve effectively the objective that Government had in view in setting it up. The Committee would like to be informed of the recommendations made by the Task Force and the concrete action taken by Government in pursuance thereof to rationalise and reorganise the working of Bureau of Public Enterprises so as to act as an effective clearing house of information, policy guidance, monitoring agency which commands the regard of the public undertakings by virtue of its knowledge and leadership and of Government by rendering timely reports on focussing light on important issues, coming in the way of the achievement of production target by the Public Undertakings.

Reply of Government

Bureau of Public Enterprises has been functioning in accordance with the charter envisaged by the Government at the time of its establishment in 1965 and as modified by the Government pursuant to the recommendations of the ARC in their Report on "Public Sector Undertakings". The Action Committee on Public Enterprises under the chairmanship of Shri M. S. Pathak, Member, Planning Commission, which also examined the relationships between the Public Sector and the various organs of the Govt. dealing with the Public Enterprises with a view to recommending improvements and organisational changes wherever necessary, has also considered the appropriate role of the Bureau of Public Enterprises for achieving the desired objectives. The recommendations of the Action Committee in this regard are now under the active consideration of the Government. The Committee on Public Undertakings will be apprised of the recommendations of the Action Committee as also the Government's decisions thereon, as soon as the decisions are finalised.

[Ministry of Finance (Bureau of Public Enterprises) O.M.
No. 9(135)/73-BPE(GM-I) dated 11-7-74].

Further Information called for by the Committee

Please indicate:

- (a) What are the recommendations of the Action Committee?
- (b) What are the reactions of the Government; and

(c) When the Government's decisions on the recommendations of the Action Committee are likely to be finalised?

[L. S. Sectt. No. 25-PU/73-dt. 2-9-74].

Further Reply of Government

The recommendations of the Action Committee have been considered in the Finance Ministry. Further processing of the recommendations with a view to finalising the Government's decisions thereon is dependent on spelling out in some detail the functions that the Bureau of Public Enterprises should perform directly (and for which it must have its own permanent staff) and activities which the Bureau may stimulate using various consultancy facilities which exist in the country. It has been decided that the administrative Ministries concerned with public enterprises should also be involved in the further discussions relating to the determination of the immediate priorities for the functions of the Bureau. It is expected that after such inter-Ministerial discussions, Government's decisions on the recommendations of the Action Committee will also be finalised. The recommendations of the Action Committee as well as the Government's decisions thereon will be forwarded to the Committee on Public Undertakings immediately after the finalisation of the decisions, which is expected to be done shortly.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GMI) dated 22-2-75].

Comments of the Committee

Please see paragraphs 38 to 47 of Chapter I of the Report.

Recommendation Sl. No. 21, (Para 4.14)

The Committee are glad to note the high level of utilisation of capacity achieved by public sector Refineries (Gujarat Refinery-121 per cent, Guahati Refinery-107 per cent, Cochin Refinery-109 per cent, Madras Refinery-100 per cent) and by the H.M.T. Watch Factory (131 per cent) and Lubrizol India Ltd. (140 per cent). This is an impressive achievement.

It is a matter of satisfaction to the Committee that several public enterprises have brought about considerable improvement in capacity utilisation in 1971-72 as compared to the level of utilisation in 1967-68. There are however, certain undertakings where the capa-

city utilisation is far from satisfactory. For instance, the percentage of achievement of rated capacity in 1971-72 by Hardwar Plant of Bharat Heavy Electricals was 12.6 per cent, by Tannery and Footwear Corporation, 24 per cent, by Co-axial Plant of Hindustan Cables 34 per cent, by Durgapur Steel, Plant of Hindustan Steel, 44 per cent, etc. etc. The main reasons for non-achievement of rated capacity were shortage of power insufficient orders, lack of raw materials, change of pattern of demand insufficient quantum of foreign exchange etc.

Reply of Government

Hindustan Cables Ltd.

It may be mentioned that in Hindustan Cables Ltd. during the period under review in the Committee's report was marked by strained industrial relations in the eastern belt. The multiplicity of unions in the factory led to acute inter-union and intra-union rivalries adversely effecting the productivity of the unit. The production of co-axial cables in 1972-73 has increased to a level of 49 per cent of rated capacity. The production was 79 per cent during 1973-74 (April—December).

Tannery and Footwear Corporation:

The capacity utilisation of TAFCO is, however, still not satisfactory. The main reasons for under utilisation of capacity are as under:—

- (i) The undertaking inherited 40—60 years old machinery and equipment, having low productivity.
- (ii) Shortage of power.
- (iii) Frequent shortage of process materials and chemicals.

Action Committee on Public Enterprises has been asked to look into the various problems of TAFCO, with a view to suggesting remedial measures for all round improvement. The Committee's report is now under consideration of the Government. The replacement/modernisation of machinery and plant is under consideration. It is also expected that with the implementation of the recommendations of the Action Committee, implementation of Modernisation Programme and purchase of generators, the capacity utilisation will improve.

Bharat Heavy Electricals Ltd., Hardwar:

The shortfall in production in the past as compared with installed capacity was due to delays in the supplies of alloy steel castings, and forgings, both indigenous and imported. Apart from various measures taken to ensure timely supplies, a captive foundry forge plant at Hardwar is also being set up.

There has been considerable improvement in production also. The percentage utilisation for the year 1972-73 is 24 per cent and for the year 1973-74 (April to December) is 37 per cent as shown below:—

	(Rs. in lakhs.)		
	Installed capacity	Production	Percentage
1972-73	9680	2311	24
1973-74 (April—Dec.)	9680	2671	37

Durgapur Steel Plant:

The major reasons for low production in the past were persistent labour unrest, generally poor discipline amongst supervisors and officers, poor maintenance of plant and machinery and adverse changes in the quality of raw materials, particularly coal.

The Action Committee on Public Enterprises has looked into the various problems of D.S.P. with a view to suggesting remedial measures for all round improvement and their report is expected to be submitted shortly.

The production of this Plant is showing some signs of improvement as shown below:—

	in '000 tonnes.		
	Installed capacity	Production	% age
1972-73	1600	723	45%
1973-74 (April to December)	1600	597	50%

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE (GM I) dated 14-3-1974].

Further information called for by the Committee

Please indicate what are the findings of the Action Committee and what action has been taken by Government thereon.

[L.S. Sectt. No. 25-PU/73, dated 21-9-1974].

Further reply of Government

Though the Action Committee had prepared a draft report on Durgapur Steel Plant and a copy was also sent to the Minister of

Steel and Mines for discussion, a meeting could not be arranged between the Members of the Action Committee and the Minister of Steel and Mines. In the meantime the term of the Action Committee expired and as such the report on Durgapur Steel Plant could not be finalised.

As regards supplementary information required by the Committee on Public Undertakings with regard to Tannery and Footwear Corporation, a detailed note prepared by the Ministry of Industry and Civil Supplies (Deptt. of Industrial Development) is sent herewith which is self-explanatory. Information with regard to BHEL, Hardwar will follow (As it is still awaited from the administrative Ministry).*

(Ministry of Finance, BPE, O.M. No. 9(135)-(21)/73 BPE-(GMI), dated 21st February, 1975).

*At the time of factual verification the Ministry of Finance, Bureau of Public Enterprises forwarded a copy of their further reply dated 15th July, 1975 wherein the following was stated:—

“Hardwar unit has consistently shown an improvement in growth rate since 1971-72 as indicated below:—

Year	Turnover (Rs. Crores.)	Growth Rate
1971-72	13.12	22%
1972-73	23.19	77%
1973-74	44.42	92%
1974-75	56.25	27%

The questions now raised pertain to the years 1972-73 and 1973-74. During this period the factors which stood in the way of achieving higher performance levels are outlined below:—

i. During 1972-73, manufacture of 200 MW turbo generator and Steam Turbine was launched in production and the shops were busy in the manufacture of tooling and other preparatory works for this sophisticate set.

ii. The products manufactured at Hardwar unit are to specific customer requirement which call for special tooling, jigs and fixtures and other preparatory works in most cases before actual manufacturing activities can commence. The action taken in the subsequent period has been primarily to improve the position regarding supply of raw-materials and components from collaborator's works and other sources. In fact to maintain a continuity in the inflow of materials from collaborator's works, the unit has agreed to carryout additional operations on various components increasing the scope of work at Hardwar. Efforts are also being made to establish alternative sources of supply in third countries so that production programmes and commitments to customers are not adversely affected

Recommendation Serial No. 22 (Para 4.15)

The role of Public sector in terms of Industrial Policy Resolution is generally accepted. Concern is however, voiced about the performance of public sector and this in particular concerns the actual production turn-out as compared to the installed capacity. The Committee need hardly point out that the under utilisation of production capacities not only leads to locking up of scarce resources but also results in wide-spread repercussions in linked industries and heavy avoidable imports. It has also the effect of inflating the cost of production and adversely affecting the financial results of the undertakings. Besides, it means that the plant and machinery may become obsolescent and even unprofitable because of technological development before full value of the investments made had been derived.

Reply of Government

The observation of the Committee have been noted. The same have been brought to the notice of the Public Enterprises for information and guidance through the administrative Ministries *vide* BPE Office Memorandum No. 3/1/74-Prodn. 13-2-1974 (Appendix III)

[Ministry of Finance (Bureau of Public Enterprises) O.M. No.
9(135)/73-BPE(GM I) dated 2-3-1974]

The unit has budgeted for a finished output of Rs. 95.05 crores during 1975-76 comprising of:—

	Financial	Physical
Thermal sets	57.84 crores	1280 MW
Hydro sets	20.24 crores	480 MW
Electrical	12.74 crores	
Others	4.23 crores	255 MW/460 Nos.

In terms of gross turnover, a growth of 58% is envisaged during 1975-76. The unit is expected to achieve the installed capacity to a large extent by 1975-76.

Further Reply of Government

A copy of Bureau of Public Enterprises O.M. No. 3|1|74-Prod. dated the 13th February, 1974 is sent herewith (Appendix III).

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (22)/73-BPE(GM I) dated 10-10-1974].

Recommendation Serial No. 23 (Para 4.16)

The Committee would also recommend that Government should immediately analyse the reasons for this persistent under-utilisation of capacities in the various undertakings and take remedial measures in respect of each of them. These measures and the improvements made should be reviewed every year and the same specifically brought to the notice of Members of Parliament through a special Chapter in the Annual Report of the Bureau of Public Enterprises of Central Government Industrial and Commercial undertakings. It should bring out in clear terms the percentage of utilisation of installed capacities and the reasons for ideal idle capacities, if any, its implications in financial terms and the remedial measures taken or proposed to be taken by government to improve utilisation of capacity in the Public Sector.

Recommendation Serial No. 24 (Para 4.28)

The Committee note that even where attempts have been made by individual undertakings for diversification of their production, such attempts have been rather sporadic and diffused and no serious efforts seem to have been made to have a comprehensive plan of diversification consistent with the market trends of the products. The Committee would recommend that Government should pay special attention to the question of diversification and create a machinery for taking suitable steps in this direction with a view to deriving maximum benefit from the installed capacity in various modern techniques.

Reply of Government

Government and the individual enterprises make regular analysis of the reasons for persistent under-utilisation of capacity. Remedial measures are taken by the management of the enterprises. As a result of trend analysis arising out of monitoring of the per-

formance of enterprises carried out by Government such enterprises which show persistently low output, are being examined in depth with the help of agencies such as Bureau of Public Enterprises and the Action Committee on Public Enterprises. So far, a large number of enterprises in the core and basic sectors have been studied in depth and remedial measures in almost all the cases have been instituted. This organised approach will continue with a view to assisting the public sector enterprises in achieving optimum levels of production in the shortest possible time.

Government are also making an organised review of 'capacity' of all "production" enterprises with the help of suitable consultancy organisations to establish the current level of utilisation and for diagnosing the important causes of low utilisation so that an objective appraisal can be made of the efforts made to improve utilisation.

In addition to identification of enterprises that persistently show under-utilisation of capacity, Government also continue to assist them in diversifying their production to make the maximum use of installed capacity. While appreciating the need for each enterprise to develop its expertise in market research and product design and development, Government is also considering the question of setting up a special monitoring cell to oversee the effort being made in this particular area.

As regards the observations of the Committee in the recommendation at Serial No. 23 relating to inclusion of a special chapter in the Annual Report of the Bureau of Public Enterprises on Central Government industrial and commercial undertakings to deal with the position regarding under-utilisation of capacities in the various public enterprises, measures taken to improve the same, improvements made, etc., attention is invited to the 46th Report of the Committee on Public Undertakings (Fifth Lok Sabha), in which the Committee have made a number of other suggestions also in order to make the above Report a more comprehensive document from the point of view of accountability to Parliament. Government is separately considering the above mentioned recommendation in the 16th Report *vide* para 1.16 thereof, which also *inter alia* refers to the question of including in the Annual Report a critical appreciation of the performance of public undertakings as compared with the performance of each of the previous two years especially with reference to production/performance targets, etc., vis-a-vis installed capacity, findings of Government as a result of reviews conducted and remedial measures taken with particular reference to improvements in management control. Government's detailed reply on the

recommendation in para 1.16 of the 46th Report will be communicated as early as possible.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)73-BPE(GM I) dated 20.3.1974].

Further Information called for by the Committee

Please indicate:—

- (a) the names of Public Undertakings which are being examined in depth with the help of agencies such as Bureau of Public Enterprises and the Action Committee on Public Enterprises.
- (b) What remedial measures have been indicated in the case of Public Undertakings in the case and basic sectors?

(L.S. Sectt. No. 25-PU/73-Dt. 21-9-1974).

Further Reply of Government

The following material is furnished:

- (i) a list of Public Undertakings in whose case the Bureau of Public Enterprises had undertaken studies in depth.
- (ii) a list of Action Committee's Reports submitted to Government.
- (ii) Remedial Measures taken to improve the working of Public Enterprises in the core and basic sectors.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 9(135) (38)173-BPE(GMI) dated 6-2-75].

Comments of the Committee

Please see paragraphs 51 to 71 of Chapter I of the Report.

Recommendation Serial No. 38 (Para 7.5)

The Committee consider that Air India and Shipping Corporation have performed a great national service by extending their operations to important international routes. The Committee would like Air India to keep up its high tradition as a world carrier and also take effective measures to see that it not only retains, but wins increasing percentage of tourist traffic particularly to this country.

The Committee have examined in depth the working of the Indian Airlines and given concrete recommendations for the Corporation to

expand its services and gear up to meet the challenging task of air travel in the coming five to ten years.

In regard to the Central Road Transport Corporation the Committee invite attention to their recommendation in para 7.6 of their Sixty-Second Report (Fourth Lok Sabha) wherein it was stated that as the Ministry had failed to put the Central Road Transport Corporation on a commercially sound footing during the course of last six years and as the Corporation had practically consumed the entire investment, it should be wound up, as early as possible. The Committee recommend that Government should take an early decision in this matter.

Reply of Government

The observations of the Committee in respect of the Shipping Corporation and the Air-India are noted. The Air India will continue to make efforts to maintain its high tradition as an international airline and also take effective measures to see that it not only retains but also wins increasing percentage of tourist traffic particularly to India.

The various recommendations made by the Committee on Public Undertakings on the working of Indian Airlines have been duly examined and suitable replies sent to the Committee, indicating the nature of action taken or proposed to be taken on those recommendations *vide* Ministry of Tourism and Civil Aviation letter No. H. 11013/4/73-AC dated 16th October, 1973, addressed to the Lok Sabha Secretariat. The Committee had asked for additional information on certain points, which was furnished in the Ministry of Tourism and Civil Aviation O.M. No. H. 11013/4/73-AC dated 15th February, 1974.

So far as the closure of Central Road Transport Corporation is concerned, the matter is in an advanced stage of consideration in the Central Government in consultation with the Government of West Bengal also.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/BPE (GM-I) dated 14-3-74].

Further Information called for by the Committee

Please indicate what are the developments in regard to the question of closure of Central Road Transport Corporation.

[L.S. Sectt. No. 25-PU/73 dated 21-11-74]

Further Reply of Government

Government of India requested the Chief Minister, Assam, and Ministers of Chemicals and Steel and Mines and Heavy Industry to indicate whether it would be possible for the public sector organisations in the eastern region, under their charge, to take over the vehicles and the corresponding staff of the Corporation. The Managing Director, CRTC, was also requested to find out whether the employees of the Corporation would be agreeable to form a cooperative society, which would take over the entire fleet of the Corporation in the eastern region. From the replies received, it appears that the public sector organisations in the eastern region are not in a position to take over the vehicles and staff of the Corporation. The employees of the Corporation have also not shown any interest in the proposal to organise a cooperative society to run the vehicles of the Corporation. The matter is being further considered in the Government in the light of these developments.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (38)|73-BPE(GMI) dated 6-2-75].

Comments of the Committee

Please see paragraphs 72 to 76 of Chapter I of the Report

Recommendation Serial No. 39 (Para 7.8)

The Committee find that the Food Corporation of India has emerged as the biggest trading enterprise in the Public Sector. Its turnover was Rs. 1641.61 crores in 1971-72.

The Committee would like the Food Corporation of India to take concerted measures to reduce its handling charges so that the benefit of State procurement can be passed on to the consumer without involving an unduly high subsidy from the State Exchequer to cover administrative and handling charges, storage and transit etc.

Reply of the Government

The observations of the Committee have been noted. It may be pointed out that the organisational set up and the working of the

Corporation are constantly reviewed not only by the management of the Corporation but also the Government with a view to effecting such improvements and economies as are possible. Due to the recent general increase in prices, no major reduction in the various operational costs seems possible. However, the Government have appointed a high-level Committee under the chairmanship of the Food Secretary to scrutinise and critically analyse the procurement and distribution incidentals of the Corporation. The recommendations of the Committee are expected to be finalised shortly.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)
73-BPE(GMI) dated 2-3-74].

Further Information Called for by the Committee

Please indicate when the Committee under the Chairmanship of the Food Secretary to scrutinise and critically analyse the procurement and distribution of incidentals of the Food Corporation of India was appointed, what were the terms of reference and when the Report is expected.

(L.S. Sectt. No. 25-PU|73 Dt. 23-11-74).

Further reply of Government

(i) The high level Committee was set up under the Chairmanship of the Union Food Secretary on 11-1-1973.

(ii) The terms of Reference of the Committee are indicated in Annexure I of the Report (Not appended).

(iii) The report was submitted by the Committee on 15. 4. 1974.

(iv) The various recommendations of the Committee are indicated in italics in the report.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)
(39)|73-BPE(GMI) dated 1-2-75].

Comments of the Committee

Please see paragraphs 77 to 82 of Chapter I of the Report.

Recommendation Serial No. 45 (Para 7.47) ..

The Committee find that though the Engineering India Ltd., was incorporated as back as March, 1965, it has failed to grow into a full-fledged, self-reliant Consultancy Organisation in the public sector even in the limited sphere of petro-chemicals and fertilizer industries. Its dependence on foreign companies is evident from the fact that it has entered into agreements with foreign countries for Heat Exchangers, Trays and Fired Heaters.

The Committee attach the highest importance to achievement of self-reliance at the earliest in chemical industries as these occupy a place of strategic and vital importance in present day economy. The Committee are, however, not very clear about the role of Engineers India Ltd. in the field of technology and engineering for fertiliser industry *vis-a-vis* the expertise developed by the Fertilizer Corporation of India. The Committee are also not very clear as to what role these two organisations both of which are in the public sector are going to play in the Government's declared intention of having a crash programme for setting up fertilizer industry in the Fifth Plan in the country. The Committee would like Government to examine this matter in all its aspects and lay down a clear policy so as to obviate any controversy developing between these two organisations and for ensuring that the best technological and engineering skills are employed in the larger national interest for developing fertilizer manufacturing capacity in the country in the shortest time in the Fifth Plan.

Reply of Government

Although the Company was incorporated in March 1965 as a Joint venture between the Government of India and Bechtel International Corporation a real start towards rapid progress could be made only by the middle of 1967 when the company was reconstituted as a wholly owned Government of India Undertaking. The first two years witnessed tardy progress mainly on account of the delay in the construction of the Madras Refinery, EIL's first job, as a consequence of the conflict with Pakistan in 1965 and partly because of the incompatibility of Bechtel management in EIL. Soon after the re-constitution of the company in 1967 it started making rapid progress, initially in the field of Petroleum refining. A brief rapid review of the stages of achieving this progress will be quite relevant in this context.

A start was made in 1966 with the initiation of the Madras Refinery Project in which 45 per cent of the total engineering required for the Project, mostly in respect of offsite facilities was performed by EIL. Almost simultaneously, in 1967, work was commenced on the design of the offsite facilities of the lubricating oil plant of M/s. Lube Haldia saw EIL commence progress design work in respect of the topping, gas separation, vacuum distillation, kerosene hydrodesulphurisation and bitumen units. This was the first time that refinery process design was performed in the country. Additionally, about 75 per cent of the total engineering for the project, much

of this for progress units, was performed. As a result of the above experience, the company was able to successfully carry out, on its own, its responsibility in regard to the entire process design and engineering of the project for the expansion of Cochin Refinery from 2.5 MTA to 3.3 MTA. EIL is currently undertaking, by itself, 100 per cent of the process design and engineering of the Bongaigaon Refinery (consisting of topping, delayed coker and coke calcination units) and of the project for the expansion of Koyali Refinery from 3 MTA to 6 MTA (consisting of topping, vacuum, bitumen, visbreaker and treating units). Thus EIL has developed complete process "know-how" for the design of non-licensed units required for the production of fuels. Likewise it has acquired the capability of preparing process design packages for hydro-desulphurisation and catalytic reforming units, based on licensors' reactor effluent data. Following the successful completion of M/s. Indian Oil Corporation Ltd.'s petroleum Coke Calcination plant at Barauni in 1971. EIL has developed complete process "know-how" in this area which is presently being employed in the setting up of M/s. Carbon Product Company's Coke Calcination plant at Calcutta. EIL is now in a position to make full responsibility for the design and construction of complete petroleum refining plants.

In the field of Petrochemicals EIL's involvement commenced in 1968 on the Koyali aromatics project, in which it performed 90 per cent of the engineering. With the completion of this assignment, EIL is now capable of preparing process design packages based on licensed information for most of the licensed units in an Aromatics Complex (e.g. naphtha pre-treater, cat reformer and isomerisation unit), as also the process design of the intermediate, non-licensed, distillation facilities (i.e. Xylene separation facilities). Engineering, to the extent of 100 per cent will be carried out by EIL for the Assam Petrochemical Complex when it is taken up for implementation. In 1971 EIL commenced work on the engineering of the Koyali Petrochemical Complex, comprising a naphtha cracker sized to produce 130,000 TPA of ethylene and 10 downstream units, i.e., facilities for Pyrolysis Gasoline Hydrotreating, Benzene extraction, Butadiene extraction, Poly butadiene Rubber, Acrylonitrile, Detergent Alkalate, Poly propylene, Acrylic fibre, Poly ethylene and Ethylene Glycol. A project of major complexity, it is being engineered for the first time in the country. The petrochemical field is characterised by a very wide range of process, each of these licensed by about 3 or 4 parties in the world. Development of indigenous processes to possible only through coordinated and intense R&D efforts on the part of research laboratories, operating plants and

design organisations. It is in this connection that EIL has evolved a major R&D programme in collaboration with M/s. Indian Petrochemical Corporation Ltd., and M/s. National Research Development Corporation.

In the field of fertilizer industries, EIL started work only in 1972 with the undertaking of engineering work for M/s. Indian Farmer's Fertilizer Co-operatives' Ammonia plant and M/s. Southern Petrochemical Industries Corporation's Urea Plant. EIL is now in a position to undertake the design engineering of Ammonia and Urea plants based on licensors' process packages. This corresponds to the degree of indigenisation currently obtaining in the country in the design phase of these facilities.

EIL's design capabilities in the area of petroleum refining and petrochemicals have been developed, as a result of the most strenuous efforts made with the concerned clients and aid giving countries to secure for it an increasing share in the process design and engineering of such plants, and for the participation of its engineers in the work done overseas in cases where process design and engineering have been entrusted to companies abroad.

In the case of non-licensed units of petroleum refineries EIL has achieved self-reliance. In the case of licensed units it obtains, as is universally done only licensed know-how and does the engineering of plants. Replacement of foreign technology with indigenous technology can be achieved only on the basis of a comprehensive Research Programme involving the complete innovation chain, viz., research laboratories, design engineering companies, operating companies etc.

In the highly sophisticated field of technology relating to process plants collaboration with overseas companies in the initial stages is desirable and necessary arrangement to ensure acquisition of technology in the shortest possible time and in the most economical manner. EIL's technical collaboration with overseas companies in respect of the design of heat exchange equipment (including air coolers and waste heat boilers) process heaters and distillation trays has enabled it to save the country a significant amount of foreign exchange, and simultaneously to develop a technological capability that would otherwise not have developed in the country within such a short period. "Know-how" so acquired is of a proprietary nature, based on years of varied experience and which would have taken a company not yet in that position several years to develop in its

own-meantime causing heavy expenditure of foreign exchange on account of import of technology and associated equipment. EIL has initiated its own R&D efforts in the area of mass and heat transfer and major programmes are additionally proposed in the country's Science and Technology Plan. EIL is already able to design sophisticated heat exchangers, process heaters and valve and sieve trays. It thus occupies a unique position in the country in the area of heat and mass transfer equipment design. This position has been attained so fast only as a result of the technical collaboration with overseas companies and the nation has derived considerable advantages therefrom.

From the time EIL was re-constituted as a wholly-owned Government of India Undertaking in mid-1967, all the efforts of EIL have been inspired by the clear realisation of the imperative need for attaining self-reliance in the areas of its specialisation. The progress achieved by EIL in the field of Petroleum refining in a period of little over five years is impressive even by international standards. By keeping abreast of technological development abroad through literature surveys and membership of overseas specialist research organisation, and through intensive R&D efforts in close cooperation with research laboratories, equipment suppliers, operating companies (IOC and IPCL), Indian Institute of Petroleum and National Research Development Corporation, EIL is making continuous efforts to acquire technical capabilities in all its areas of specialisation and improve upon the technological capabilities already achieved. The successful completion of R&D projects should lead to direct substitution of foreign technology with indigenously developed "know-how".

The considerations that weighed with the Government in taking a decision to entrust to EIL the designing and engineering of three fertilizer plants, included in the crash programme of setting up additional fertilizer manufacturing capacity in the country during the Fifth Five Year Plan, were as follows:—

- (1) The programme for enhancement of fertilizer capacity in India—immense and probably the largest undertaken in any part of the world—called for the harnessing of the skills developed in various organisations in India for undertaking the challenge of implementing the programme involving an enormous volume of engineering design, construction supervision and commissioning work. The magni-

tude was such that it necessitated setting up capacity in more than one design organisation in the country.

- (2) It would be much beyond the capacity of any single organisation to organise the man-power and ancillary facilities required for undertaking this massive effort.
- (3) Building up capacity in any single organisation for handling this work-load would have created problems of contraction when the work-load tapered off; it was, therefore, necessary to off-load part of the work to some other organisation, where with marginal additions to the man-power and ancillary facilities, the work could be undertaken.
- (4) Fertilizer plants belong to the same family of process plants as petroleum refining and petrochemical plants. Design of fertilizer plants is facilitated to the extent that it is much simpler to standardise these than is the case with petroleum refining and petrochemicals, which almost always involve individually designed plants. EIL's competence in the field of design engineering of petroleum refining and petrochemical plants is already well established and recognised not only in India but also overseas. The marginal additions to man-power and facilities that would be required to be arranged in EIL for undertaking work relating to Fertilizer Plants could conveniently be utilised for work relating to other process plants, if and when, the work relating to Fertilizer plants ceased to exist.
- (5) EIL already has the infra-structure necessary in the various engineering disciplines—chemical, mechanical, civil, electrical, instrumentation etc.—which could take care of the basic aspects of the work-load relating to Fertilizer Plants.
- (6) EIL had already undertaken design work for the Ammonia Plant of M/s. Indian Farmers Fertilizer Co-operative and the Urea Plant of M/s. Southern Petrochemical Industries Corporation at Tuticorin, and, therefore, had the basic experience for undertaking work relating to Fertilizer Plants.

Considering all the aspects of the matter the Government took a conscious decision to entrust the work relating to three Fertilizer

plants to EIL, without hurting the interests of other organisations already in the field. The Government are convinced that it is in the best national interests—particularly with the reference to the need for developing fertilizer during manufacturing capacity in the country in the shortest time during the Fifth Five Year Plan—to entrust this responsibility to EIL. All the relevant organisations being under the administrative control of the same Ministry (Ministry of Petroleum and Chemicals) there is no danger of any unresolvable controversies developing between the Fertilizer Corporation of India and EIL in this regard.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)/73-BPE(GM I) dated 2-3-74].

Comments of the Committee

Please see paragraphs 83 to 88 of Chapter I of the Report.

Recommendation (Serial No. 47, Para 8.09)

The Committee find that the number of profitable concerns in the public sector has gone up from 52 in 1970-71 to 58 in 1971-72. The Committee also find that number of undertakings in whose case return on investment (i.e. gross profit as percentage to capital employed) was more than 25 per cent has gone up from 2 in 1967-68 to 10 in 1971-72. While some improvement in general is thus discernible the Committee find from the overall working results of the Public Sector Undertakings that the overall net loss of Rs. 2.86 crores in 1970-71 has risen to Rs. 18.96 crores in 1971-72. Such losses, apart from being a drain on the country's resources cloud the real achievements of the public sector notably, the development of basic and strategic industries in the country, achievement of self-reliance, development of know-how, increase in employment potential etc.

The Committee agree with the view that in assessing the performance of public sector undertakings the financial profit or loss should not be the sole criterion and the contribution to the Public Exchequer should be given due weight.

The Committee hope that with the introduction of the new system of conducting a six monthly review of the working results by Government|Public Undertaking to fathom the underlying reasons for low profitability in each enterprise and would enable the Government and the public undertakings concerned to take timely remedial measures to improve the profitability of the undertaking. The Com-

mittee also hope that the assurances given to them by the Finance Secretary during evidence that Indian Drugs and Pharmaceuticals Ltd. would break even in 1972-73, Hindustan Steel Ltd. in 1973-74 and Heavy Engineering Corporation Ltd. and the Mining and Allied Machinery Corporation Ltd. in 1975-76 would be realised.

Reply of Government

The overall working results of Public Enterprises have considerably improved in 1972-73, as compared to the previous years. Thus, for the first time, after many years the public sector enterprises have collectively earned a net profit after taxes aggregating to Rs. 19.85 crores after prior period adjustments. Of the 101 running enterprises (excluding 7 enterprises under construction, 3 insurance companies, SAIL financed by Government grants during 1972-73 and Mineral Exploration Corporation from which accounts are not yet due), 71 enterprises earned a total profit of Rs. 104.25 crores while the remaining 30 suffered a total net loss of Rs. 84.40 crores resulting in an overall net profit of Rs. 19.85 crores as against a net loss of Rs. 15.41 crores in 1971-72. The net profit of Rs. 19.85 crores has been arrived at after allowing Rs. 235 crores for depreciation and amortisation Rs. 12 crores for write off of deferred revenue expenditure Rs. 162 crores for interest payments and Rs. 63 crores for taxation.

The factual position about the attainment of break-even point by IDPL, HSL, HEC and MAMC is indicated below:—

Indian Drugs and Pharmaceuticals Ltd.

In the original budget for 1972-73, a net profit of Rs. 3 lakhs was contemplated. However, a number of factors beyond the control of management affected production and consequently sales, which meant that the operations of the Company during 1972-73 resulted in a net loss of Rs. 3.7 crores as against the estimated net profit of Rs. 3 lakhs. The figures of Unit-wise estimates and actuals of net profit/loss are—

		(Rupees in lakhs)	
		Budget Estimates	Actuals
Antibiotics Plant, Rishikesh	. . . . .	(+ )23.50	(—)332.01
Synthetic Drugs Plant, Hyderabad	. . . . .	(+ )26.12	(+)30.86
Surgical Instruments Plant, Madras	. . . . .	(—)39.02	(—)82.31
Marketing Division	. . . . .	(—)7.60	(+)13.51
Net results of the Company	. . . . .	(+ )3.00	(—)369.95

Actual production was less than the budgeted targets in all the Plants for the reasons stated below:—

- Antibiotics Plant :**
- (i) 'Tool down' strike by the workers followed by lock-out of the Plant between 19th June, 1972 and 28th June, 1972.
 - (ii) Shut down of the Plant for cleaning and overhauling for a fortnight in July 1972.
 - (iii) Power cut on account of strike of engineers of Uttar Pradesh State Electricity Board in January 1973.
 - (iv) Production of sodium Penicillin was suspended in February 1973 for modifications in that section. Modification in Procaine Penicillin Section could not be completed by March 1973 as planned due to non-receipt of stainless steel pipes and replacements of glass fittings.
 - (v) Technical problems like quality failure and non-sterility.

- Synthetic Drugs Plant :**
- (i) Shortage of raw materials like Ammonia Gas, Sodium Sulphide, Meta-aminophenol and alcohol which affected the production of Sulphas, Sodium PAS, Vitamin B₁ and Folic Acid.
 - (ii) Shortage of water due to break-down of supply from State Government.
 - (iii) Go-slow tactics adopted by the labour from July 1972 onwards.
 - (iv) Curtailment of production necessitated by power-cut enforced by Andhra Pradesh State Electricity Board.

- Surgical Instruments Plant:**
- (i) Power-cut imposed by Tamil Nadu State Electricity Board in October 1972 which was increased to 75% in February 1973.
 - (ii) As a result of the severe power-cut, selective lay off had to be resorted to by the Plant from March 1973.

As a result the Company could not achieve break even during 1972-73 as originally estimated.

The Company has also suffered many set-backs during 1973-74, e.g.

- Antibiotics Plant :**
1. Disturbed/labour conditions in the Plant resulting in strike by workers and lock-out between 26-4-73 and 12-5-1973.
 2. Continued Power restrictions imposed by UP State Electricity Board and frequent power interruptions.
 3. Persisting technological problems relating to non-sterility of streptomycin sulphate.
 4. Shut down of sodium and Procaine-Penicillin Sections upto the end of September 1973 for modifications.
 5. Shortage of certain essential raw materials.
- Synthetic Drugs Plant:**
1. Continued power-cut imposed by Andhra Pradesh State Electricity Board.
 2. Continued shortages of raw materials.
- Surgical Instruments Plant:**
1. Continued power-cut upto July 1973.
 2. Heavy absenteeism in Grinding and Assembly Shops which is being experienced since September 1973.

In view of the steep rise in prices of raw materials and with no indication of any increase in prices of products in the near future, difficulties in procuring raw materials, and the anticipated increase in wage bills, the operational results for 1974-75 have also been forecast to result in a loss of Rs. 20.02 lakhs.

The Unit-wise budgeted results are:—

(Rupees in lakhs)

Net Profit	1973-74		Budget for 1974-75
	Original Budget	Revised Budget	
Company as a whole	(+)83.04	(-)289.46	(-)20.02
Antibiotics Plant	(+)33.81	(-)269.26	(-)1.68
Synthetic Drugs Plant	(+)122.63	(-)6.94	(-)24.90
Surgical Inst. Plant.	(-)16.21	(-)91.58	(-)26.86
Mktg. Division	(-)57.19	(+)78.32	(+)33.42

The Company, however, hopes to break-even during 1974-75 subject to acceptance of its persistent requests for upward revision of the drug prices in view of the incidence of increased prices of inputs and wages and salaries.

Hindustan Steel Ltd.

The important factors responsible for the losses incurred by Hindustan Steel Ltd. have been the lower volume of production *vis-a-vis* the installed capacity of each of the Steel Plants and the inadequacy of the structure of steel prices in relation to the gross block of the plants.

There was an all-round improvement in production from all the units of the Company in 1972-73 over the production in 1971-72; the aggregate production of ingot steel as well as saleable steel from the three integrated steel plants in 1972-73 was the highest annual production so far and represented an increase of nearly 15 per cent over the production in 1971-72. Expecting that this upward trend of production would continue in 1973-74, higher targets of production were fixed in the beginning of the year. A revised system of pricing of steel materials was also introduced from 15th October, 1973. It was, therefore, estimated that Hindustan Steel Ltd. would either earn a small profit or at least break-even during 1973-74. Unfortunately, however, the production during the months, April 1973—January 1974 has not only fallen short of the targets for this period but is even lower than the production during the corresponding period last year. This shortfall in production is due principally, first to short-

age of power which has affected directly all the plants except Bhilai Steel Plant and, secondly, the inadequate availability of coal, again largely due to power shortage, which has affected all the plants. Disturbed industrial relations also affected production at Durgapur and to some extent in Rourkela. The strike by the workers of the Cast House Section of the Blast Furnace Department of the Durgapur Steel Plant during August/September 1973 paralysed the operation of the entire Plant for 25 days. The operations of the steel plants had also to face very serious dislocation on account of dislocation in rail movement resulting from the strike by locomen in August 1973, the strike by the section of the railway staff in the Dhanbad Division from 30-11-1973, from the agitation of the locomen from 16th December, 1973 and the agitation of wagon and carriage staff and station masters in January, February 1974. All the plants had to impose drastic cuts in production in keeping with the minimal in-flow of raw materials. All this has resulted in shortfalls in production and accumulation of stocks of finished steel. In consequence, Hindustan Steel Ltd. will not break-even in 1973-74.

Heavy Engineering Corporation Ltd.

The Company was expected to break-even during 1974-75 with a production value of Rs. 75 crores. In any case, the assurance given for the break-even during 1975-76 will be kept up.

Mining and Allied Machinery Corpn. Ltd.

The Company is expected to make a profit of Rs. 25 lakhs and Rs. 1 crore during 1973-74 and 1974-75 respectively; the Company had already earned a profit of Rs. 12.42 lakhs during 1972-73.

[Ministry of Finance (Bureau of Public Enterprises) O.M.
No. 9(135)/73-BPE (GM I) dated 30-5-74].

Comments of the Committee

Please see paragraphs 89 to 98 of Chapter I of the Report.

Recommendation Serial No. 50 (Para 8.25)

The Committee note that the pricing policy guidelines issued by the Bureau of Public Enterprises in 1968 continue to remain in operation. While these guidelines set out the position in correct perspective, the Committee have come across cases where the price was not firmly settled e.g., the price paid for iron ore to National Mineral Development Corpn., with the result that the Public Undertaking had no clear picture how it was faring financially. The Committee feel that Government should ensure that prices are fixed within a

time schedule to be prescribed in this behalf so as to remove all ambiguity and uncertainty which militate against efficient functioning of an organisation as well as sound financial management.

Reply of Government

The cases of pricing involve apart from differences between two public sector companies, one being the purchaser and the other seller, also the Administrative Ministries under whose control they are operating, and sometimes the companies may be operating under different Administrative Ministries. The Government has established a formal mechanism for resolving price disputes by referring them to a Pricing Committee under the Chairmanship of Director General, Bureau of Public Enterprises. In such cases, Government accepts that the Pricing Committee should at the time of its constitution itself be furnished with a time schedule within which the price should be determined.

Ministries and public sector undertakings are already aware of the procedure for referring cases to the Ministry of Finance for setting up a Pricing Committee. They are, however, being informed that in the light of the recommendations made by the Committee on Public Undertakings they should take all steps necessary to finalise pending cases expeditiously either by referring them to pricing Committee or through direct negotiations.

In the case of National Mineral Development Corporation, specifically referred to in the Committee's recommendation, the price for Bailadila ore supply to Minerals and Metals Trading Corporation during the years 1972-73, 1973-74 and 1974-75 has been finally settled between the company and MMTC. The price for Kiriburu ore supplies to Bokaro Steel Ltd. is under consideration.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)
/73-BPE(GM) dated 20-3-74].

Further Information called for by the Committee

Please furnish a copy of the instructions issued to the public undertakings in regard to finalising of pending cases expeditiously either by referring them to the Pricing Committee or through direct negotiations.

Please indicate when the price for Bailadila ore supply between MMDC and M.M.T.C. was finally settled and also furnish a copy of

the final orders. Please also indicate when the price for Kiriburu ore supplied to Bokaro Steel Ltd. will be settled.

(L.S. Sectt. No. 25-PU/73 dt. 23.11.74)

Further Reply of Government

A copy of the Bureau of Public Enterprises O.M. No. BPE-15(1)/Adv. (F)/75 dated 3.5.75 (Appendix XXVI) in which the administrative Ministries have been requested to take all steps necessary to finalise pending cases of price disputes *inter se* as well as between Government Departments and Public Sector Undertakings expeditiously either by referring them to the Pricing Committee or through direct negotiations.

The factual information regarding the settlement of price for the Bailadila ore supplied by NMDC to MMTC as also the price for Kiriburu ore supplied to Bokaro Steel will be intimated to the Lok Sabha Sectt. separately.*

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (50) 73-BPE(GM I) dated May, 1975].

Comments of the Committee

Please see paragraphs 99 to 103 of Chapter I of the Report.

*At the time of factual verification the Ministry of Finance, Bureau of Public Enterprises forwarded a copy of their further reply dated 15th July, 1975 wherein the following was stated:—

“Hardware unit has consistently shown an improvement in growth rate since 1971-72 as indicated below :—

Year	Turnover	Growth Rate
1971-72	13.12	22%
1972-73	23.19	77%
1973-74	44.42	92%
1974-75	56.25	27%

The unit has budgeted for a finished output of Rs. 95.05 crores during 1975-76 comprising of:—

	Financial Rs. (Crores)	Physical
Thermal sets	57.84	1280 MW
Hydro sets	20.24	480 MW
Electrical	12.74	
Others	4.23	255 MW/460 Nos.

In terms of gross turnover a growth of 58 % is envisaged during 1975-76. No unit is expected to achieve the installed capacity to a large extent by 1975-76.

Recommendation (Serial No. 65 Para 14.10)

The increasing pace of industrialisation in the country calls for a scientific control of inventory. The Committee find that while 17 public undertakings' plants had achieved significant success in bringing down the level of inventory in terms of months consumption, the inventory had gone up in the case of 9 public undertakings.

The Committee feel that the importance of inventory control and the scope it offers for rationalisation, have not been realised by a good number of public undertakings who continue to carry heavy inventories representing consumption levels of one year and more. The Committee feel that the stores organisation should receive special attention of the Management right from the inception so as to make sure that machines, equipment and spares are not ordered in excess of the requirements as has happened in several instances. It should not be too difficult to work out the minimum and the maximum levels for stores equipment in the light of experience available in the undertaking or in comparable organisations. In this connection, the Committee note the initiative taken by the Bureau of Public Enterprises in reviewing inventory management in a number of undertakings and laying down broad guidelines. The Committee feel that if these guidelines are implemented in letter and spirit, it should be possible to effect a great deal of improvement. The Committee suggest that study should be made of slow-moving and non-moving stores in order to identify the factors which are responsible for such a situation to arise.

Reply of Government

Government is fully conscious of the importance of the various aspects of materials management including the disposal of slow moving/non-moving items. The high level committees which examine the inventories in depth of some of the enterprises every year, give considerable stress on this aspect. Necessary circulars have also been issued on the subject. Copies of 2 circulars dated 14th September, 1972 and 25th August, 1973 are enclosed. The progress in the disposal is also watched from the yearly reports which are received from the units by the Bureau of Public Enterprises.

Overall inventory levels during the last 6 years have shown progressive improvement. The level which was at 6.7 months production/sales in 1968 has come down to 4.6 in 1973.

The position in respect of 9 units referred to in paragraph 14.3 of the COPU's Report for 1973-74 (5th Lok Sabha) has been further

examined and the comparative position for the last 3 years in respect of these units is indicated in the attached annexure. The inventory levels should normally be compared against production/sales and not with consumption of materials since the same would not bring out correct comparative position. It may be observed from this annexure that out of 9 units inventory in terms of number of months production/sales turnover has improved during 1972-73 in 4 units viz. Hindustan Cables, Air India, NCDC and MAMC.

In the case of Air India major portion of their inventory is held under spares, most of which are imported and were obtained along with the aircrafts. The consumption of spares would rise gradually. Air India have fixed norms for their inventories and the present stock holdings under spares are more or less within the approved norms.

The inventories of Trichi unit of BHEL were depth studied by the Committee on Inventory Control in 1970. Recommendations made by the Committee have been implemented. The present level of 11.4 months in this unit is considered reasonable.

The increase in the inventory level of the remaining 4 units is explained below:—

(1) Hindustan Shipyard Ltd.

The rise in inventory level is mainly due to increase in the stock under raw materials (steel) and work-in-progress. High stocks of steel had been kept by the management to ensure uninterrupted production for years. The same, however, did not materialise due to frequent disruption of work resulting in lesser utilisation of materials. In order to reduce the work-in-progress average construction period has been reduced by HSL from 28.33 months in 1971-72 to 23.50 months in 1972-73. Efforts are continuing to reduce this further. Bureau have advised them to use net work analysis for this purpose.

(2) NMDC

Major overhauls in respect of their equipments are planned during 1973-74. The spares required for the same were received during 1972-73 and increased the level of inventory. Most of these were imported.

There is also considerable expansion taking place and consequently increased quantum of construction materials had been received. The position is expected to improve during 1973-74.

(3) Tannery & Footwear Corpn.

The increase in the inventory level is due to lower production and increase in the stocks of raw materials and work-in-progress. The unit has been requested to take remedial steps.

(4) Neyveli Lignite Corpn.

Their level of holdings in respect of spares have increased. These spares had to be imported against West German credit for undertaking major overhauls in subsequent years. NLC have appointed M/s. Sarabhai Consultants to examine their inventory management in respect of their spares and their report is expected shortly.

[Ministry of Finance (Bureau of Public Enterprises) O.M.
No. 9(135)/73-BPE(GM I) dated 14-3-74].

Comments of the Committee

Please see paragraphs 104 to 111 of Chapter I of the Report.

CHAPTER V

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

Recommendation Serial No. 51 (Para 9.7)

While the growth of investment in the public sector has to some extent helped to reduce the concentration of economic power in private hands, there is yet a great leeway to be made in realisation of this objective and making the public sector an effective instrument for preventing inequalities in income and wealth. So far even the derivative advantages accruing from the setting up of public enterprises seem to have mainly gone to a small section of the population like contractors, distributors, suppliers of raw materials and the big industries and the benefits have not proportionately percolated to the lower sections of the community. This trend needs to be checked. The Committee feel that, apart from the measures already being taken by Government in bringing about changes in the structural content of the corporate sector, there is need to pursue a deliberate policy of preferring public sector agencies for construction, supply of products and materials and distribution. They would recommend that Government should examine this problem with a view to removing deficiencies, if any, and devising suitable measures for an early realisation of the objective.

Reply of Government

For better utilisation of costly productive capacities created in the public sector manufacturing industries, purchase and price preference in favour of engineering capital goods produced in the public sector has already been prescribed by the Government. Instructions also exist requesting the public enterprises to make greater use of the public sector design, consultancy, construction agencies for their work. Other public sector undertakings also receive preference for supply of products and materials to Government departments and other public undertakings.

So far as the consultancy/construction organisations in the public sector are concerned, it is being examined whether some changes should be made in the procedure and the method of awarding of

works to them by other public enterprises and Government departments. The idea is that while such organisations should receive preference on a continuing basis, their clients should also be assured against any possibility of being charged an unreasonable price. The matter is proposed to be considered in depth at a meeting of all the consulting and contracting companies in the public sector, being convened by the Bureau shortly.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135)|73-BPE(GM I) dated 20-3-1974].

Further Information called for by the Committee

Please indicate what is the machinery set up for examining whether some changes should be made in the procedure and the method of awarding of works.

Please also indicate whether the matter has been considered in depth at the meeting of consultancy and construction companies in the public sector and if so please furnish a copy of the proceedings of the meeting held for the purpose.

(L.S. Sectt. No. 25-PU/73-dt. 23-11-74)

Further Reply of Government

A Conference of Public Sector Construction and Consultancy Companies was held on 17-7-74 at New Delhi. A Committee under the Chairmanship of Shri R. K. Sethi, Managing Director, NIDC was constituted to go into the various aspects of tendering procedures and make specific recommendations which could be considered by the Standing Conference of Public Enterprises. A copy of notification No. 15/16/74-BPE(C) dated 27.8.74 indicating the constitution of the Committee and the terms of reference is attached herewith (Not appended). The Committee has not yet submitted its recommendations.

[Ministry of Finance (Bureau of Public Enterprises) O.M. No. 9(135) (51)|73-BPE(GM I) dated 5-2-75].

Comments of the Committee

Please see paras 112 to 116 of Chapter of the Report.

NAWAL KISHORE SHARMA

NEW DELHI;

Chairman,

Dated: 30th July, 1975.

Committee on Public Undertakings.

Sravana 8, 1897 (S).

APPENDIX I

(Vide Reply to Recommendation No. 13)

Particulars of Directorship held by Shri K. Sreenivasan.

DIRECTOR

Public Companies

1. The Coimbatore Cotton Mills Ltd., Coimbatore.
2. The Orissa Textile Mills Ltd., Calcutta.
3. Messrs. Mopeds India Ltd., Coimbatore.
4. M/s. Premier Breweries Ltd., Kanikoda West, P.O. Palghat-7.
5. The Premier Instruments Coimbatore, Coimbatore.
6. M/s. Kothari (Madras) Ltd., Madras.
7. M/s. Tamil Nadu Synthetic Fibres Ltd., Madras.
8. M/s. Premier Cotton Spinning Mills Ltd., Kanjikoda, Palghat.
9. M/s. Binny Limited, Madras.

Private Companies

MEMBER

1. Selvaraja Mills (P) Ltd., Coimbatore.

MEMBER

1. Coimbatore Roller Flour Mills (P) Ltd., Coimbatore.
2. Eastern Electricals Company Ltd., Coimbatore.
3. The Lakshmi Machine Works Ltd., Coimbatore.
4. Kammavar Achukudam Ltd., Coimbatore.

PARTNER

1. K.U.C.R. Rangaswamy Naidu, Tirupur.

PROPRIETOR

1. Kashthuri Printing Press, Coimbatore.

CHAIRMAN

1. National Textile Corporation Ltd., New Delhi.

Directorate of othe Bodies

The South India Textile Research Association, Coimbatore—
61014.

APPENDIX II

(Vide Reply to Recommendation No. 21)

MINISTRY OF INDUSTRY AND CIVIL SUPPLIES (DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

Findings of the Action Committee on Public Enterprises Report on Tannery and Footwear Corporation of India Ltd.

The recommendations made by the Action Taken Committee are given below in brief:—

1. Reorganisation structure should be revised so as to create strong raw hide purchasing, quality control, cost control and marketing wings. The Works division under the works manager also needs strengthening.
2. The quality of top management requires to be improved;
3. The Personnel Manager committed to the organisation should be recruited. A deputationist for this post is not favoured.
4. The Committee recommended a two phased operational plan.

1st Phase: The objective should be to minimise losses. To achieve this, TAFCO should—

1. improve buying and quality control procedures for raw hides and other raw materials.
2. maximise the output and sale on the more profitable lines in the internal and export markets.
3. withdraw from unprofitable areas and where unremunerative contracts have been negotiated, re-negotiated more favourable prices (e.g. shoes for Defence needs).
4. improve production planning and control techniques, reduce wastages and excessive material usages, and institute system for accurate cost information centres
5. re-examine pricing policies.

6. reduce inventories of finished products and set up scientific ordering procedures.
7. develop effective system, market information and Research, distribution stock control and introduce scientific advertising strategies.
8. optimise product lines and develop design facilities for meeting needs of fashion market.
9. develop a short term export strategy.
10. install the minimum equipment required to meet these short term objectives.
11. keep tighter control on overheads-complete ban on recruitment of labour and overtime, encouragement of the older, physically in firm staff to accept premature retirement by the payment of special gratuity.

2nd Phase: Full examination with the Key Manager particularly the Marketing Control export Manager in position of the market potential for TAFCO current products and allied ones. The examination may include thorough market research programme, test, marketing, evaluation of new investment in plant and machines, collaboration agreement with foreign shoe firms for the fashion conscious export market, manufacture of leather tanning and finishing equipment, requirements of management, supervisory and skilled staff and should culminate in the preparation of a 5 year plan aimed at producing a minimum 15 percent return on capital by the 3rd year, viz., 1977-78 and producing substantial exports to hard currency areas.

Action Taken by the Government

The strengthening of top management of TAFCO is under active consideration of the Government of India.

As regards, the other recommendations of the Committee such as the strengthening of the various wings of the organisations recruitment to the post of personnel manager and implementation of 2 phased operational programme, TAFCO has been advised to implement the recommendations.

APPENDIX III

(Vide Reply to Recommendation No. 22)

No. 3/1/74—Prodn.

Government of India

Ministry of Finance

Bureau of Public Enterprises

(Production Division)

Mayur Bhavan, Connaught Circus,
New Delhi, the 13th February, 1974.

OFFICE MEMORANDUM

SUBJECT:—40th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on 'Role and Achievements of Public Undertakings—Recommendation No. 22).

The undersigned is directed to refer to Recommendation No. 22 on the above subject (copy enclosed) and to request that the Ministry of Industrial Development, etc., may kindly convey the observation made in the recommendation to the public sector enterprises under their administrative control for information and future guidance.

Sd/-

(S. Jagannarayanan)

Under Secretary to the Govt. of India.

To

All the Ministries/Departments of Government of India.

APPENDIX IV

(Vide Reply to Recommendation S. No. 65)

No. 21|1(F)|72-BPE|MM

GOVERNMENT OF INDIA (Bharat Sarkar)

MINISTRY OF FINANCE (Vitta Mantralaya)

BUREAU OF PUBLIC ENTERPRISES (Sarkari Udyam Karyalaya)

Mayur Bhavan: 7th floor.

New Delhi, the 14th Sep., 1972.

OFFICE MEMORANDUM

SUBJECT.—*Accumulation of surplus stores—Provisioning of stores on realistic and sound lines.*

The Committee on Public Undertakings had made a recommendation in its 40th Report (3rd Lok Sabha) that the public enterprises should review the system prevalent in their concerns about the planning and purchasing of the stores and spares and also review the items in stock to ensure that they are not burdened with excessive stocks.

In this connection the Bureau of Public Enterprises under its O.M. No. 9(28)|FI|67|Cir-Adv(P)-2 dated 16th October 1967 requested the administrative ministries to advise the public enterprises to ensure that their requirements of stores and spares are properly planned, taking into account the existing stocks and those under orders while resorting to fresh purchases and also introduce a system of regular periodic review of items in stock to locate non-moving surplus stores and dispose off such stores early. It however, appears that some of the public sector enterprises have still not taken proper action in this respect.

In a recent examination of one of the enterprises, the Committee on Public Undertakings observed that stores worth several lakhs of rupees were declared surplus and were pending for disposal. The Committee consider that if provisioning of stores is done on realistic and sound lines, there should not arise occasions for such large quantities of stores to be declared surplus resulting

in loss. It is essential that stores are ordered and provisioned on rational basis to obviate such losses.

Ministry of Industrial Development etc. are, therefore, requested to advise the public enterprises under their administrative control, to ensure that proper systems and procedures are introduced for accurate provisioning of materials, so that large surpluses do not accrue. The public enterprises may also be requested to send a report on the progress of action taken to the administrative ministry with a copy to the Bureau by 31st December, 1972.

(R. K. Ray),

To

Adviser (Prodn.)

Ministry of Industrial Development, etc.

APPENDIX V

(Vide Reply to Recommendation S. No. 65)

No. 18|Genl|72-BPE|MM

GOVERNMENT OF INDIA (Bharat Sarkar)

MINISTRY OF FINANCE (Vitta Mantralaya)

BUREAU OF PUBLIC ENTERPRISES (Sarkari Udyam Karyalaya)

Mayur Bhavan:

New Delhi, the 25th August, 1973.

OFFICE MEMORANDUM

SUBJECT.—*Disposal of Surplus materials.*

During the course of the depth studies by the Committee on Inventory Control in respect of some of the selected public undertakings it has come to notice that large surpluses held by the units are not being disposed of since the realisable value of the same is much below the book value.

It may be pointed out that holding of stocks costs money which is generally estimated as not less than 15 per cent of the cost of materials. It is, therefore, extremely essential that if stocks are held by the enterprises which are definitely not required in the foreseeable future they should be disposed of at the best price saleable since otherwise we would only be increasing expenditure without any commensurate advantage. The disposable value is also likely to go down further. In fact even while deciding to retain items where there is no movement for 2 years or more, the cost for keeping the materials in stock over the period should be meticulously compared with the repurchase price taking into account the carrying cost as also the element of deterioration etc.

It is suggested that once it is decided by the undertaking that certain items are not required, the same could be transferred to a separate salvage stores for disposal and the book value thereof charged to the profit & loss account. As and when these materials are disposed of, whatever value is realised it could be credited to

the proper head. Alternatively when the stores are declared for disposal, the reserve prices may be fixed realistically so that the charge to the profit & loss account is restricted to the difference between the book value and the estimated realisable value.

Ministry of Industrial Development etc. are requested to advise the public enterprises under their administrative control suitably.

(M. L. Mongia)

Deputy Adviser (MM).

To

Ministry of Industrial Development, etc.

APPENDIX VI

(Vide Reply to Recommendation S. No. 65)

Sl. No.	Name of Undertaking/Unit	Year	Inventory at the close of the year (as per annual report)	(Value in Rs. lakhs)	
				Cost of production for mfg. and value of sales for non-mfg. concerns (as per annual report)	Inventory in terms of No. of months production for mfg. and value of sales turnover for non-mfg. concerns.
1	2	3	4	5	6
1	Bharat Heavy Electricals Ltd., Trichy	1970-71	2003	2139	11.2
		1971-72	2587	2779	11.2
		1972-73	3371	3541	11.4
2	Hindustan Cables Ltd.	1970-71	769	773	12
		1971-72	579	646	10.7
		1972-73	772	891	10.4
3	Air India	1970-71	1366	6420	2.5
		1971-72	2333	7666	3.6
		1972-73	2440	9633	3
4	Hindustan Shipyard Ltd.	1970-71	1121	804	17
		1971-72	1374	872	18.6
		1972-73	2142	1287	20
5	Mining & Allied Machinery Corpn.	1970-71	904	1045	13
		1971-72	1293	1160	13.4
		1972-73	1564	1498	12.5
6	National Coal Development Corpn.	1970-71	2239	4546	6
		1971-72	2568	5319	5.8
		1972-73	2892	5895	5.8
7	National Mineral Development Corpn.	1970-71	660	1814	4.4
		1971-72	1116	1763	7.6
		1972-73	1420	1537	11
8	Neyveli Lignite Corpn.	1970-71	1583	2762	7
		1971-72	1696	3047	6.7
		1972-73	1788	3004	7
9	Tannery & Footwear Corpn., Kanpur	1970-71	158	275	7
		1971-72	188	284	6.5
		1972-73	214	362	7

APPENDIX VII

(Vide Reply to Recommendation S. No. 5)

No. 9 | (135) | (5) | 73-BPE (GM--1)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan,

New Delhi, the 30th January, 1974.

OFFICE MEMORANDUM

SUBJECT.—Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on “Role and Achievements of Public Undertakings”—Recommendation of the Committee regarding planning and implementation machinery in administrative Ministries/Departments.

The Parliamentary Committee on Public Undertakings (Fifth Lok Sabha) in their Fortieth Report have made certain recommendations regarding the directions in which the public sector should be developed in future. Recommendation No. 5 in the Report (copy enclosed) refers. The recommendation is brought to the notice of the Ministry of Petroleum & Chemicals etc. for future guidance.

Sd/- (S. Krishna Moorthy)

Under Secretary to the Government of India.

To

All Ministries/Departments of the Govt. of India.

APPENDIX VIII

(Vide Reply to Recommendations S. No. 29)

No. 2(9)/70-BPE(GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

New Delhi, the 24th January, 1970.

OFFICE MEMORANDUM

SUBJECT.—Broad guidelines for responsibilities of Boards of Public Enterprises with regard to policy formulation, managerial control and coordination, etc.

Various decisions have recently been taken by Government on responsibilities of Public Enterprises regarding policy formulation, managerial control etc., pursuant to the recommendations of various Commissions and Committees as well on the periodical reviews undertaken by Government on the performance of Public Enterprises. It may be mentioned that the government policy underlying these decisions may be broadly defined as follows:—

- (1) It is recognised that in order to enable these undertakings to work with greater autonomy, there should be sufficient delegation of powers to the Public Enterprises. It is expected that the delegation would not stop there, but will travel down the line; and greater delegation of powers, authority as well as of responsibility would be made to various management levels right down to the lowest management level.
- (2) As far as the Government are concerned, Govt. would only be concerned with the accountability of the Board of Directors in regard to the responsibilities given to an enterprise for the proper discharge of such responsibilities.
- (3) Every effort would be made by Government to assist the enterprises to secure managerial talent.

- (4) Measures would have to be taken and guidelines laid down for improving managerial efficiency in all its various aspects in these enterprises.
- (5) There should be an effective machinery for periodical review and appraisal of their performance so that defects may be put right as speedily as possible.

In other words, Government have delegated substantial powers to the Public Enterprises relating to financial and administrative matters. It may, however, be remembered that such powers are a means to an end; the end being the proper discharge of responsibilities given to various Boards of Directors for efficient functioning of the enterprises which would include proper formulation of policies, proper exercise of managerial control commensurate with delegation of authority down below the line, proper coordination of various activities of the enterprises, etc.

2. For exercising the powers delegated to the enterprises within the framework of their accountability to Government and Parliament, the importance of introducing a system of "Management by Objectives" integrating on the one hand, the Long Range Plan and the Annual Plans of the enterprises and on the other, the Manager's needs and the methods and techniques to be adopted to satisfy these needs, has already been emphasised in the d.o. letter of Additional Secretary and Director General, Bureau of Public Enterprises *vide* No. 2(9)/70BPE(GM-I), dated 20th January, 1970 to the Chief Executives of Public Enterprises (copy enclosed). All efforts should be made to introduce "Management by Objective" Plan in Public Enterprises.

3. In this background, the following vital areas relating to the management of an enterprise should receive particular attention of the Board. These are circulated with a view to facilitating the functions of the Board and are not intended to restrict the Board's responsibilities only to the items enumerated.

Production Management and Materials Management:

(1) Setting of targets of production in terms of quantity and value for the plant as a whole as also for the constituent sections.

(2) Review of the actual production *vis-a-vis* targets and identification of the principal major causes/factors responsible for short-fall, determination of the trends and also the short and long-term corrective measures.

(3) Assessment of under-utilisation of capacity by determining attainable production *vis-a-vis* firm orders|projected demand taking into account the achievable capacity and the interim development of installed capacity in respect of such units which may be considered to be in the gestation phase; determination of the long-term plan for utilisation of surplus capacity, and also breaking down the same into immediate as well as long-term objectives as well as the identification of the agencies responsible for achieving these objectives and review of the results achieved, at fixed intervals.

(4) Definition of the overall productivity ratios of the enterprise as well as of the plants and sections and examination of the actual performance in terms of these ratios and taking of suitable corrective measures.

(5) Prescription of standards of equipment utilization, maximum permissible equipment down time and maximum costs of maintenance (corrective as well as preventive maintenance) as also examination of the actual performance against these standards and initiation of corrective action.

(6) Prescription of broad targets of levels of inventory in terms of costs and months of stock for different groups such as production materials, maintenance spares, material-in-process, finished stock etc., as also of major operating norms based on cost of storage, cost of ordering, cost of failures etc., and measuring the actual performance by these yard-sticks at fixed intervals and taking corrective steps.

Financial Management

(1) Organisation of a competent Finance Division at the time of the project stage itself for rendering expert advice and guidance regarding the various proposals available to the management in the planning stage.

(2) The specification of the matters which may have to be reserved for the concurrence of the Finance, and also which will be reserved for consultation with the Finance.

(3) Close scrutiny of feasibility studies|detailed project reports of schemes and projects proposed to be taken up for implementation under the powers vested with the Board, or proposed to be sent to Government for approval.

In this context, the following points should require special examination:

- (i) *Assessment of demand:* It will be appreciated that in the event of the demand projected in the project reports not materialising in practice, surplus capacity will be created resulting in low profitability.
- (ii) *Basis and assumptions relating to the selling price of the product and anticipated sales|turn-over.*

As regards sales|turn-over, this will have to be worked out for the various levels of production such as 70 per cent, 80 per cent, 90 per cent production, as well as at the level of full capacity production.

- (iii) *Break-even point and cost benefit analysis.*

(4) As regards revision of capital cost estimates, laying down of procedures to ensure that expenditure beyond the prescribed limits are not incurred, and where sanction of Government is required, the same is obtained before incurring the excess expenditure. In such cases, the Board shall study the profitability of the project/scheme after the revision of project cost estimates.

(5) *Monthly profit and loss account and a cash flow statement—* If there is no Board meeting during any month, these could be circulated to the Board members. It should be ensured that the quarterly financial review and the quarterly profit and loss account and other reports are prepared in time and these are used for managerial decision making instead of treating the same as purely statistical documents.

(6) Ensuring that manuals such as accounting manual, budget manual, internal audit manual, etc, are prepared.

(7) Introduction of performance budgeting or business type of budgeting, as also undertaking of monthly review of sales and production at each plant and unit.

(8) Preparation of realistic budget estimates, and also justification for variations between original and revised estimates.

Construction Management

(1) Ensuring that abnormal delays do not occur in the completion of projects and construction costs do not escalate beyond normal limits.

Delays in completion schedules and escalation in costs had taken place in the past in many cases owing to non-availability of expert advice on design and engineering technology at the DPR stage.

(2) Drawing up a realistic programme for the construction, if necessary by constituting a Sub-Committee of the Board of Directors, or with the assistance of an expert body. For such programming it may be necessary to resort to such techniques as C.P.M.

(3) Institution and critical examination of periodical reports from the management furnishing information on the actual progress of construction, highlighting delays that have occurred or anticipated, likely effect of the delays on the overall targets, and the steps proposed to be taken to obviate or minimise the effect of such delays.

(4) Proper phasing of construction of residential accommodation and staff amenities—in these regards, guidelines already laid down should be followed.

(5) Institution of periodical progress statements of expenditure with a view to assess and control construction expenditure within sanctioned limits.

The Board should obtain periodical statements from the management indicating the expenditure under main items of the estimate and whether such actual expenditure is commensurate with the physical progress of construction. These statements should also highlight items where expenditure is likely to exceed the sanctioned amounts, so that timely action could be taken to restrict expenditure elsewhere, in order to keep the overall expenditure within the sanctioned limits.

General Management

(1) *Organisational Planning and Structure*—The organisational structure in its various aspects in Public Enterprises needs continuous planning and review. This organisational planning should be done taking into account the profit centres, the cost centres and the responsibility centres. The organisational structure should also take into account the communication systems within the enterprise.

(2) *Ensuring that no managerial gap develops at any level*—It is essential that all the managerial posts, including those at the top level, to which appointments have to be made by Government, are held by suitable incumbents, and these posts do not remain vacant for long. In the case of posts which are within the competence of the Board of Directors, the latter should take steps to locate in time

suitable talent for this purpose. Even with regard to posts at the top level, the Board could ensure that such posts are not vacant for any length of time, by keeping in touch with the Government.

(3) *Management Development and Training.*—The appointment of a Senior Management Development Advisory Committee at the Board level to whom problems in the areas of organisational efficiency, management development, training, etc., could be referred for direction and guidance, has been commended to the enterprises. Each enterprise has already been advised to identify a Senior Executive to be in charge of management development and training, who should report direct to the Chief Executive. The need for continuous training at the induction stage followed up by refresher courses for managers of Public Enterprises at various levels cannot be over-emphasised.

(4) *Formulation of rational and objective system of appraisal for managers.*—An appropriate incentive scheme as also a system for disincentives should be in-built in the appraisal procedure to improve operation results.

(5) *Management control and information system.*—The institution of modern information and reporting system, to facilitate the communication within the enterprise, and also top management control, should be given high priority.

(6) *Marketing Management.*—Many Public Enterprises have suffered over the past couple of years owing to inadequacy of marketing organisations and insufficient planning in regard to marketing. The steps to streamline the marketing organisations of the enterprises should be comprehensive, covering the market research units, sales organisations, evaluation of sales performance, sales promotion efforts (like advertising media, sales incentive schemes, financial incentive systems, entertainment allowance, etc.), training and development of marketing executives, and formulation of long-term marketing strategies.

Sd/- (P. K. BASU),
The 24th January, 1970.

Director, Bureau of Public Enterprises.

To

All Ministries/Depts. of the Govt. of India.

Copy to:

(i) The Comptroller and Auditor General of India.

APPENDIX 1A

(Vide Reply to Recommendation Sl. No. 35 & 36)

Statement showing exports by production Enterprises

(Amount in Rs. lakhs)

Sl. No.	Name of Undertaking	Details of Exports	Value of Exports 1972-73
1	2	3	4
(A) Enterprises producing capital goods			
(i) Heavy Engineering			
	Bharat Heavy Electricals Ltd.	Boiler	103
	Heavv Electricals (I) Ltd.	Switchgear spares	21
	Triveni Structurals Ltd.		..
			124
(ii) Medium and Light Engineering			
	Bharat Electronics Ltd.	Electronic communication and Electronic component	106
	Electronic Corpn. of India	Electronic Instruments . . . . .	..
	Hindustan Teleprinters Ltd.	Teleprinters and accessories	7
	Indian Telephone Industries	Telephone Exchange equipment	41
	Hindustan Machine Tools Ltd.	Machine Tools and wrist Watches	164
	Praga Tools Ltd.	Tools	3
	National Instruments Ltd.	Surveying and Drawing Instruments . . . . .	..
			321
(iii) Transportation Equipment			
	Hindustan Aeronautics. Ltd.	Aircraft components	3
	Bharat Earthmoves l td.	Earthmoving equipment etc.	23
			26

1	2	3	4
(B) Enterprises providing consumer goods			
	Hindustan Photo Films Mfg. Co Ltd.	Cine positive 35 mm	3
	Tannery and footwear Corpn. of India Ltd.	Footwear, leather goods	30
	Bharat Ophthalmic Glass	Spectacle lenses	5
			38
(C) Enterprises producing basic materials			
(i) Steel			
	Hindustan Steel Ltd.	Various iron and Steel Products	1528
	Bokaro Steel Ltd.	Pig iron	222
			1750
(ii) Minerals and Metals			
	National Coal Dev. Corpn.	Washed Coking coal	..
	National Mineral Dev. Corpn.	Minerals ores	2880
	Hindustan Copper Ltd.	Kyanite	43
	Indian Rare Earths Ltd.	Rare Earths Chloride and Phosphate	163
			3086
(iii) Petroleum			
	Indian Oil Corpn.	Petroleum Products	1925
	Madras Refineries Ltd.	Naptha and Furnace Oil	..
			1925
(iv) Chemicals and Pharmaceuticals			
	Fertilizer Corpn. of India Ltd.	Fertilizers	70
	Fertilizers and Chemicals Travancore Ltd.	Ammonia Chloride	1
	Madras Fertilizer Ltd.	Fertilizers	
	Indian Drugs and Pharmaceuticals Ltd.	Surgical Instruments and Antibiotics	51
	Hindustan Antibiotics Ltd.	Penicillin etc.	..
	Hindustan Organic Chemicals Ltd.	Sulphuric Acid	1
			123
(D) Agro based industries			
	National Seeds Corpn.	Farm products	18
(E) Rehabilitation of sick industries			
	Rehabilitation Industries Corpn.	Fruit products	

1	2	3	4
(F) Small Industries			
National Small Industries Corporation	Hand tools Generator	Brass Connections	Sprinklet, I
TOTAL			<u>7412</u>

Statement showing Exports canalised through Trading and Marketing Services

S. No.	Name of the Undertaking	1972-73
Trading and Marketing Services		
	State Trading Corpn. of India	17014
	Cashew Corpn. of India	366
	Cotton Corpn. of India	619
	Jute Corpn. of India	99
	Minerals and Metal Trading Corpn. of India	10435
	Projects and Equipment Corpn.	1008
	Indian Motion Pictures Exports Corpn. Ltd.	39
	Handicrafts and Handloom Export Corpn. Ltd.	565
TOTAL		<u>30145</u>
	Exports by Production Enterprises	7412
GRAND TOTAL		<u>37557</u>

Statement showing Foreign Exchange earnings other than through Exports

Value of Exports (Rs lakhs)
1972-73

(a) Transportation Services : Passage, freight earnings of foreign voyages/travels :

AIR

Air India	61,31
Indian Airlines	10,20
Air India Charters Ltd.	5,43

WATER

Shipping Corpn. of India Ltd.	41,00
Mogul Line Ltd.	3,46

12,140

(b) Contracts and Construction Services

Indian Consortium for Power Projects— Sub-station Equipment	29
	<u>29</u>

(c) Industrial Development and Technical Consultancy Services :

Engineers (I) Ltd.	2
National Industrial Development Corpn. Ltd.	8
Water and Power Development Consultancy Services (I) Ltd.	1
	<u>11</u>

(d) Tourist Services—Sales on Duty free Shops & Restaurants in foreign currency

Indian Tourism Development Corpn. Ltd.	50
	<u>50</u>

(e) Transportation Equipment

Mazagon Dock-Ship Repair	1,95
G.R.W.—Ship Repair	2
Goa Shipyard—Ship Repair	..
HAL—Repairs & Overhaul of aircraft	33
Hindustan Shipyard—Ship Repair	5
	<u>2,35</u>
GRAND TOTAL	<u>1,24.65</u>

APPENDIX X

[Vide Reply to Recommendation S. No. 37]

No. 9(28)FI/67/Cir/Adv(P)-1

Government of India

Ministry of Finance

Bureau of Public Enterprises

North Block, New Delhi October, 16th 1967

OFFICE MEMORANDUM

SUBJECT:—Inventories (Conclusions/Recommendations S. Nos. 1 & 2 in Appendix III of 40th Report of the Committee on Public Undertakings).

The Committee on Public Undertakings have observed that even granting that the inventories in any concern vary according to the nature of the undertaking and the type of materials required and thus the average inventory holding in the private sector companies may not be quite comparable with those in the public sector undertakings, the holding of inventory to the extent of 15 months value of production can help in releasing the capital so scarce in the country and in conserving valuable foreign exchange. Any avoidable locking up of capital in inventories deprives some other essential project or programme of finances. Further, inventories also cost a good deal by way of interest charges, cost of storage and handling, deterioration and obsolescence costs. Even on a conservative estimate the cost of carrying inventory is estimated at a minimum of 15 per cent per annum. To the extent that there are excessive inventories, the cost of production as well as the profitability of a concern is affected. The Committee has further stated that if the inventories of industrial running concern could be reduced to 6 months production which would by no means be difficult it would mean release of capital to sufficient extent which could be gainfully employed either in the undertaking or to finance some other essential project or programme.

2. The Ministry of Industry, etc., are requested to advise the Public Undertakings that every effort should be made towards materials management and the application of various scientific techniques to control inventories and also draw their attention to the importance of keeping the level of inventories as low as possible. The Public

Sector Undertakings concerned be also requested to send a report before 31-3-1968 on the progress of action taken in respect of the recommendations, to the administrative Ministry with a copy to the Bureau of Public Enterprises.

Sd/-

Secretary to the Govt. of India and
Director General of Bureau of Public Enterprises.

To

All Ministries|Departments of Government of India.

APPENDIX XI

[*Vide* Reply to Recommendation S. No. 37]

No. 21|15|74-BPE|MM

Government of India (Bharat Sarkar)

Ministry of Finance (Vitta Mantralaya)

BUREAU OF PUBLIC ENTERPRISES (Sarkari Udyam Karyalaya)

Mayur Bhavan

New Delhi, the 6th March, 1972

OFFICE MEMORANDUM

SUBJECT:—Import substitution—Indigenous development.

Committee on Public Undertakings in their 40th Report (3rd Lok Sabha) had observed that systematic efforts should be made to develop indigenous substitutes and achieve self-sufficiency in the matter of raw materials, spares and components. It was also recommended that there should be a separate cell for Research & Development in the field of import substitution in undertakings depending substantially on imported products. To achieve results in this field, full use should also be made of the various research institutes in the country. Co-operation of private manufacturers should be very valuable and they should be encouraged to take up the manufacture of these items by making available to them detailed catalogues of imported items and by holding exhibitions etc. There should be frequent exchange of ideas and information amongst the public enterprises about the efforts made for import substitution. These recommendations were circulated to all concerned *vide* No. 9(28)F1|67|Cir|Adv(P)-16 dated 16th October, 1967.

Since then considerable progress has been made by leading public enterprises which has resulted in substantial savings in foreign exchange.

The Committee on Public Undertakings in their 40th Report (5th Lok Sabha) have appreciated the efforts made in the Public Sector for reducing their dependance on imports. In order that a clear direction is given by each Company to its internal efforts on indigenisation they have once again reiterated the importance of expeditious import substitution and have recommended that each

public enterprise should set up import substitution cell to keep a watchful eye on the progress in the reduction of import content of the products manufactured in the public enterprises. It has also been stressed that in the process of import substitution the need for excellence in the quality of products should not be sacrificed.

It is necessary that conscious planning with quantified objectives should be set for each enterprise, the progress watched and the performance measured against these objectives.

Ministry of Industrial Development etc. are requested to advise suitably the public enterprises under their administrative control and they may be requested to send a report by 30th April, 1974 on the progress of action taken in respect of the above to the administrative Ministry with a copy to the Bureau of Public Enterprises.

Sd/- M. L. MONGIA,
Deputy Adviser (MM)

To

Ministry of Industrial Development, etc.

APPENDIX XII

[*Vide* Reply to Recommendation S. No. 52]

No. 9 (135) (52)/73-BPE (GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

New Delhi, the 16th Feb., 1974.

OFFICE MEMORANDUM

SUBJECT:—40th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on “Role and Achievements of Public Undertakings” Dispersal of public enterprises in backward areas.

The undersigned is directed to refer to the recommendation at Sl. No. 52 contained in the above Report, a copy of which is enclosed. It will be noted that the Parliamentary Committee has welcomed the fact that the dispersal of public enterprises in various parts of the country, pursuant to the Industrial Policy Resolution and consistent with the demands of efficiency, has made significant contribution to the development of the backward areas. The Committee has also expressed the hope that the good work initiated in this direction will be continued.

The recommendation is brought to the notice of the Ministry of Petroleum & Chemicals, etc. for information and guidance in future.

Sd/- S. KRISHNA MOORTHY,

Under Secretary to the Govt. of India

To

All Ministries|Departments of the Government of India.

APPENDIX XII

[Vide Reply to Recommendation S. No. 53]

No. 34/MG/74-BPE/MM

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhawan,

New Delhi, 27th May, 1974.

OFFICE MEMORANDUM

SUBJECT: Growth and Development of Ancillary Industries by Public Enterprises.

Government have constantly been stressing the need for accelerating the growth and development of Ancillaries by Public Enterprises and in this context number of circulars have been issued. Comprehensive guidelines were also issued *vide* this Ministry's O.M. No. Prod. (BPE) 1/69 dated 9th February, 1971.

Although some progress has been made, there is considerable scope for further growth and development. With a view to have increased activity in this respect, the following decisions have been taken:

- (i) All DPRS prepared and approved for Public Enterprises should as a rule provide for setting up of ancillary units in small-scale sector as part of the project scheme itself. It is, however, not the intention that the DPR would cover detailed schemes regarding ancillary industries. They would possibly indicate the items, annual requirements, number of ancillary units, any financial and managerial help required and rough indication of the physical problem and of cost. These units being small in scope, their project work could start on a much later date and yet be ready in time for serving the needs of the main production unit.

- (ii) Licencing proposals for expansion or diversification of existing production capacities should be accompanied with commitments for farming out of components etc. through small-scale industries.
- (iii) In the agreements with the foreign collaborators, aiding countries a provision be made for expansion of technical know-how to ancillary units.
- (iv) Where there is difficulty to secure land for setting up of ancillary units, a convenient portion in the land available with the public enterprise may be earmarked in consultation with the State Government for allotment to the selected entrepreneurs.

In supersession of the reports asked for *vide* O.M. No. Prod. (BPE) 1169 dated 9-2-1971, it has been decided that a half-yearly progress report on the subject should be furnished by the Undertakings concerned, as per proforma at Annexure-A. A copy of this report should be endorsed to the Development Commissioner, Small-scale Industries and the administrative Ministry concerned. The report may be submitted as on 31st March and as on 30th September to be received by all concerned by 15th of April and 15th of October every year. The report for the period 1973-74 may be furnished by the end of June, 1974. Ministry of Industrial Development etc. may kindly advise suitably the Public Enterprises under their administrative control. A list of enterprises concerned is attached.

M. L. MONGIA,
Dy. Adviser (MM).

1. Ministry of Industrial Development, etc.

Ancillary Industries Progress Report for the Half-year ending March/Sept. 197,

1. Name of the Undertaking :
2. Name and Designation of the officer designated for ancillary development :
3. Whether Plant Level Committee has been formed for—
 - (i) Ancillary Industries Development including identification of ancillary item :
 - (ii) Selection of Entrepreneurs. :
4. Ancillary items—
 - (a) Identified
 - (b) Off loaded

Sl. No.	Name of items	Imported/ Indigenous	Annual Requirements	
			Qty.	Value

(a)

(b)

5. Whether ancillary industrial estate is attached/proposed, details thereof :

(i) No. of units working at the commencement of the period :

(ii) No. of units started functioning during the period under report.

6. Details of the ancillary units—

Sl. No.	Name of the Unit.	Products Manufactured	Production capacity	Supplies made to the Under-taking during the period	Investment in Machines installed	Employment
			Qty. Value	Rs. lakhs.		

Qty. Value

7. Purchases from Ancillary units which may be located outside the Estate during the above period :

Sl. No.	Name of the unit	Items ordered	Value of stores	
			Ordered	Supplied

8. Proposals for establishment of new units, if any :—

(i) No. of units proposed :

(ii) Progress made regarding construction/development of new ancillary units including the position regarding allotment of land, shed, etc.

9. Any other relevant information—like difficulties being experienced in the development of ancillary industries, suggestions, if any.

10. Assurances rendered to ancillary units regarding supply of raw materials, supply of machinery, technical assistance and display of ancillary products in Seminars/Exhibitions.

List of Public Enterprises where efforts are being made for development of Ancillaries.

Sl. No.	Name of Public Sector Enterprises
---------	-----------------------------------

- | | |
|-----|--------------------------------------------------------|
| 1. | Bharat Earth Movers Ltd. |
| 2. | Bharat Electronics Ltd. |
| 3. | Bharat Heavy Plants & Vessels Ltd. |
| 4. | Bharat Heavy Electricals Ltd. |
| 5. | Bokaro Steel Ltd. |
| 6. | Cement Corporation Ltd. |
| 7. | Electronics Corporation |
| 8. | Fertilizer & Chemicals Travancore Ltd. |
| 9. | Fertilizer Corporation of India Ltd. |
| 10. | Garden Reach Workshop Ltd. |
| 11. | Heavy Electricals (I) Ltd. |
| 12. | Goa Shipyard Ltd. |
| 13. | Heavy Engineering Corporation |
| 14. | Hindustan Antibiotics Ltd. |
| 15. | Hindustan Aeronautics Ltd. |
| 16. | Hindustan Cables Ltd. |
| 17. | Hindustan Housing Factory |
| 18. | Hindustan Insecticides. |
| 19. | Hindustan Machine Tools Ltd. |
| 20. | Hindustan Organic Chemicals Ltd. |
| 21. | Hindustan Shipyard Ltd. |
| 22. | Hindustan Steel Ltd.—
(i) Durgapur
(ii) Rourkela |
| 23. | Hindustan Teleprinters Ltd. |
| 24. | Hindustan Zinc Ltd. |
| 25. | Indian Drugs & Pharmaceuticals Ltd. |
| 26. | Indian Oil Corporation Ltd. |
| 27. | Indian Telephone Industries |
| 28. | Instrumentation Ltd. |
| 29. | Machine Tools Corporation |
| 30. | Madras Refineries Ltd. |
| 31. | Manganese Ore Ltd. |
| 32. | Mazagaon Dock Ltd. |
| 33. | Mining & Allied Machinery Corpn. |
| 34. | National Instruments Ltd. |
| 35. | Neyveli Lignite Corpn. |
| 36. | Nepa Paper Mills |
| 37. | Oil & Natural Gas Commission |
| 38. | Praga Tools Ltd. |
| 39. | Triveni Structural Ltd. |
| 40. | Madras Fertilizers |
| 41. | Pyrites, Phosphates & Chemicals Ltd. |
| 42. | Tungabhadra Steel Products Ltd. |
| 43. | Hindustan Paper Corporation. |
| 44. | Cochin Refineries Ltd. |

APPENDIX XIV

(Vide Reply to Recommendation S. No. 55)

No. 9 (135) (55) | 73 | BPE (GMI)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

New Delhi, the 9th August 1974.

OFFICE MEMORANDUM

SUBJECT: 40th Report of the Committee on Public Undertakings (5th Lok Sabha) on 'Role and Achievements of Public Undertakings'—Recommendation No. 55 relating to generation of employment in Public Enterprises.

The undersigned is directed to say that the Committee on Public Undertakings in their abovementioned Report has observed that if the Public Enterprises work at optimum capacity and after consolidating it enter into new fields they can help a lot in relieving un-employment in the country.

2. Ministry of Industrial Development etc. may kindly bring the above to the notice of the Public Enterprises under their administrative control for the information and guidance.

Sd.]

S. KRISHNA MOORTHY,

Joint Director.

To,

Ministries | Departments concerned with public enterprises..

Encl: *As above.*

APPENDIX XV

(Vide Reply to Recommendation S. No. 57)

No. 3|1|74-Prod.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Production Division)

Mayur Bhavan, Connaught Circus,

New Delhi, the 13th February, 1974.

OFFICE MEMORANDUM

SUBJECT: 40th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on 'Role and Achievements of Public Undertakings'. Recommendation No. 57.

The undersigned is directed to enclose extracts of recommendation No. 57 on the subject mentioned above and to say that Government have agreed with this recommendation. The Ministry of Industrial Development etc. are requested to communicate the recommendation as well as the Government's decision thereon to the Public Sector Enterprises under their administrative control for future guidance and compliance.

Sd|-

S. JAGANNARAYANAN,

Under Secretary to the Govt. of India.

To,

All Administrative Ministries|Departments.

APPENDIX XVI

(Vide Reply to Recommendation S. No. 60)

No. 3|1|71-Prod.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Production Division)

Mayur Bhavan, Connaught Circus,
New Delhi, the 13th February, 1974.

OFFICE MEMORANDUM

SUBJECT: 40th Report of the Committee on Public Undertakings
(Fifth Lok Sabha) on 'Role and Achievements of Public
Undertakings'.

The undersigned is directed to enclose a copy of Recommendation at Sl. No. 60 on the subject mentioned above and to say that the Government of India have agreed with this recommendation. This may be noted for future guidance by National Council of Scientific Technology, and Council of Scientific and Industrial Research.

Sd. |

(S. JAGANNARAYANAN),

Under Secretary to the Govt. of India.

To

1. National Council of Scientific Technology;
2. Council of Scientific and Industrial Research.

APPENDIX XVII

(Vide Reply to Recommendation S. No. 61)

No. 3|1|74-Prod.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Production Division)

Mayur Bhavan, Connaught Circus,

New Delhi, the 16th Feb., 1974.

OFFICE MEMORANDUM

SUBJECT: 40th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on 'Role and Achievements of Public Undertakings'.

The undersigned is directed to refer to Recommendation at Sl. No. 61 on the subject mentioned above and to say that Government have agreed with this recommendation. The Ministry of Industrial Development, etc., are requested to convey the recommendation to the public sector enterprises under their administrative control for necessary action.

Sd. |

(S. JAGANNARAYANAN),

Under Secretary to the Govt. of India.

To

All Ministries|Departments of Govt. of India.

APPENDIX XVIII

(Vide Reply to Recommendation S. No. 62)

No. 3|1|74-Prod.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Production Division)

Mayur Bhavan, Connaught Circus,
New Delhi, the 13th February, 1974.

OFFICE MEMORANDUM

SUBJECT: 40th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on 'Role and Achievements of Public Undertakings'.

The undersigned is directed to refer to Recommendation at Sl. No. 62 on the subject mentioned above (copy enclosed) and to say that Government have agreed with this recommendation. The Ministry of Industrial Development, etc., are requested to convey the recommendations to the Public Sector Enterprises under their Administrative control for compliance.

Sd|-

(S. JAGANNARAYANAN),

Under Secretary to the Govt. of India.

To

All Ministries|Departments of Govt. of India.

APPENDIX XIX

((Vide Reply to Recommendation S. Nos. 63 & 64)

No. BPE|15(1)|Adv(F)|74

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Finance Division)

Mayur Bhawan, 7th Floor,
New Delhi, the 14th Feb., 1974.

OFFICE MEMORANDUM

SUBJECT: Fortieth Report of the Committee on Public Undertakings
1973-74 (5th Lok Sabha).

The undersigned is directed to refer to the recommendations at
Sl. Nos. 63 & 64 contained in the 40th Report of C.P.U. (5th Lok
Sabha).

It is requested that suitable instructions may please be issued by
the Ministry of Industrial Development etc. to the undertakings
under their control to implement recommendation No. 63 and also
take note of recommendation No. 64, while keeping a watch on the
undertakings.

Sd. |

(N. RAJAN),
Adviser (Finance).

To

The Secretary, Ministry of Industrial, Development etc.

APPENDIX XX

(Vide Reply to Recommendation S. No. 9)

No. 9 (135) (9) | 73-BPE (GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

New Delhi, the 6th November, 1974.

OFFICE MEMORANDUM

SUBJECT:—Action taken by Government on the 40th Report of the Committee on Public Undertakings on Role and Achievements of Public Undertakings—Recommendations of the Committee regarding the Composition of the Boards of Directors of the Public Sector Undertakings.

The Parliamentary Committee on Public Undertakings in their 40th Report (Fifth Lok Sabha) have *inter-alia* recommended that Government should ensure that part time members of the Boards of Public Sector Undertakings should be persons who have established an outstanding reputation in the fields of industry, trade, public administration or trade union organisation and last but not least are conscious of the role of public sector and possess a missionary zeal to improve the standards of management. The Committee have also recommended that in order to perform its functions effectively, the Board should meet as often as necessary so that it is able to grapple with the problems of the enterprises promptly.

The recommendation has been considered, and a copy of the Government's reply along with the recommendation sent to the Lok Sabha Secretariat is forwarded herewith. Ministry of Industry & Civil supply etc. may kindly keep this in view while considering the constitution/reconstitution of the Boards of Public Undertakings under their administrative control. The Public Undertakings may also be suitably advised regarding the periodicity of the meeting.

S. KRISHNA MOORTHY,
Joint Director.

To

Ministries or Depts. of Govt. of India.

Copy for information to:—

(i) The Comptroller and Auditor General of India.

Recommendation (Serial No. 9 Para 3.26)

Since the pattern of Board consisting of not only full time functional but also part time members is the common type prevailing in the larger enterprises both in the public and the private sectors all over the World, the Committee have no objection to that pattern but Government should ensure that part time members are persons who have established an outstanding reputation in the fields of industry, trade, public administration or trade union organisation and last but not the least are conscious of the role of public sector and possess a missionary zeal to prove the standards of management. In order to perform its functions effectively, the Board should meet as often as necessary so that it is able to grapple with the problems of the enterprise promptly.

Reply of Government

As regards the qualifications of part-time Directors, the Government's policy at present is that the Government representatives should be on the Boards of the public enterprises by virtue of their office, while in the case of part-time Members from outside the Government, they should be persons with proven ability in the fields of industrial, commercial or financial enterprise or in administration or in trade union organisation. It is also stipulated that these part-time Members from outside the Government should have faith in public enterprise and should not have such business or other interests, as may affect their objectivity in the discharge of their duties on the Board. Government's decision on the ARC's recommendation No. 4 in their Report on "Public Sector Undertakings" refers. Thus, the criteria indicated by the Committee are already being followed in the case of such Directors.

As regards the periodicity of the Board meeting, in the case of Government companies, the Companies Act already requires that the Board of Directors should meet at least once in three months. However, this provision only ensures that the gap between the two Board meetings is not more than three months. Actually, many of the Boards meet more frequently, say once in four to six weeks. However, the Committee's observation that the Boards should meet as often as necessary in order to perform its functions effectively and grapple with the problems of the enterprise promptly is being brought to the notice of the public enterprises through the administrative Ministries/Departments for information and guidance.

[Ministry of Finance, Bureau of Public Enterprises, O.M.
No. 9(135)|73-BPE (GM-I) dt. 2-3-74].

APPENDIX XXI

(Vide Reply to Recommendation S. No. 26)

N. J. KAMATH,

Addl. Secretary.

D.O. No. 7-1/73-Coord.

18 June, 1973.

My dear

The Ministry would like to have the production programme of your unit which should be drawn up with the greatest of care and attention. The programmes should, no doubt, be realistic and capable of attainment, but they should also have an element of challenge built into them in order to achieve the desired end.

2. With a view to assisting the Ministry in the scrutiny of your programme, you are requested to give a detailed note explaining how the programme have been arrived at. The programmes along with such a note should be submitted to the Ministry by the third quarter of the year to which the production programmes relate.

3. You are requested to acknowledge the receipt of this letter.

Yours

Sd/- N. J. KAMATH.

**To All Heads of
IPSUs under this Ministry.**

APPENDIX XXII

(Vide Reply to Recommendation S. No. 26)

**EXTRACTS FROM D.O. 13(23)|73-COORD., DATED 5-2-74.
FROM N. J. KAMATH, ADDITIONAL SECRETARY DEPTT. OF
HEAVY INDUSTRY, TO ALL THE HEADS OF PSUs.**

5th February, 1974.

As far as the 1974-75 production target|programme is concerned, it should have by now been received in the Ministry as per the instructions issued in Secretary's demi official letter No. 245|SHI|D|73 dated June 16, 1973. If it has not yet been sent, I would request you to ensure that it is sent duly approved by the Board to reach the Ministry within the next few days. In this connection, I have already sent you a telex, copy of which is enclosed herewith. I would request you to attend personally to the despatch of this information by the required date. In this connection, I need hardly stress that we have been enjoining on you that targets that are set by us should have a built in challenge. You would notice that Minister in his letter to the PM, has indicated a much higher target of Rs. 550 crores in the aggregate for all our production units for the year 1974-75, which means that the target that will be set by you for your unit should be at least 30 per cent higher than the target that was set for the year at least 30 per cent higher than this aspect would be borne in mind while 1973-74. I trust that this aspect would be borne in mind while setting the targets for 1974-75, and Communicating them to us.

APPENDIX XXIII

(Vide Reply to Recommendation S. No. 26)

MANTOSH SONDHI

GOVERNMENT OF INDIA
SECRETARY, HEAVY INDUSTRY,
NEW DELHI.

D.O. No. 245|SHI|D|73

16th June, 1973.

I am writing this to you about the annual production programmes of the Public Sector Units. With heavy emphasis, in the Fifth Plan, on achieving accelerated rates of industrial growth and self-reliance, the role of Public Sector Units under this Ministry, responsible for manufacturing machinery and plant for all core sectors, assumes special significance. This will call for careful planning and fixing up the targets and instituting suitable control and monitoring cells so that targets are adhered to. It is evident that delays against scheduled deliveries would adversely affect completion of important projects under construction as well as the maintenance of operating plants and would, in general, vitiate the national economy as a whole.

2. It is with this background that I would request you to plan your targets of production for 1974-75 by December, 1973 and submit them to the Ministry for approval. We are, of course, taking it for granted that the targets set for 1973-74 will be fulfilled.

3. Kindly acknowledge receipt.

Sd|- M. SONDHI.

To

All Heads of PSUs.

APPENDIX XXIV

(Vide Reply to Recommendation S. No. 30)

No. BPE|15(1)|Adv.(F)|74

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

(Finance Division)

Mayur Bhavan, 7th Floor,
New Delhi, the 16th March, 1974.

OFFICE MEMORANDUM

SUBJECT:—*Fortieth Report of the Committee on Public Undertakings 1973-74 (5th Lok Sabha).*

The undersigned is directed to refer to the recommendation at Serial No. 30 contained in the 40th Report of C.P.U. (5th Lok Sabha) reproduced:—

Serial No. 30:

The Committee recommend that Detailed Project Reports should invariably contain an indication about the likely gestation period of the Project not only to serve as a guideline but also to provide a yardstick for measuring the performance or profitability of a project. The Committee recognise that there are possibilities of deviation between the Designer's expectations and actual realisation in terms of commissioning of units as well as in the rate of development of production due to various local factors and peculiarities special to different undertakings. The Committee, therefore, feel that it is for these reasons that it is all the more necessary that such a specific provision is made in the DPR so that management can determine the extent of deviation from the normal gestation period stipulated in the DPR analyse the reasons for deviation and initiate on course corrections to see that projects are completed, commissioned and developed for production according to schedule. Needless to stress that such delays prove costly to the Exchequer and put the clock of the progress back. To give an example, delays in the construction and commissioning of fertilizer plants under execu-

tion by the Fertilizer Corporation of India have already cost the country Rs. 122.09 crores by way of loss in production and increase in departmental charges.

In F.M.'s letter No. 1160-FM(G)/70, dated 3-11-1970 it has been stipulated that DPRs should by and large be prepared on the same Lines as indicated in the "Manual for preparation of Feasibility Studies for Public Sector Projects" issued by the Planning Commission in May, 1966.

It is requested that suitable instructions may kindly be issued by the Ministry of Industrial Development etc. to various agencies entrusted with the preparations of DPRs to take note of the recommendation No. 30 while preparing the DPRs, and to monitor progress with reference to the DPRs.

M. RAJAN,
ADVISER (FINANCE)

All Secretaries to the Government of India.

APPENDIX XXV

(Vide Reply to Recommendation No. 30)

No. PSC-16(19)|74

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRIAL DEVELOPMENT

(Audyogik Vikas Mantralaya)

New Delhi, the 18th April, 1974..

To

All the Public Sector Undertakings under the control of Ministry of Industrial Development.

SUBJECT:—*Fortieth Report of the Committee on Public Undertakings: 1973-74 (5th Lok Sabha) Recommendation No. 30.*

Dear Sirs,

I am directed to refer to the recommendation at Serial No. 30 contained in the 40th Report of the Committee on Public Undertakings (5th Lok Sabha) copy enclosed. In this connection your attention is drawn to Ministry of Finance letter No. 1160-FM(G)|70, dated the 3rd November, 1970, where it has been stipulated that Detailed Project Reports should by and large be prepared on the same lines as indicated in the "manual for preparation of the Feasibility Studies for Public Sector Projects" issued by the Planning Commission in May, 1966.

You are requested that while preparing the Detailed Project Reports you are to take note of the recommendation No. 30 referred to above and to monitor progress with reference to the Detailed Project Reports.

Encl: As stated above.

Yours faithfully,
Sd|- C. B. RAO,
Director.

APPENDIX XXVI

(Vide Reply to Recommendation S. No. 50)
No. BPE-15(1)/Adv-(F)/75

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises
(Finance Division)

New Delhi, the 3rd May, 1975.

OFFICE MEMORANDUM

SUBJECT:—Pricing Policies of Public Enterprises.

The Committee on Public Undertakings in its 40th Report (5th Lok Sabha) recommended that price disputes between public sector undertakings *inter-se* as well as between Government departments and public sector undertakings should be settled within a time-schedule to be prescribed in this behalf.

Ministries and public sector undertakings are, no doubt, aware of the procedure for referring cases to the Ministry of Finance for setting up a Pricing Committee to settle these disputes, laid down in O.M. No. BPE|46|AEV-E|68|25, dated 27-12-68. (Copy enclosed). They are, however, requested that in view of the recommendations made by the Committee on Public Undertakings they should take all steps necessary to finalise pending cases expeditiously either by referring them to the Pricing Committee or through direct negotiations.

Ministry of Industrial Development etc. are requested to bring this to the information of the undertakings under their administrative control.

Sd/- N. RAJAN,
Adviser (Finance).

to

All Ministries|Departments of the Government of India.

APPENDIX XXVII

(Vide Reply to Recommendation S. No. 50)

No. BPE|46|Adv-F|68|25

BUREAU OF PUBLIC ENTERPRISES

New Delhi, the 27th December, 1968.

OFFICE MEMORANDUM

SUBJECT.—*Pricing Policies of Public Enterprises.*

The pricing policies for public enterprises were recently considered by the Government at the highest level and it has been decided that public enterprises should be economically viable units and an all out effort should be made to increase their efficiency and establish their profitability at the earliest. It was decided that it would not be necessary or advantageous to lay down guide-lines in regard to pricing policies to be followed by enterprises which produce goods in respect of which the prices are subject to regulations of a binding type either voluntarily by mutual arrangements or due to domestic or international regulations. It may also not be necessary to prescribe any guidelines for trading organizations like, STC, MMTC, etc.

2. So far as the enterprises which produce goods and services in competition with other domestic producers, the normal market forces of demand and supply will operate and their products will be governed, by and large, by the competitive prices prevailing in the market.

3. It was, however, felt that it would be useful to have suitable guidelines for those enterprises which operate under monopolistic or semi-monopolistic conditions. In regard to pricing policies to be adopted by such enterprises the following guidelines will be useful for the consideration of their Board of Directors:—

- (a) The pricing of their products should be within the basis of the landed cost of comparable imported goods which would be the normal ceiling (and not on the basis of c.i.f. prices). In calculating the landed cost the normal price of such goods in the country of their origin should be taken into account in case where exports of such goods

are subsidised on any appreciable scale either directly (or) indirectly [Please see also under (c) below].

- (b) Within the ceiling of the landed cost, it would be open to the enterprises to have price negotiations and fix prices at suitable levels for their products which would give them a reasonable return on the capital invested. It was also desirable that the prices so fixed should be operative for period of 2-3 years.
- (c) Ordinarily, the landed cost should be regarded as the absolute ceiling. If, however, in assessing the landed cost, there are reasons to believe that imported FOB/CIF prices are artificially low, or in other exceptional circumstances, where our own cost of production is very high, it may be necessary to have the prices higher than the landed cost; in such circumstances the matter should be referred to the administrative Ministry concerned for examination in depth in consultation with the Ministry of Finance, Bureau of Public Enterprises, etc.

4. The Ministry of Industry etc., are requested to bring the contents of this O.M. to the notice of all undertakings under their control for their guidance.

Sd/- P. GOVINDAN NAIR,
*Secy. to the Government of India,
and Director General,
Bureau of Public Enterprises.*

APPENDIX XXVIII

(Vide para 4 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Fortieth Report of the Committee on Public Undertakings (Fifth Lok Sabha).

I.	Total number of recommendations	65
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at Serial Nos. 1, 5, 7, 11, 12, 25, 27, 28, 29, 31, 34, 35, 36, 37, 41, 42, 46, 48, 49, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63 and 64).	32
	Percentage to total	49·2
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at serial Nos. 8, 9, 16, 17, 20, 26, 30, 32, 33, 40, 43, and 44.	12
	Percentage to total	18·5
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Serial Nos. 2, 3, 4, 6, 10, 13, 14, 15, 18, 19, 21, 22, 23, 24, 38, 39, 45, 47, 50, and 65	20
	Percentage to total	30·8
V.	Recommendation in respect of which final reply of Government is still awaited (<i>Vide</i> S. No. 51)	1
	Percentage to total	1·5