

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1973-74)**

(FIFTH LOK SABHA)

FORTY-FIFTH REPORT

Action taken by Government on the Recommendations contained in the Twenty-Seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha)

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C O R R I G E N D A

The Forty-fifth Report of the Committee on Public Undertakings on Action Taken by Govt. on the recommendations contained in the 27th Report of the Committee on Public Undertakings (5th Lok Sabha) on National Newsprint and Paper Mills Ltd. Napa Nagar.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1973-74)

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Shri M. A. Soundarajan—*Deputy Secretary.*
Shri M. N. Kaul—

*Appointed to act as Chairman from 16-5-73 to 11-7-73 during the absence abroad of Shrimati Subhadra Joshi.

COMMITTEE ON PUBLIC UNDERTAKINGS

**COMPOSITION OF STUDY GROUP ON ACTION TAKEN
REPORTS AND GENERAL MATTERS**

1. Smt. Subhadra Joshi—*Chairman*
2. Shri Nawal Kishore Sharma—*Alternate Convener*
3. Smt. Purabi Mukhopadhyay
4. Dr. Mahipatray Mehta
5. Shri Lal K. Advani
6. Shri U. N. Mahida

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present the Forty-Fifth Report on Action Taken by Government on the recommendations contained in the Twenty-Seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha) on National Newsprint and Paper Mills Limited.

2. The Twenty-Seventh Report of the Committee on Public Undertakings was presented to Lok Sabha on the 30th March, 1973. The replies of Government (not vetted by Audit) to all the 29 recommendations contained in the Report were received on the 12th November, 1973. Further information sought in respect of certain points arising out of the replies furnished by Government was received on the 12th December, 1973.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 7th December, 1973 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

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

5. An analysis of the Action Taken by Government on the recommendations contained in the Twenty-Seventh Report of the Committee is given in the Appendix. It would be observed therefrom that out of the total number of recommendations made in the Report

(viii)

55.17 per cent have been accepted by the Government. The Committee do not desire to pursue 20.69 per cent of the recommendations in view of Government's replies. Replies of Government in respect of 10.34 per cent of the recommendations have not been accepted by the Committee. Final replies of Government in respect of 13.80 per cent of recommendations have not been received by the Committee.

NEW DELHI;

December 19, 1973

Agrahayana 28, 1895 (S)

SUBHADRA JOSHI,

Chairman

Committee on Public Undertakings.

CHAPTER I

REPORT

A. Objectives—Paragraphs 1.20 and 1.25

Recommendation (Sl. Nos. 1 & 2)

The Committee noted that at present, out of a total demand of 2.20 lakh tonnes of newsprint in the country Nepa Mills were meeting only about 18 per cent of the demand and the rest of the requirements were being met by imports, and a sum of Rs. 23.20 crores was spent thereon in the year 1971-72. The Committee had further noted that the current demand for paper was of the order of 8.5 lakh tonnes and it was expected to go up to 13.3 lakh tonnes by the end of the Fifth Five Year Plan. The existing indigenous production was only of the order of about 7.4 lakh tonnes. The Committee had stressed that 'there should be a time bound programme, with a view to make newsprint of acceptable quality available in the country to meet the requirements in full and obviate dependence on imports.' The Committee had also desired Government to 'keep a careful watch on the progress made by the private sector projects so as to ensure that they keep upto the schedule'. Observing that paper is a 'capital intensive industry with a long gestation period,' the Committee had emphasised "the need for advance planning and implementation to ensure that paper required for public purpose is made available in adequate quantity and at competitive prices, to obviate any scarcity conditions developing in this essential commodity."

1.2. In their reply, Government assured that (i) all possible efforts were being made to expedite the implementation of the expansion programme in the Nepa Mills and the establishment of the Kerala Newsprint Project, (ii) a close watch was being kept on the progress of the newsprint projects in the private sector and (iii) the possibility of setting up some more newsprint projects to bridge the gap between the demand and indigenous availability was being examined by the Hindustan Paper Corporation and the Nepa Mills and further stated that of the additional capacity of *5 lakh tonnes required to be created during the Fifth Five Year Plan, the Hindus-

*At the time of factual verification the Ministry of Industrial Development *vidu* their O.M. No. 10(19)/73-Paper Cell Dt. 15-12-1973 clarified that these relate to "Paper"

tan Paper Corporation would account for 1.9 lakh tonnes and the balance of 3 lakh tonnes was expected to come up in the Private Sector. The Committee have been informed that the three projects proposed to be set up were one in Nagaland and two in Assam. Government while admitting that progress of implementation of projects in the private sector had not been very satisfactory due to high capital-intensive nature of the industry, long gestation period and comparatively low returns on investments, stated that 'the progress of the projects in the Public Sector and Private Sector is reviewed from time to time in the meetings attended by the representatives of the industry, machinery manufacturers, Directorate General of Technical Development and officials of the Ministry'. It was also stated that 'all possible efforts are being made to resolve the difficulties faced by entrepreneurs in implementing the proposals', and that 'necessary clearance in the cases under Crash* Programme have already been accorded. The progress of Crash* Programme is reviewed from time to time with a view to expediting it'.

1.3. The Committee like to express their dissatisfaction with the replies of Government because these replies do not spell out the specific steps being taken by Government to bridge the gap between the demand and indigenous availability of paper. The Committee reiterate their recommendations and express the hope that the wide gap between demand and indigenous production would be narrowed down by better planning and speedier execution of projects proposed to be taken up during the Fifth Five Year Plan. It is only by stepping up indigenous production of paper that outgo of foreign exchange on import of paper can be reduced.

B. Cost of Production and Sale Price—Paragraph No. 6.22

Recommendation (Sl. No. 23)

1.4. In Paragraph 6.22 of their Report, the Committee had noted that the Mills had been approaching the Government of India for the revision of selling price of Newsprint and the Government of India took considerable time to grant an ad-hoc increase of Rs. 50 per tonne in May, 1968 which brought the price to Rs. 1,100 per tonne when the cost of the imported Newsprint was Rs. 1,243 per tonne. When the Nepa Mills again approached the Government of India in April, 1969 for a further increase, it was only in September, 1971 that the Government of India raised the selling price to Rs. 1,362 per tonne which was almost the same as the imported price, after a lapse of two years apparently after the matter was raised through the Audit Report (July, 1971). The Committee observed with regret that there

*At the time of factual verification, the Ministry of Industrial Development vide their O.M. No. 10 (19)/73. Paper Cell dt. 15-12-1973 classified that these relate to "Paper".

was hardly any justification in compelling the Nepa Mills to continue to sell the newsprint at less than the imported price in the intervening period especially when they were running at a loss. The Committee had desired the Government to evolve suitable guidelines for fixing the price of an essential commodity like newsprint keeping in view the overall interest of the public as well as the public undertaking. The Committee pointed out that the Cost Account Organisation of the Ministry of Finance should be effectively used for this purpose. The Committee had stressed that concerted measures should be taken by Nepa Mills to bring down the cost of production by putting to full use the installed capacity and taking the necessary measures to effect economy in materials and processes and in general by stepping up productivity.

1.5. In reply, the Government stated that the price of newsprint was being revised in consultation with the Cost Accounts Division of Ministry of Finance. As regards Committee's recommendaion on full use of installed capacity it was stated that the Mills were making vigorous efforts to boost up production of Bamboo Chemical Pulp by operating Chemical Pulp Mill and Soda Recovery Plant at about 25-30 per cent higher than the rated capacity. The production of Salai GW. Pulp had been also increased to the maximum extent possible by effecting certain modifications. It has been stated by Government that this had resulted in an increased production of Newsprint during the last three years.

1.6. The Committee find that the reply of Government does not indicate if the working of plants at higher capacity had resulted in bringing down the cost of production and if so, to what extent. The Committee, therefore, reiterate their recommendation and hope that the operation of these plants at higher than the rated capacity would enable the Mills to bring down their cost of production.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 3)

The Committee note that the Preliminary Projects Report for the expansion scheme was approved by the Government in May, 1964 and the Detailed Project Report, along with the finally revised estimates was approved on the 4th April, 1972 after several revisions resulting in an increase of nearly 56 per cent due to various factors like inclusion of interest on deferred payment interest on loan, increase in rates of customs duty, addition of miscellaneous equipment. Even then the revised project estimate as sanctioned did not include provision for township which was sanctioned separately. It has been admitted by the Mills as well as by the Government that there had been lapses in preparation of the estimates. The Committee are surprised that the Mills had been allowed to continue with the expansion programme without a firm financial sanction of the Detailed Project Estimates. The Committee have a feeling that the entire issue has been dealt with both at the Mill and the Government level in a leisurely manner and it is, therefore, no surprise that the expansion scheme has not been implemented in earnest. The Committee deprecate such delay and desire Government to make a case study of the delay and lapses which have occurred in this case to obviate their recurrence. (Paragraph No. 2.9)

Reply of Government

The inordinate delay which occurred in the clearance of the Detailed Project Report of the expansion programme has already been examined and the action against officers responsible for the delay is being taken separately. The case file prepared in this regard was considered by the Cabinet Committee on Economic Co-ordination who directed that action against defaulting officers should be taken. In view of the above, no separate action in this regard would perhaps be necessary.

[Ministry of Industrial Development O.M. No. 10(19) 73-Paper Cell dated 12th November, 1973].

Recommendation (Sl. No. 5)

The Committee regret to note that renovation of the old Paper Machine scheduled to be completed by 1968 has not been completed even after four years for one reason or other. The Committee hope that the Nepa Mills would be able to adhere to the schedule and complete the necessary renovation of Machine No. 1 by 1973 along with the matching pulping plant under expansion as without sufficient pulp, the capacity of the renovated plant would be lying idle. (Paragraph No. 2.32).

Reply of Government

The renovation scheme has been finalised with the Consultants for optimum conditions. Steps are being taken to complete the renovation along with the commissioning of matching pulping and Soda Recovery units to utilise the renovated machine without any delay.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973]

Recommendation (Sl. No. 6)

The Committee find that Nepa Mills was to attain the rated production of 75,000 tonnes of newsprint from the old and new paper machines in 1969-70. However, the Mills could not attain the full rated production because of delay in undertaking the renovation and modification of the old paper machine and the defects in the new paper machine. The Committee note that renovation and modification of the old paper machines would now be taken up in 1973. The Committee also note that there has been a delay of more than one year in the commissioning of the new paper machine. Even after commissioning, the new paper machine could not work to the rated capacity because of the teething troubles in the machine and the inadequacy of the pulp. The Committee were informed that even now the difficulties have not been overcome and the erectors could not give the performance guarantee. The Committee urge that Nepa Mills should immediately take all the necessary steps to see that the new paper machine is made capable of attaining the rated capacity by providing the essential spares and rectifying the defects. (Paragraph Nos. 3.38 & 3.39).

Reply of Government

The various defects in Paper Machine No. 2 have been identified and necessary adjustments and repairs conducted. The perfor-

mance is under observation. For want of certain essential spares further speeding up of this machine is not possible. Efforts are being made to procure these spares. The machine is expected to attain the rated capacity only at higher speeds. So far production of about 85—90 per cent of the rated capacity has been achieved.

[Ministry of Industrial Development O.M. No. 10 (19) | 73-Paper Cell dated 12th November, 1973].

Recommendation (Sl. No. 7)

The Committee find that the main hinderance in attaining the rated capacity of the paper machine is the inadequacy of the pulp. The Committee were informed that the new pulp plant is expected to be commissioned by 1973-74. The Committee note that the preliminary project report for the expansion scheme indicated the possibility of completion of the expansion of the paper section a year or so earlier than that of the pulp section and the utilisation of imported pulp during the intervening period. However, because of the high cost of imported pulp, the Nepa Mills found it uneconomical to produce newsprint from the imported pulp. The Committee are at a loss to understand the sequence in the planning of the paper plant by putting the paper machine first and erecting the pulp plant one year later. The Committee cannot but emphasise the need for synchronisation in commissioning the paper plant along with the pulp plant in order to achieve the maximum utilisation of the paper plant. The Committee need hardly point out that Government should learn a lesson from this experience and at least in the future planning of paper projects, realise the need for an integrated approach in setting up the pulp plant simultaneously with the paper plant to secure the maximum utilisation of the paper plant.

The Committee also find that even though the preliminary project report contemplated the setting up of the Pulp Plant a year or so later than the paper machine i.e. by January, 1969, they were informed that the pulp plant would be commissioned by 1973-74 i.e. after a delay of more than five years.

The Committee are surprised that even the placing of orders for the new pulp plant had taken more than two years and the order was placed only in June, 1967, when the erection of the new paper machine was in progress. Had the construction and commissioning of the new Pulp Plant been as per schedule, the Nepa Mills would not be facing shortage of pulp which is keeping down the production of newsprint.

The Committee cannot too strongly emphasise that the additional capacity created for the production of newsprint should be put to productive use at the earliest by expediting completion of the new pulp plant and thereby save the precious foreign exchange which is being expended at present in importing newsprint. (Paragraph Nos. 3.40 & 3.43).

Reply of Government

In the future planning of paper projects, the Committee's suggestion for integrated approach in setting up of the pulping plants simultaneously with the paper plant will be kept in view. The Hindustan Paper Corporation who are currently engaged in the setting up of various paper projects including a newsprint project, have been directed to keep the Committee's recommendation in view in their planning of these project.

All efforts are being made to commission the pulping plants under the expansion scheme to utilise the installed capacity of the paper machine at the earliest. The renovation of the old machine is scheduled to be completed along with the erection of pulping units and recovery section which is expected to be completed by the end of 1974.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell dated 12th November, 1973].

Recommendation (Sl. No. 10)

The Committee note that in the case of old machine, idle machine hours on account of shortage of salai and pulp had increased from 55.88 per cent of the total idle machine hours in 1969-70 to over 80 per cent in 1971-72 and that this had also caused the shut down of Caustic Soda Chlorine Plant. The Committee also note that even in regard to the new paper machine, the percentage of total idle hours to available machine hours had increased from 28.7 per cent in 1970-71 to 30.1 per cent in 1971-72. The Committee are distressed to note that the bulk of the machine capacity has remained unutilised mainly due to shortage of pulp because of the delay in erection and commissioning of pulp plant with the result that the country has been put to the necessity of importing newsprint. The Committee hope that the Pulp Plant would at least now be commissioned according to the present schedule and the maximum utilisation of machinery ensured. (Paragraph No. 3.66).

Reply of Government

The delay in implementation of Pulping Units and Soda Recovery Plant was caused due to non-availability of structural steel. All the steel required has been procured but due to strike at the structural contractors, M/s. Triveni Structurals Limited's work at Naini and power shortage in U.P., the schedule of completion of structural work was further delayed by about a year. All efforts are being made to commission the matching pulping plants under expansion to utilise the installed capacity of the Paper Machine at the earliest.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 13)

The Committee regret to observe that soon after the take over of the Nepa Mills, the Management acquired during 1958-59 and 1959-60 a Milk of Lime Plant at a cost of Rs. 5.10 lakhs without going into the economics of the process, on the assumption that chlorine could be purchased from a private party, which was to set up a project for the purpose but which never materialised. The Committee note that a part of the plant was utilised after a period of 4 to 5 years and the remaining in September, 1971 only. The Committee feel that the entire transaction was rather hasty and ill-conceived, specially because the Mills had themselves admitted that the quality of newsprint produced from Salai cannot be improved even by technological process. (Paragraph No. 3.97).

Reply of Government

In the initial stages the Mills experienced difficulties in marketing the newsprint manufactured for the first time in the country from non-conventional raw material like Salai due to its dull shade and poor strength. In an earnest effort to manufacture saleable newsprint of acceptable shade and also to minimise difficulties in procuring suitable bleaching chemicals on regular basis, the equipment for the Milk of Lime Plant was purchased in 1958-59 and 1959-60, but later on it was found that acceptable quality of newsprint could be produced by grinding fresh Salai logs. Hence bleaching of Salai Groundwood was abandoned in the overall interest of economy. Besides, bleaching of mechanical wood-pulp is still an expensive process anywhere in the world and more so in our country. It is also well known that bleaching of such weak pulp as can be

had from Salai wood, would render it still more weakened and hence more difficult to be utilised for newsprint making.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 15)

The Committee regret to note that the Nepa Mills had contracted for extraction of 30,000 tonnes of bamboo annually at a rate of royalty of Rs. 5 per tonne without actually ascertaining the yielding capacity of the leased areas under the prescriptions laid down by the Forest Department of Madhya Pradesh. When the Mills found the yield did not exceed even 28,000 tonnes, the Mills took on lease additional areas at a higher rate of royalty of Rs. 12 per tonne for extraction. The Committee note that when the question of royalty rate on bamboo was discussed with the Government of Madhya Pradesh, the representatives of the Government of Madhya Pradesh agreed that the difficulty of Nepa Mills would be kept in mind while fixing the royalty but at the same time added that the royalty of Rs. 12 was at a provisional rate, and a final decision in the matter was yet to be taken. The Committee understand that for 30 years' lease in Vindhya Pradesh Region a Mill in the private sector is paying royalty at Rs. 6 per tonne only. The Committee are surprised at the differential rates of royalty charged by the Madhya Pradesh Government, one rate to the public sector plant and another to the private sector plant. The Committee would suggest that the Ministry of Industrial Development should take up the matter with the State Government of Madhya Pradesh to secure most favourable rates of royalty for the Nepa Mills so that payment of royalty does not become a source of burden to the Mills and thereby increase the cost of production.

The Committee are also surprised that against a contractual quantity of 30,000 tonnes of bamboo annually, the Mills could not extract even to the extent of 28,000 tonnes except in one year with the result that the Nepa Mills had to incur a loss of Rs. 1.94 lakhs upto 1969-70 by way of extra payment of royalty. The Committee suggest that the Nepa Mills should make a realistic assessment of the yielding capacity of the areas allotted to them for bamboo extraction before entering into fresh contractual commitments. (Paragraph Nos. 4.32 and 4.33).

Reply of Government

The matter relating to fixation of a reasonable rate of royalty has already been taken up by the Ministry of Industrial Development

with the Government of Madhya Pradesh and some discussions have already taken place.

As far as extraction of bamboo is concerned, the extraction is limited to the actual quantity that is available under certain silvicultural rules prescribed by the Forest Department of Madhya Pradesh and quantities beyond this area are not allowed to be taken out. The yielding capacity of the forest is a result only of certain ocular estimates and variations are bound to occur. All the areas that had been allotted to Nepa Mills have been worked in full each year and all the Pulpwood that was available under the rules prescribed by the Forest Department has been extracted.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 17)

The Committee note the various steps being taken by the Nepa Mills to ensure weighment of material through weigh bridges and meters at the different stages of receipt and supply of material. The Committee need hardly emphasise the importance of maintaining proper accounts of materials either raw or finished at different stages for purposes of accurate costing and ensuring economic use of raw materials in the interest of efficiency. The Committee hope and trust that all the measures enumerated by the Ministry in their note would be strictly observed both by the Management and the field staff. (Paragraph No. 4.50).

Reply of Government

The observations of the Committee have been communicated to the management of the Mills. The procedure outlined for weighment of materials and maintenance of records, etc., is being followed.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973]

Recommendation (Sl. No. 18)

The Committee note that the inventory of raw materials and stores in terms of months' consumption has risen from 6.7 in 1969-70 to 11 in 1970-71 and has slightly come down to 10.9 in 1971-72. The Committee were informed that norms of inventory holding have been prescribed only from the years 1971-72 and 1972-73 and generally inventories have remained at four months cost of production. The

Committee are surprised to find that not only no effective steps have so far been taken to fix norms for the consumption of raw materials and stores, but the Mills have adopted an unusual method of regulating the inventories with reference to cost of production, which itself has been varying from time to time. The Committee would, therefore, recommend that the Nepa Mills should immediately take steps to assess their minimum requirements of stores and raw materials consistent with their needs of production and fix appropriate levels of inventory on a scientific basis taking into account the lead time required for the procurement of the materials. (Paragraph No. 5.4).

Reply of Government

The Company has prescribed norms of consumption in respect of all basic raw materials and chemicals and the actual use is compared against the norms from time to time. On the above basis, stock levels have been prescribed for various stores materials and spares. Norms of inventories have also been prescribed and effective steps taken for controlling the total investment.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell,
dated 12th November, 1973]

Recommendation (Sl. No. 19)

The Committee note that out of stores of the total value of Rs. 125.35 lakhs at the end of March 1972, stores valued at Rs. 5.91 lakhs did not move for the period between 1 to 2 years and those valued at Rs. 38.96 lakhs for 2 years and over and that surplus stores to the extent of Rs. 2.42 lakhs were awaiting disposal. The Committee also note that the reasons for accumulation of such surplus were (i) change over of specification of materials (ii) slight excess purchases to the actual requirements and (iii) discontinuance of certain process etc. The Committee are surprised that the Mills had been accumulating the non-moving stores even after the Mills had changed the processes and specification of materials. The Committee would suggest that the Mills should immediately undertake a review of all the non-moving items and take action for the disposal of surplus items by notifying through the Bureau of Public Enterprises and intimating other Public Undertakings. (Paragraph No. 5.13).

Reply of Government

The Committee's suggestions have been noted. The slow/non-moving items are under examination and steps are being taken for

their disposal by notification to various public sector undertakings and by notifying open tenders.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 21)

The Committee would also like that the Shipping Corporation of India—a Public Undertaking, should also notify from time to time, if it is not already doing so, the changes in the Shipping freight rates all over the world to the Public Undertakings for their information and guidance to avoid Public Undertakings entering such costly commitments in future. (Paragraph No. 5.24).

Reply of Government

The Matter has been taken up with the Ministry of Shipping and Transport.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 22)

The Committee note that equity capital of Rs. 494.52 lakhs has practically remained unchanged since 1965-66 except for a marginal increase during the period from 1960-61 to 1965-66 raising the equity capital from Rs. 494.51 lakhs to Rs. 494.52 lakhs. On the other hand, the unsecured loans obtained from Government of India have steadily increased from Rs. 25 lakhs in 1966-67 to Rs. 577.63 lakhs at the end of 1971-72. The debt equity ratio became 1:1.49 against the accepted ratio of 1:1.

The Committee regret to note that though the Company took up the reorganisation of capital structure with the Government of India as far back as in August, 1970, the Government of India have not so far taken a decision in the matter. The Committee hope that Government will take immediate steps to settle the reorganisation of the capital structure so that the burden on the Company for payment of higher interest charges which has bearing on the cost of newsprint, is reduced. (Paragraph Nos. 6.9 and 6.10).

Reply of Government

The re-organisation of the Capital structure is under consideration of Government and an early decision is expected to be taken in the matter.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 25)

The Committee also note that the Mills are already negotiating with Madhya Pradesh Electricity Board about the purchase of a power station for the Mills. The Committee would like that, before a decision is taken in the matter, the economics of utilisation of power and steam through this power station should be carefully gone into to ensure that these do not unnecessarily add to the cost of production. (Paragraph No. 6.31).

Reply of Government

The Committee's recommendation will be kept in view.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 27)

The Committee note that on the suggestion of Audit, the Nepa Mills have amended the scope and functions of internal audit. The Committee would like to stress that the comments of Audit should receive serious consideration at all levels and necessary follow up action should be taken in each case promptly. (Paragraph No. 6.41).

Reply of Government

The observations of the Committee have been communicated to the Mills.

[Ministry of Industrial Development O.M. No. 10(19)|78-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 28)

The Committee note that effluent from the Mills is being drained straight into the river Tapi through a 15,000 feet long open channel which created pollution problems, whenever the flow of river was low. The Committee were informed that it was only recently that a scheme costing Rs. 52 lakhs for effluent treatment has been

approved and a pilot plant is proposed to be set up in this connection. The Committee feel quite concerned that because of the delay in taking the pollution problem, the Mills are required to pay, according to the judgement of the Civil Court, compensation at the rate of Rs. 1.25 lakhs per year to the Municipality of Burhanpur. The Committee are not able to appreciate the dilatory manner in which the pollution problem has been handled by the Mills. Although the Mills are going in appeal against the judgement, the Committee feel that the Mills should have tackled this social problem even at the initial stages and in any case before the scheme for expansion was considered. The Committee feel that Public Undertakings should set a model in resolving such problems and should not be a contributory factor towards pollution of environments. As it is a health hazard, the Committee would like that Nepa Mills would view this matter seriously and evolve effective and economic solution on permanent basis. (Paragraph No. 7.6).

Reply of Government

Action for the setting up of the effluent treatment plant is being taken and the scheme is proposed to be included for implementation during the early part of the Fifth Plan.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

Recommendation (Sl. No. 29)

The Committee are firmly of the view that a concerted effort is required to be made in the matter of identifying the best source of pulp available in India for manufacture of newsprint as also to develop suitable varieties of forests which would provide the essential raw materials for manufacture of newsprint of requisite quality. The Committee suggest that there should be a close liaison between the Ministry of Industrial Development and the Forest Research Institute. The Committee stress that the perspective plan for reaching self-reliance in this crucial sector should be drawn up and implemented so as to be able to produce newsprint of the requisite quality and quantity to meet the country's entire requirements before the end of the Sixth Five Year Plan. (Paragraph No. 7.14).

Reply of Government

A Project document under U.N.D.P. country programme has been prepared for exploration and identification of alternative raw materials for paper and newsprint manufacture. This scheme will be implemented in close liaison with the Forest Research Institute.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

CHAPTER III

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

Recommendation (Sl. No. 8)

The Committee would like to emphasise that the expenditure involved in changing over to the new formula for production of pulp after the expansion is completed, should be commensurate with the improvement in shade and finish of the newsprint produced by the Nepa Mills. The Committee hope that the Napa Mills would keep in view the cost aspects and the strength of the newsprint while introducing the new process in improving the shade of newsprint.

Since brightness and quality of paper are important in the interest of general health of the reading public, the Committee need hardly stress that continuous efforts should be made by the Nepa Mills to improve the quality and make it comparable if not superior to the imported newsprint. (Paragraph Nos. 3.48 and 3.49).

Reply of Government

Primarily with a view to improve the functional properties of the Newsprint from non-conventional raw materials like Salai, the Cold Soda Pulping process has been incorporated under expansion to produce from Salai wood semi-chemical pulp which would be stronger than mechanical pulp and brighter in shade. The new furnish composition will have Salai Stone GW Pulp, Salai Cold Soda Pulp semi-bleached and Bamboo Chemical Pulp bleached in equal parts i.e., 1|3rd each, and will contain 66.6 per cent (2|3rd) bleached pulp stock consisting bamboo sulphate and Salai C.S. Pulp as against 43-45 per cent bleached Bamboo Sulphate Pulp used in the present furnish which will help in improving shade and strength properties.

Efforts are made to maintain the functional properties and improving the shade of Newsprint as far as technically feasible. However, there are certain inherent difficulties to manufacture newsprint comparable to imported variety from non-conventional and poor quality raw material.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper dated 12th November, 1973].

Recommendation (Sl. No. 9)

The Committee note that quantity of paper demand during process increased from 131,912 tonnes in the year 1967-68 to 522,968 tonnes in 1970-71 and came down to 391,909 tonnes in 1971-72. The Committee were informed that the increase in the quantity of damaged paper during 1968-69 was due to the commissioning of the new paper machine on which the trial operations were started sometime in February, 1969 and which was finally commissioned on 27th March, 1969. The Committee are surprised that so far no records have been maintained to indicate separately the extent of damage of newsprint produced by the two paper machines. Although it has been stated that the percentage of rejects to the total production during 1970-71 and 1971-72 was of the order of 5 to 6 per cent and has not been considered abnormal by the Mills, the Committee need hardly stress the need for maintaining separate records for each paper machine to assess as accurately as possible the extent of paper damaged and fix realistic norms for rejection in respect of each machine. The Committee would also suggest that the Nepa Mills should ascertain the norms from the foreign suppliers of Machinery and other Mills which are reusing this machinery. (Paragraph No. 3.57).

Reply of Government

Record of damaged paper from the two paper machines is being maintained separately. But as there are common finishing and cutting machines in the Finishing House, it is not possible to maintain completely separate account of reels/reams obtained from the damaged paper received from these two machines.

Generally speaking, there are no set norms for damaged paper made from non-conventional raw materials as the behaviour of such pulp varies very widely depending upon many factors. But this matter would be referred to the experts in the field, as suggested by the Committee.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper
Cell Dt. 12 November, 1973.]

Recommendation (Sl. No. 11)

The Committee note that the agreement with M/s. Wartsila Finland for the supply of plant and machinery for the paper mill under the expansion scheme stipulated that the suppliers would be responsible for replacement of any defective machinery within 12 months from the date of commissioning or 24 months from the date of shipment of last consignment. Accordingly the guarantee period

expired on 8th May, 1968. The Committee regret to point out that because of the delay in the installation of plant and machinery and the commissioning of the new paper machine only in March, 1969, the Nepa Mills were not in a position to check the performance of the motor within the period of guarantee stipulated in the agreement. The Committee also regret to note that the agreement with the suppliers did not incorporate the words, "whichever is later" and this led to a long drawn out correspondence between the suppliers and the Nepa Mills resulting ultimately in the replacement of the motor and partial reimbursement of its cost besides the cost of the repair of the old motor. In spite of the replacement, the Committee are constrained to point out that the guaranteed performance is yet to be established. The Committee are also surprised to note that even before testing the guaranteed output of the new paper machine the payment of one third of the cost of the second motor had been made. The Committee hope that the Nepa Mills would draw a lesson from such costly delays and defective agreements and avoid such lapses in future. (Paragraph 3.85).

Reply of Government

The observations of the Committee have been noted and, in future, such agreements will not be entered into.

With reference to the Committee's remark that "even before testing the guaranteed output of the new paper machine, the payment of 1/3rd of the cost of the second motor has been made", it may be explained that the order for the second motor was not placed on M/s. Wartsila, but on A.E.G., the original supplier of this motor to Wartsila and this order has no connection with the agreement of M/s. Wartsila. In order to procure the required motor without delay, the order had to be placed immediately with the original suppliers of this motor, viz. M/s. A.E.G., Germany. The negotiations for bearing its cost were going on with M/s. Wartsila, who finally agreed to bear 2/3rd of the cost in view of the fact that the guarantee period for the original machinery had already expired.

Since supply of the second motor by M/s. A.E.G. is, not connected with the testing of guaranteed output for the new paper machine supplied by M/s. Wartsila, the payment of 1/3rd cost of the second motor to M/s. A.E.G. could not be withheld.

The new 1000 M.G. set motor which was installed to replace the defective motor in September, 1971, is in continuous operation and its performance has been satisfactory.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper
Cell Dt. 12 November, 1973.]

Recommendation (Sl. No. 14)

The Committee note that the Estimates Committee in their 157th Report of 2nd Lok Sabha and Public Accounts Committee in their 23rd Report of 3rd Lok Sabha emphasised the need for assessing the existing reserves of salai wood and taking measures for increasing them and also for growing alternative woods to meet the requirements of the Nepa Mills.

The Committee regret to observe that in spite of these recommendations and those of the Ranganathan Committee and Seetharamiah Committee the Mills have not taken so far any effective techniques to grow salai by special cultivation. The Committee fail to understand why piecemeal and *ad hoc* arrangements only are being made with the Governments of Madhya Pradesh and Maharashtra for securing even their bamboo requirements. Since the economic functioning of the plant is dependent on the availability of raw materials in proximity of the Mills, the Committee need hardly emphasise the desirability of undertaking in time adequate plantation operations in appropriate places of species suitable for the plant. Considering the importance of salai as a major raw material for the production of newsprint and the emphasis that was being laid since 1953 by the two Expert Committees and the two Parliament Committees [Estimates Committee in their 157th Report (2nd Lok Sabha) and Public Accounts Committee in their 23rd Report (3rd Lok Sabha)], the Committee cannot resist the conclusion that the time taken for conducting comprehensive surveys for the assessment and development of raw materials for the Mills has been unduly long. The Committee, would therefore, stress that in the interest of long term planning, Government should tackle the problem with the utmost expedition and arrange to develop techniques for growing salai of suitable species and other suitable trees by cultivation if necessary with the assistance of Forest Research Institute, Agricultural Research Institutes and Agricultural Universities. (Paragraph Nos. 4.21 and 4.22).

Reply of Government

The Committee has already approached the Government of Madhya Pradesh for the allotment of the Salai areas referred to in

the report of the Seetharamiah Committee. In response, the Chief Conservator of Forests, Madhya Pradesh had furnished a list of Salai bearing areas available in Khandwa and Khangone districts and the Company has already confirmed that the areas indicated will suit their purpose and have requested for early allotment of areas.

It is understood that the Forest Department of Madhya Pradesh has not been able to develop techniques to raise plantations of Salai, but they have already taken up large scale plantation of Eucalyptus in the vicinity of Nepanagar from December, 1962. So far, 6759.21 hectares of Eucalyptus Plantations have been raised by the Napa Forest Division of the M.P. Forest Department.

"Piecemeal" and *ad hoc* arrangements for the allotment of bamboo areas are necessitated by the fact that the extraction of bamboo has to keep pace with actual production programme. Before commissioning of the second paper machine in 1969, the requirements were only to the tune of about 30,000 to 35,000 tonnes for which adequate areas had already been got allotted from the Government of Madhya Pradesh. Having more bamboo areas allotted, would have only meant accumulation of bamboo pulpwood, deterioration of the same and unnecessary locking up of large amounts. Unlike the case of Salai, it is compulsory that all available bamboo pulpwood from the areas allotted are extracted in the bamboo working season from October, each year to the end of June in the next year. As soon as the second paper machine was commissioned, the State Government were approached for the allotment of further bamboo areas and, in the year, 1972-73, all the bamboo areas that are required for the expanded capacity have been got allotted and the Government of Madhya Pradesh has already been approached to allot these areas on a long term basis.

The Company having no specialised agency for conducting comprehensive surveys for the assessment of raw material, the Pre-Investment Survey of Forest Resources of the Government of India were requested through the Inspector General of Forests to undertake a survey of the Company's industrial catchment. The Pre-Investment Survey carried a aerial reconnaissance of the area in May, 1971 and it is estimated that there will be no problem about raw materials in the next 20—25 years.

[Ministry of Industrial Development O.M. No. 10(19)/73--
Paper Cell Dt. 12 November, 1973.]

Recommendation (Sl. No. 16)

The Committee note that the actual consumption of raw materials and chemicals varied from year to year and in certain years the consumption was excessive. The Committee regret to observe that in the absence of norms, the extent to which there was excessive consumption of chemicals in the manufacture of newsprint, unbleached paper, etc. from year to year could not be worked out. The Committee note that compilation of data regarding consumption of raw material has revealed that because of a number of variable such as moisture, quality of wood, etc. It has not been found possible to work out a working norm. While the Committee appreciate the difficulties inherent in working out a uniform norm, they feel that if figures are compiled systematically these should help considerably, in framing the norms on realistic basis and of judging the performance, when the quality of material consumed is similar. The Committee, were however, informed that to watch the consumption of various types of raw materials chemicals, etc. The mills have recently prescribed certain norms. The Committee suggest that the Nepa Mills should persist in their efforts to compile data regarding consumption of materials systematically and closely analyse them with a view to taking remedial measures to avoid excess consumption of raw materials and chemicals. The Committee also suggest that the Nepa Mills should periodically review the norms with the data so compiled with a view to have stricter check on the consumption of raw material and derive full benefit of economies of scale, when the second paper machine is also commissioned. (Paragraph 4. 45.)

Reply of Government

The Company is using Bamboo and Salai woods as principal raw materials and add a number of chemicals at different stages to treat the raw materials to achieve production of Newsprint. It is not possible to work out and fix norms of consumption of forest based raw materials due to variation in moisture, quality and fibre contents on account of the ecological conditions of the forest areas. Moreover, working condition such as period of storage of pulpwood, use of purchased chemical pulp, purity, etc. are also the factors effecting the fixation of standard norms. Even though the Mills have incorporated attractive premium and equally detrimental penalty clauses in the terms and conditions of supply of some of the important chemicals to ensure that the materials conform to the specifications, they are experiencing variations in the quality of chemicals being supplied. Still they are working out the performance report of each production centres and relating the same to the budgeted target and analysis are being made by the Costing

Section to arrive at the variances for the future corrective action. In view of the Committee's recommendations it has been further decided that in future budget be prepared in more details. The future budgets will be based on the critical analysis of the past consumptions of raw materials and chemicals in relation to productions and a representative figure would be arrived at for each type of raw material and chemical looking to its characteristics and purity contents. Thereafter, the consumption of raw materials and chemicals will be systematically compiled at each stage of production which consequently be related to the pre-determined once and in case any variances are found, the same would be thoroughly analysed and subsequent productions would be corrected accordingly.

[Ministry of Industrial Development O.M. No. 10(19)73-Paper Cell Dt. 12th November, 1973].

Recommendation (Sl. No. 26)

The Committee note that although the shipment arrived at the port on the 9th May, 1969, the consignments were cleared between the 30th May and 3rd June, 1969 resulting in payment of demurrage charges to the extent of Rs. 60,002. The Committee feel that, had the Nepa Mills, taken timely action to clear the consignments on indemnity bond earlier, such a heavy payment of demurrage charges could have been avoided. The Committee note that the matter is still pending advice from the Economic Advisor of the Government of India on the question of recovery of charges from the firm. The Committee are unable to appreciate the leisurely manner in which the whole matter has been dealt with and hope that the matter would be settled without further delay. (Paragraph No. 6.38).

Reply of Government

The total period of delay in effecting delivery of consignment was only six days and the amount of demurrage charged was related to the size and value of the shipment involved. Steps are being taken to avoid procedural delays. The Economic Advisor has suggested that the matter of recovery be taken up directly by the Mills, with the suppliers. The solicitors of the Nepa Mills were consulted, and they opined that initiating legal proceedings on a supplier in America would result in heavy expenses and therefore, such a course might not be advisable.

[Ministry of Industrial Development O.M. No. 10(19)73-Paper Cell, dated 12th November, 1973.]

CHAPTER IV

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

Recommendation (Sl. No. 1)

The Committee note that, at present, out of a total demand of 2,20,000 tonnes of newsprint in the country, Nepa Mills are meeting only about 18 per cent of the demand and the rest of the requirements are being met by imports, and a sum of Rs. 23.20 crores was spent thereon in the year 1971-72. In view of the growing demand for newsprint in the country and the indigenous production not registering any appreciable increase, precious foreign exchange would continue to be expended on import of newsprint. In order to stop the drain on flow of foreign exchange, it is essential that concerted efforts are made to achieve the target of manufacture of 75,000 tonnes per annum by the National Newsprint and Paper Mills Ltd. without loss of any further time. The Committee note that Government have as a first step to achieve self-reliance in the matter of newsprint, and consideration a project for the manufacture of newsprint and magazine paper for a capacity of 80,000 tonnes in Kerala and which is to be completed by end of 1976. The Committee feel that the Public Sector Project to manufacture newsprint in Kerala should have been set up earlier. The Committee need hardly stress that serious efforts should be made to accelerate the progress of work both in the expansion scheme of Nepa Mills and the public sector project in Kerala. The Committee would like Government to keep a careful watch on the progress made by the private sector projects so as to ensure that they keep upto the scheduled for installation of machinery and production of newsprint.

The Committee also stress that there should be a time-bound programme, with a view to make newsprint of acceptable quality available in the country to meet the requirements in full and obviate dependence on imports. (Paragraph No. 1.20)

Reply of Government

The suggestions made by the Committee have been noted. All possible efforts are being made to expedite the implementation.

of the expansion programme in the Nepa Mills and the establishment of the Kerala Newsprint Project. A close watch is being kept on the progress of the newsprint projects in the private Sector. The possibility of setting up some more newsprint projects to bridge the gap between the demand and indigenous availability is being examined by the Hindustan Paper Corporation and the Nepa Mills.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell,
dated 12th November, 1973]

Comments of the Committee

Please see Paragraph 1.3 of Chapter I of the Report

Recommendation (Sl. No. 2)

The Committee note that the demand for paper is currently of the order of 8.5 lakh tonnes and it is expected to go up to 13.3 lakh tonnes by the end of the Fifth Five Year Plan. The Committee also note that the existing indigenous production is only of the order of about 7.4 lakh tonnes. The current production is thus short of the requirements by about a lakh of tonnes. The Committee note that Government have approved a crash programme for expansion of the existing units which is expected to generate an additional capacity of 1,23,750 tonnes per annum. Government have also approved proposals for setting up new units and for effecting substantial expansion of existing units for an additional total capacity of 8.5 lakh tonnes. The Committee would like to point out the difficulties in obtaining paper which are being experienced not only by the ordinary consumer but also by Government users particularly the Government of India Presses. In this connection, the Committee would like to draw attention to paragraph 1.71 of 38th Report of Public Accounts Committee (Fifth Lok Sabha). The Committee cannot therefore, too strongly stress the need for implementation of the crash programme so as to make good the existing gap between demand and indigenous production. The Committee also stress that concrete and effective measures should be taken to ensure that the additional capacity of 8.5 lakh tonnes which has been licensed results in production of additional paper to the extent of at least 7 lakhs tonnes to meet the additional requirements by the end of Fifth Five Year Plan. As paper is a capital intensive industry with a long gestation period there is need for advance planning and implementation to ensure that paper required for public purposes is made available in adequate quantities and at competitive prices, to obviate any scarcity conditions developing in this essential com-

modity. The Committee would also like to stress that the Hindustan Paper Corporation, a Public undertaking, which has been formed for undertaking manufacture of paper in the public sector should take a lead in developing the manufacture of paper and supplying it at most competitive rates to meet the ever-growing requirements of the public. (Paragraph No. 1.25).

Reply of Government

Of the additional capacity of 5 lakh tonnes required to be created during the 5th Five Year Plan, the Hindustan Paper Corporation will account for 1.9 lakh tonnes. The balance 3 lakh tonnes is expected to come up in the Private Sector. The three projects proposed to be set up by the Hindustan Paper Corporation are one in Nagaland and two in Assam. These projects are in various stages of implementation. In the Private Sector a total capacity of about 10 lakh tonnes has been sanctioned. The progress of the projects in the Public Sector and the Private Sector is reviewed from time to time in the meetings attended by the representatives of the industry, machinery manufacturers, Directorate General of Technical Development and officials of the Ministry. Due to the high capital intensive nature of the industry and long gestation period and comparatively low returns on investments, the progress of implementation of projects in the Private Sector has not been very satisfactory. All possible efforts are being made to resolve the difficulties faced by entrepreneurs in implementing the proposals.

Necessary clearance in the cases under Crash Programme have already been accorded.

The progress of the Crash Programme is reviewed from time to time with a view to expediting it.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973].

Comments of the Committee

Please see Paragraph 1.3 of Chapter I of the Report.

Recommendation (Sl. No. 23)

The Committee note that the Mills have been approaching the Government of India for the revision of selling price of newsprint and the Government of India took considerable time to grant an *ad hoc* increase of Rs. 50 per tonne in May, 1968 which brought the

price to Rs. 1,100 per tonne when the cost of the imported newsprint was Rs. 1,243 per tonne. When the Nepa Mills again approached the Government of India in April, 1969 for a further increase it was only in September, 1971 that the Government of India raised the selling price to Rs. 1,362 per tonne which was almost the same as the imported price, after a lapse of two years apparently after the matter was raised through the Audit Report (July, 1971). The Committee regret to observe that there was hardly any justification in compelling the Nepa Mills to continue to sell the newsprint at less than the imported price in the intervening period especially when they were running at a loss. The Committee would like Government to evolve suitable guidelines for fixing the price of an essential commodity like newsprint keeping in view the overall interest of the public as well as the public undertaking. They need hardly point out that the Cost Accounts Organisation of the Ministry of Finance should be effectively used for this purpose. The Committee would also like to stress that concerted measures should be taken by Nepa Mills to bring down the cost of production by putting to full use the installed capacity and taking the necessary measures to effect economy in materials and processes and in general by stepping up productivity (Paragraph No. 6.22).

Reply of Government

The price of newsprint is being revised in consultation with the Cost Accounts Division of Ministry of Finance.

With regard to the recommendation on full use of installed capacity, the Mill is making vigorous efforts to boost up production of Bamboo Chemical Pulp by operating Chemical Pulp Mill and Soda Recovery Plant at about 25—30 per cent higher than rated capacity. The production of Salai G. W. Pulp has been also increased to the maximum extent possible by effecting certain modifications. This has resulted in an increased production of Newsprint during the last three years.

[Ministry of Industrial Development O.M. No. 10(19)73-Paper Cell,
dated 12th November, 1973]

Comments of the Committee

Please see Paragraph 1.6 of Chapter I of the Report.

CHAPTER V

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

Recommendation (Sl. No. 4)

The Committee note that although the contract for supply of pulping plants was finalised in June, 1967, the management took two years in finalising the appointment of consultants for supervision and design of civil construction and award of contract for civil works and structural and AC sheeting work. The Committee note that even then the management had to foreclose the contract due to civil contractor backing out on account of non-availability of steel and also to terminate the contract with a private company to whom the contract for structural and AC sheeting work was awarded and allot to structural work to M/s. Triveni Structural Ltd., a public sector undertaking. The Committee fail to understand why the services of Triveni Structural Ltd., could not be availed of in the very first instance when, according to the Ministry, they were slightly better placed in procuring steel for the job. The Committee regret to observe that due to the delay in the erection and commissioning of the pulp plant, foreign exchange to the extent of Rs. 4.7 crores had to be expended on import of paper which could have been manufactured if additional pulp was available. The Committee are of the firm view that had advance planning accompanied by timely procurement of steel been done, such costly delays would not have occurred.

The Committee recommend that Government should fix responsibility for delayed action which resulted in under-utilisation of the capacity of the plant to manufacture newsprint which had to be imported by expending precious foreign exchange. The Committee would like to be informed of the action taken against the parties at fault and the remedial measures taken to ensure that such costly lapses do not recur.

Reply of Government

A new Chairman-cum-Managing Director has been appointed for the National Newsprint and Paper Mills Ltd., He has been direct-

ed to make a detailed study in the matter and to take appropriate action on the lines recommended by the Committee.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 12th November, 1973.]

Further Information Called for by the Committee

As the Committee are anxious to finalise this Action Taken Report at an early date, it will be appreciated if final replies of Government indicating *inter-alia* the outcome of the above mentioned detailed study conducted by the Chairman-cum-Managing Director in the matter together with action taken by the Nepa Mills|Government thereon are furnished to this Secretariat immediately.

(Lok Sabha Sectt. O.M. No. 13-PU/73 dt. 28|30-11-1973).

Reply of Government

All possible steps are being taken to expedite the inquiry into the matter. However, this will require a careful and detailed study of various documents and other connected matters by the new Chairman-cum-Managing Director and, therefore, it may be appreciated that the inquiry in question may take some time to be finalised.

[Ministry of Industrial Development O.M. No. 10(19)|73-Paper Cell, dated 11th December, 1973.]

Recommendation (Sl. No. 12)

The Committee regret that on account of the Nepa Mills not having initially examined the necessity for bleaching nor explored other methods of improving the shade and quality of newsprint, the Mills had to acquire plant and machinery for groundwood bleaching at a cost of Rs. 11.79 lakhs even though the provision therefor did not exist in the original project. The Committee note that even after acquisition, only a portion of the plant valued at Rs. 3.05 lakhs could be installed and commissioned after a lapse of six years. The Committee were informed that the remaining plant and machinery of the Groundwood Bleaching Plant would be utilised in the Cold soda Pulp Plant under the expansion scheme. The Committee however, feel doubtful about the need for utilisation of the Groundwood Bleaching Plant itself in view of the reduction in the percentage of groundwood pulp under the expansion programme also because the earlier operation proved costly without any commensurate improvement in the quality of Newsprint. The Committee would therefore like that the matter regarding this purchase should be investigated

carefully and suggest that measures should be evolved for an economic utilisation of the plant with a view to keeping down the cost of production (Paragraph No. 3.93).

Reply of Government

The new Chairman-cum-Managing Director has been asked to make a detailed study in the matter for taking appropriate action on the lines recommended by the Committee.

Some chests, tanks, etc., which were commissioned earlier are being utilised temporarily for storage of Groundwood pulp and not for bleaching purposes. These equipments along with the remaining plants and machinery will be now made use of in Cold Soda Plant for bleaching.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 12th November, 1973]

Further Information called for by the Committee

As the Committee are anxious to finalise this Action Taken Report at an early date, it will be appreciated if final replies of Govt. indicating inter-alia the outcome of the above mentioned detailed study conducted by the Chairman-cum-Managing Director in the matter together with action taken by the Nepa Mills/Government thereon are furnished to this secretariat immediately.

(L. S. Sectt. O. M. No. 13-PU/73 Dt. 28/30-11-73)

Reply of Government

All possible steps are being taken to expedite the enquiry into the matter. However, this will require a careful and detailed study of various documents and other connected matters by the new Chairman-cum-Managing Director and, therefore, it may be appreciated that the inquiry in question may take some time to be finalised.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dated 11th December, 1973]

Recommendation (Sl. No. 20)

The Committee note that in June, 1968, the Nepa Mills had to import 4750 tons of unbleached sulphate pulp and 2500 tons of mechanical groundwood pulp under U.S. Aid Plan through M/s. G. Williams, agents of M/s. Interasia Inc. New York and 2500 mechanical groundwood pulp from M/s. Sterling International. The Committee also note that under U. S. Aid Plan the supplies of unbleached sub-

phate pulp and mechanical groundwood pulp were to be made in U.S. and Indian Vessels in the ratio 60:40 and that cargo supplied to Indian Government by Indian Flagships would be charged at a concessional rate (normal rate less 25 per cent rebate). The Committee note that although the suppliers shipped all the consignment by Indian Vessels, Mills had to pay extra freight charges amounting to Rs. 7.93 lakhs in foreign exchange (Rs. 2.17) lakhs to M/s. Sterling International and Rs. 5.76 lakhs to M/s. G. Williams) on account of non-insertion of break-up of cost and freight charges in the purchase order and also note that the Mills had to lose a sum of Rs. 21,478 in foreign exchange from the local representatives of one of the firms on account of freight charges as compared to the actual charges paid by the firm to the Shipping Corporation of India. The Committee regret to observe that on account of failure on the part of the Mills in not having obtained the break-up of cost and freight charges and inserted them in the purchase order, the Mills had been put to loss of Rs. 7.93 lakhs in foreign exchange. The Committee are surprised that while the Nepa Mills had initiated legal action in the case of one of the firms, they had not taken similar action in the case of the other firm and lost their claim for refund of Rs. 2.17 lakhs.

The Committee are much concerned with the indifferent way in which the Nepa Mills had handled the entire transaction and entered into defective purchase agreements with foreign firms. The Committee recommend that Government should ensure that the terms of contract are precise and definite without any room for misconstruction and ambiguity therein and suggest that Government should arrange to fix responsibility for this serious lapse leading to the huge loss of valuable foreign exchange. (Paragraph Nos. 5.22 & 5.23).

Reply of Government

The recommendations of the Committee have been communicated to the National Newsprint and Paper Mills Ltd., and the new Chairman-cum-Managing Director has been directed to make appropriate enquiry in the matter for taking suitable action.

[Ministry of Industrial Development O.M. No. 10(19)73-Paper Cell,
dated 12th November, 1973]

Further Information called for by the Committee

As the Committee are anxious to finalise this Action Taken Report at an early date, it will be appreciated if final replies of Government indicating *inter-alia* the outcome of the above mentioned de-

tailed study conducted by the Chairman-cum-Managing Director in the matter together with action taken by the Nepa Mills/Government thereon are furnished to this Secretariat immediately.

(Lok Sabha Sectt. O. M. 13-PU/73 dt. 28/30-11-73).

Reply of Government

All possible steps are being taken to expedite the inquiry into the matter. However, this will require a careful and detailed study of various documents and other connected matters by the new Chairman-cum-Managing Director and, therefore, it may be appreciated that the inquiry in question may take some time to be finalised.

[Ministry of Industrial Development O.M. No. 10(19)/73-Paper Cell, dt. 11th December, 1973]

Recommendation (Sl. No. 24)

The Committee regret to note that no definite agreement had so far been entered into with Madhya Pradesh Electricity Board for the requirements of power and steam. The Committee were informed that the demand of steam was based on the average consumption of steam on old mill and the standard practice in the paper industry. Although a draft agreement was prepared on the 6th December, 1967 and new tariff schedule effective from the 1st August, 1968, the draft agreement had not taken into account the realistic requirement of steam with the result that the Mills had to incur an extra expenditure of Rs. 24.62 lakhs towards payment to Madhya Pradesh Electricity Board. The Committee suggest that the Mills/Ministry should take immediate steps to work out the minimum requirements of steam on a realistic basis based on the experience of the working of two machines and finalise the agreement with Madhya Pradesh Electricity Board. The Committee need hardly emphasise the importance of expeditious settlement with the State Government of the issue which vitally affect the working results of the Mills and entering into contract for a more realistic demand for steam. The Committee would also suggest that the Ministry should use their good offices with the Madhya Pradesh Government for an adjustment of the amounts so far over-paid in the absence of definite agreement with the Madhya Pradesh Electricity Board.

Reply of Government

Discussions on the subject have been initiated with the Madhya Pradesh Electricity Board for Nepa Mills. The Ministry of Indus-

trial Development is also taking up the matter with the State Government.

[Ministry of Industrial Development O.M. No. 10(19)73-Paper
Cell dt. 12th November, 1973.]

Further information called for by the Committee

As the Committee are anxious to finalise this Action Taken Report at an early date, it will be appreciated if final reply of Government indicating *inter-alia* the outcome of the discussions in the matter is sent to this Secretariat immediately.

(Lok Sabha Secretariat O. M. No. 13-P|C|73 dt. 5-12-73]

NEW DELHI;
December 19, 1973
Agrahayana 28, 1895 (Saka)

SUBHADRA JOSHI,
Chairman,
Committee on Public
Undertakings.

APPENDIX

(Vide Para 5 of the Introduction)

Analysis of action taken by Government on the recommendations contained in the Twenty-Seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha).

I.	Total number of recommendations	29
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Serial Nos. 3, 5, 6, 7, 10, 13, 15, 17, 18, 19, 21, 22, 25, 27, 28 and 29)	
	Number	16
	Percentage of total	55·17
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendations at Serial Nos. 8, 9, 11, 14, 16 and 26)	
	Number	6
	Percentage of total	20·69
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Serial Nos. 1, 2 and 23).	
	Number	3
	Percentage of total	10·34
V.	Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> recommendations at Serial Nos. 4, 12, 20 and 24)	
	Number	4
	Percentage of total	13·80
