

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

TWENTY-NINTH REPORT

**Action Taken by Government on the Recommendations
contained in the Eighty-fifth Report of the
Committee on Public Undertakings
(Fifth Lok Sabha)**

on

HINDUSTAN PAPER CORPORATION LTD.

**(Ministry of Industry, Department of Industrial
Development)**

Presented to Lok Sabha on 3-4-1979

and

Laid in Rajya Sabha on 24-4-1979



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1979/Chaira, 1901 (S)

Price : Rs. 5.50

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

ANDHRA PRADESH

1. Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).

BIHAR

2. M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).

GUJARAT

3. Vijay Stores, Station Road, Anand.

MADHYA PRADESH

4. Modern Book House, Shiv Volas Palace, Indore City.

MAHARASHTRA

5. M/s. Sunderdas Gianchand, 601, Girgaum Road, near Princess Street, Bombay-2.
6. The International Book House Pvt., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.
7. The International Book Service, Deccan Gymkhana, Poona-4.
8. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
9. M/s. Usha Book Depot, 585/A, Chira Bazar Khan House, Girgaum Road, Bombay-2.

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

11. Popular Book Depot, Dr. Bhadkamkar Road, Bombay-400001.

MYSORE

12. M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.

UTTAR PRADESH

13. Law Book Company, Sardar Patel Marg, Allahabad-1.
14. Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad—U.P.

WEST BENGAL

15. Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Parganas.
16. W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.
17. Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.

DELHI

18. Jain Book Agency, Connaught Place, New Delhi.
19. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

29TH REPORT OF COMMITTEE ON PUBLIC
UNDERTAKINGS (1978-79)

C O R R I G E N D A

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	2(iii)	1	Recommendation/ observation	Recommendations/ observations
8	6	11	board	broad
16	-	22	standard sized	standard size
25	-	26	requisite	requisite
42	-	26	satised	satisfied
56	-	1	aspects	aspects
64	-	(from below) 9	rational	rationale
74	-	(from below) 14	NDDC	NIDC
81	-	9	Identifi- cation	Identifica- tion of

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(III)
COMPOSITION OF STUDY GROUP ON ACTION TAKEN	(V)
INTRODUCTION	(VII)
I Report.	1
II. Recommendations that have been accepted by Government.	6
III. Recommendations which the Committee do not desire to pursue in view of Government's replies.	59
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.	83
V. Recommendations in respect of which final replies of Government still awaited.	87
APPENDICES	
I. Summary of Recommendations of Agricultural Residue Committee.	88
II. O. M. No. 26(6)/PF-II/70 dated 30th September, 1972 of the Ministry of Finance regarding Public Investment Board.	91
III. O. M. No. F. 1(10)/PF-II/76 dated 17th April, 1976 of the Ministry of Finance regarding Investment decisions.	99
IV. Report of the Expert Committee on Suitability of the Site at Tuli.	101
V. BPE No. 46/Adv.(F)/63/12 dated 12th September, 1953 regarding cost accounting system.	106
VI. BPE No. 2(43)/66-F. 1 dated 5th September, 1955 regarding submission of cost data etc.	108
VII. Report of the Expert Committee on estimates of Nagaland Pulp and Paper Co. Ltd.	109
VIII. O. M. No. F. 1/53/EC/67 dated 16th November, 1967 of the Ministry of Finance regarding procedure in regard to deputations/delegations.	121
IX. O. M. No. 2(63)/69-BPE (GM) dated 7th July, 1959 of the Ministry of Finance regarding tours abroad of incumbents of top posts in Public Undertakings.	123
X. O. M. No. BPE/GL-018/77/MAN/9(31)/76-BPE (GM I) dated 8th August, 1977 of the Ministry of Finance regarding tours abroad of incumbents of top posts in Public Enterprises.	125
XI. j Analysis of the action taken by Government on the recommendations contained in the 85th Report of C.P.U. (Fifth Lok Sabha).	127

PARLIAMENT LIBRARY

4770 LS-1 Library & Reference Service

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)**

CHAIRMAN

Shri Jyotirmoy Bosu

MEMBERS

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinhar
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahida
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh*

*Elected w.e.f. 26-12-78 vice Shri Deorao Patil died.

SECRETARIAT

1. **Shri H. G. Paranjpe**—*Joint Secretary.*
2. **Shri T. R. Krishnamachari**—*Chief Financial Committee Officer.*
3. **Shri T. N. Khanna**—*Senior Financial Committee Officer.*

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1978-79)**

1. Shri Jyotirmoy Bose—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present the Twenty-ninth Report on Action Taken by Government on the recommendations contained in the Eighty-Fifth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Paper Corporation Ltd.

2. The Eighty-fifth Report of the Committee on Public Undertakings (1975-76) was presented to Lok Sabha on 15th April, 1976. Replies to all the 63 recommendations contained in the said Report were received in batches from the Ministry of Industry (Department of Industrial Development) and the last batch was received on 28th July, 1977. Further information in respect of certain recommendations was also called for from the Ministry on 20th January and 15th February, 1977 and the same was received from the Ministry by 30th March, 1977.

3. As the replies received from the Ministry in respect of certain recommendations required updating, the Ministry were asked on 31st December, 1977 to furnish updated replies with latest information in respect of 15 recommendations and the same were received from the Ministry in batches by 15th February, 1978.

4. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report was adopted by them at their sitting held on the 26th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on the 30th March, 1979.

5. An analysis of the Action Taken by Government on the recommendations contained in the Eighty-fifth Report of the Committee (1975-76) is given in Appendix XI.

NEW DELHI;

March 28, 1979

Chaitra 7, 1901 (S)

JYOTIRMOY BOSU,
Chairman
Committee on Public Undertakings

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the 85th Report of the Committee on Public Undertakings (5th Lok Sabha)—1975-76—on Hindustan Paper Corporation Ltd. which was presented to Lok Sabha on the 15th April, 1976.

2. Action Taken notes have been received from Government in respect of all the 63 recommendations contained in the said Report. These have been categorised as follows:—

- (i) Recommendations/Observations that have been accepted by Government:

Serial Nos. 1, 3 to 15, 17, 19 to 24, 26 to 29, 33, 35 to 39, 42, 43, 44, 50 to 53, 57 to 63.

- (ii) Recommendations/Observations which the Committee do not desire to pursue:

Serial Nos. 2, 16, 18, 25, 30, 31, 32, 40, 41, 45, 46, 47, 49, 54, 55 and 56.

- (iii) Recommendation/Observation in respect of which reply of Government has not been accepted by the Committee:
Serial Nos. 34 and 48.

- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited.

NIL

3. The Committee will now deal with the action taken by Government on some of their recommendations.

A. Supply of Bagasse by Mysore Sugar Mills

Recommendation (Serial No. 17) (Paragraph Nos. 4.26 and 4.27)

4. The Committee noted that after the take over of the Mandya National Paper Mills in January, 1974, the Hindustan Paper Corporation re-organised the production operations by increasing the percentage of bagasse furnish

and fixed the target for the year 1974-75 at 10,650 tonnes. However, the actual production was only 9202 tonnes. The shortfall of 1448 tonnes was stated to be due to the breakdown of boiler in July, 1974 and acute shortage of water and bagasse. Since the total requirements of bagasse were not met by the nearby sugar factories (Mysore Sugar Mills), arrangements had to be made to procure bagasse from distant places like Tamil Nadu, Andhra Pradesh and Maharashtra. The Committee desired the Government to go into the arrangements and conditions for supply of bagasse by Mysore Sugar Mills with a view to finding out whether there was any failure or breach of contract by the sugar mills in supplying the required quantity of bagasse to the Mandya Mills and, if so, to take suitable action in the matter.

5. In their reply, Government have stated that they had taken up the question of arrangement for supply of bagasse by Messrs Mysore Sugar Mills to the Mandya National Paper Mills with the State Government at the highest level. The matter was under consideration of the State Government and it was expected that a suitable agreement would be reached whereby Mandya Mills would be able to make firm arrangements for meeting their present requirements of bagasse.

6. The Committee urge that the matter may be pursued with the State Government and finalised expeditiously. The Committee may also be informed of the final result of action taken in the matter.

B. Working of Machinery

Recommendation (Serial No. 19) Paragraph 4.30

7. The Committee had stated that the second hand turbine which was purchased in 1962 could not be commissioned due to some accident and since then, the mill had been dependent on the purchased power. The Committee recommended that the Corporation should first decide expeditiously whether or not installation of a Captive Power Plant was absolutely essential for the mill and if it was so, the Corporation should determine in consultation with the experts whether or not the old turbine, after repairs, could be put to economic use to meet the power requirements of the mill. The Committee had further observed that in case the old turbine could not be put to economic use, they had no doubt that the Corporation/Government would take urgent action to dispose it of in the best public interest.

8. In their reply Government stated that the old turbine generator set was blown off in the year 1964 and there was heavy damage to the roter, starter and roter shaft. It was further stated that the HPC's expert consultants certified that the damage was beyond repair and although advertisements were issued, for the disposal of the damaged items, the offers re-

ceived were too low. The HPC were however, making further efforts to dispose of these items at a suitable price. In their subsequent reply (15-2-1978) Government have explained the position as follows:—

“The question of disposal of the Turbo Generator set which burst out in the year 1964 was referred to the Director General of Supplies and Disposal, New Delhi. The set was auctioned through DGS&D on 17-1-78 and the highest offer received was Rs. 1,82,000 (excluding 3 No. transformers). The acceptance of the bid is subject to the approval of the DGS&D Directorate-General at Delhi, which is still awaited.”

9. The Committee are unhappy to note that the Turbo Generator set which was blown off as far back as 1964 and which according to the expert consultants of HPC was damaged beyond repair, could not be disposed of during the last 13 years. Even though the set was auctioned through the DGS&D on 17-1-1978 for Rs. 1,82,000, final decision for its disposal is still to be taken.

10. The Committee deprecate the inordinate delay in the disposal of the damaged Turbo Generator set and desire that its disposal should be finalised urgently to the best advantage of the State. The Committee also desire that responsibility should be fixed for suitable action.

C. Nagaland Project

Recommendation (Serial No. 34) Paragraph No. 5.23

11. The Committee had noted that the original cost estimates of Rs. 18.72 crores of the Nagaland Project, as prepared by the National Industrial Development Corporation in 1971, were revised to Rs. 51.54 crores in 1973 and again to Rs. 61.82 crores in 1974. These estimates were further revised to Rs. 62.64 crores as a result of re-appraisal by the Corporation. The Committee expressed their unhappiness that the estimates prepared by NIDC were unrealistic, incomplete and did not take full care of all aspects of the project. They desired that the matter as to why the estimates were unrealistic should be enquired into, with a view to fixing responsibility. The Committee also felt that if the cost estimates prepared by the consultants had been scrutinised thoroughly by the Ministry before their approval, deficiencies noticed subsequently could have been detected right at the beginning and rectified.

12. In their reply, the Ministry of Industry have stated that the project cost estimates of Rs. 18.72 crores initially prepared by NIDC were not realistic and complete. These did not take into account all aspects of the project such as expenditure on spares, margin money, construction of hous-

ing colony, site development etc. There had been considerable escalation in prices since 1971. Some of the specifications of plant and equipment were changed and some more equipment was added. An Expert Committee also examined in detail the estimates of the Project and the latest revised figures of its capital cost had been reduced from Rs. 63 crores to Rs. 62.12 crores.

13. The Committee are constrained to note that no action seems to have been taken by the Ministry on their recommendation to enquire into the matter with a view to fixing responsibility. They reiterate their earlier recommendation and desire that the matter should be enquired into without any further delay and the Committee apprised of the final outcome within three months.

D. World Tours by HPC Officials

Recommendation (Serial No. 48) Paragraph 6.32)

14. The Committee had observed that precious and scarce foreign exchange should not be allowed to be wasted on long, leisurely and unnecessary tours. They recommended that Government should critically scrutinise proposals for foreign tours received from the public undertakings and only if they were satisfied that a proposed tour was absolutely necessary in the larger interests of the public undertakings, they should allow a minimum number of officers to go abroad for a short duration to visit specified places for specific purposes. The officers who went on tour should be asked to submit on return, detailed reports on their tour to the Board of Directors and the administrative Ministry concerned who should evaluate the reports critically. The Committee desired that the Bureau of Public Enterprises should issue suitable guidelines to all the Public Undertakings and also the administrative Ministries concerned in this regard and review the guidelines from time to time in the light of experience gained.

15. In their reply, Government have stated that till November, 1967, the Public Enterprises had to obtain the approval of the Government for the foreign tours of Government servants. In November, 1967, Government decided that all Public Enterprises should, like private sector units, apply directly to the Reserve Bank of India (to the concerned branch offices) for the release of foreign exchange/passage clearance, in respect of their proposals for official visits abroad of their employees. Consequently, the Public Enterprises are not now required to go up to the administrative Ministries for the necessary approvals in this regard. In July, 1969, the position was reviewed and it was decided, in partial modification of the instructions issued in 1967 that whenever the Chief Executives of Public Enterprises have to undertake tours abroad, although approval of the administrative Ministry/Department, as such, need not be taken to the same, they should inform the administrative Ministry/Department sufficiently in advance about their intended tours.

It has been further stated *inter alia* as under:—

“The question whether, apart from the clearance of Reserve Bank, sought and given in such cases at present, it is necessary to stipulate that the Public Enterprises should obtain the approval of the administrative Ministries concerned for such foreign tours, has been examined in all its aspects in the light of the observations of the COPU. In this context, it was noted that the observations of the COPU have been made with reference to the foreign tours undertaken by the executives of one of the Public Enterprises. It is considered that no generalised statement can be made about the lack of purposefulness of foreign tours undertaken by the officers of the various Public Enterprises, and instances of misuse of foreign travel facilities are rare. It was also noted that the Public Enterprises have to operate on commercial lines and have to undertake dynamic promotional activities and imaginative cells programme, acquire new technology etc. Having regard to all the relevant factors, it has been decided that it will be adequate if Chief Executive of Public Enterprises inform the administrative Ministries as early as possible about their proposed foreign tours programmes. It would then be open to a Ministry to advise in any particular instance that the tour programme may be modified or even postponed or cancelled. The Ministries concerned could, in any case, take suitable steps if there was an instance of excessive and unjustified touring abroad. The Chief Executives of the Public Enterprises should continue to approve all foreign tour programmes of their subordinate employees. Necessary instructions to administrative Ministries and Public Enterprises, amplifying the instructions of July, 1969 on the above lines will be issued.”

16. In their subsequent reply furnished on 21-1-1978 the Department of Industrial Development have stated that necessary instructions to administrative Ministries/Public Enterprises had been issued on 8 August, 1977.

17. The Committee note that notwithstanding what the Government have stated earlier, revised instructions have since been issued in pursuance of the recommendations of the Committee contained in their Sixth Report (Sixth L.S.). . . According to these instructions prior approval of the Secretary of the concerned Administrative Ministries should be obtained for the foreign tours of the Chief Executives. In this connection the Committee wish to reiterate that the officers who go on tour should be asked to submit on return detailed reports on their tour to the Board of Directors and the Administrative Ministry concerned who should evaluate the report critically. They would also draw attention to their observations contained in their Sixth Report (Sixth LS) for strict compliance.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paras 1.11 to 1.13)

The Committee note that the Industries (D.& R.) Act permits the Government to take over units which remain closed for at least 3 months under special circumstances. Under the present legislation, there is no power to take action before any unit has actually fallen sick.

The Committee reiterate their recommendation made in para 2.19 of their 63rd Report on National Textile Corporation that the preventive measures proposed to be taken may be finalized and implemented expeditiously so as to obviate the danger of units becoming sick and therefore, having to be closed, thus creating a national loss. The Committee would like the Government to consider suitably amending the IDR Act to achieve this objective.

The Committee also note that the Industrial Development Bank of India has been made an apex body under which all the financial institutions will function. Under the new structure, these institutions would build up a team of technical personnel, accountants, marketing managers, financial experts, engineers, auditors and experts in other fields, from amongst whom the financial institutions would nominate directors on the boards of the companies to whom they lend funds, to represent the interests of the financial institutions and keep a watch on the "going on" in these companies. While this is a step in the right directions, the Committee stress that IDBI and the financial institutions should select the experts for the proposed team with due care and thought so as to ensure, that, when nominated to serve on the Board of Directors of any borrowing company, they act as true "watch-dogs" of the financial institutions in the national interest and perform their functions without fear or favour. They expect that the representatives of the IDBI and the financial institutions nominated to serve on the Board would attend the meetings of the Board regularly and take active interest.

Governments' reply

Government has been undertaking a thorough review of the existing policy and the institutions and statutory frame-work for dealing with the problem of Industrial Sickness.

2. It is felt that the problem of industrial sickness needs to be dealt with at an initial stage. There is need for an information system to monitor industrial undertakings in various stages of incipient sickness and to take remedial measures so that the undertaking may be prevented from sliding into a situation in which there is no option left for the Government except to take over management, at considerable public cost.

It is felt that the institutions, most suited to picking up warning signals of incipient sickness are the financial institutions and the banks providing funds to the undertaking concerned. Special cells have, therefore, been set up in the financial institutions and the banks for this purpose. A cell has also been created in the Reserve Bank of India to play a co-ordinating role and to serve as a clearing house for the information emanating from the banks before it is communicated to the Government for remedial measures.

3. Under the existing provisions of the Industries (Development & Regulation) Act, 1951, intervention for managerial and financial reconstruction of sick undertakings is possible only after its management has been taken over. It is felt that there is need for provisions which would enable corrective measures being taken at an earlier stage of sickness. Two proposals are under consideration of the Government. It is proposed that the Government should have powers to issue a directive under Section 16 of the Act requiring the company owning the industrial undertaking to remove from office the Chairman of its Board of Directors, any managing or whole-time Director or Manager, and to appoint, with the approval of the Government, any person in place of the persons so removed. This will enable the Government, to replace inefficient and incompetent personal holding managerial and other high positions in industrial undertakings. The second proposal is to have provisions whereby it may be possible to re-structure the capital and liabilities of a sick industrial undertaking, without actually taking over its management, with the prior approval of a duly constituted authority. An inter-ministerial Committee has been appointed to draft suitable provisions in this behalf. The report of the Committee is in final stages of preparation.

4. Another approach under consideration of the Government is to encourage viable mergers between sick and sound industrial undertakings. A working group was appointed under the Chairmanship of the Finance Secretary and has made specific proposals in this regard. The proposals are being processed for taking decision by the Government.

5. It has been ascertained that IDBI and the other financial institutions, while appointing nominee directors on the Boards of assisted companies ensure that the persons selected for such appointments do possess the requisite qualifications and experience keeping in view the particular

requirements of the Unit. Official nominees are appointed from amongst the officers of the financial institutions and non-official nominees are appointed from the list of professionals approved by Government. This list includes technical personnel, accountants, financial experts, economists, engineers, auditors and experts in various fields. The position is reviewed from time to time for inclusion of fresh names.

6. The nominees directors play an important role inasmuch as they take interest in the overall management policies without interfering in the day-to-day working of the companies. While they are expected to safeguard the interest of the financial institutions, it is not the intention that they would merely act as watch-dogs on behalf of the nominating institutions. Their responsibilities and obligations are the same as those of any other company director who is expected to work in the interest of the company which incidentally coincides with the interests of the financial institutions as well as those of the shareholders. The institutional nominees invariably make valuable suggestions which are conducive to promotion of efficiency and growth within the board frame work of Government policies. They also endeavour to prevent malpractices and keep a watch on the important developments relating to their functioning. They are expected to suggest timely remedial action in the implementation of the project.

[Ministry of Industry Deptt. of Industrial Development No. 10/21/76-
Paper, Dated 28-1-77.]

Recommendation (Serial No. 3, Paragraph 2.16)

The Committee are surprised to move that scientific survey of the demand for the different varieties of Paper was ever conducted in the country. The Committee are at a loss to understand how in the absence of scientific assessment of demand, investment decisions for expansion of capacities or setting up new capacities are taken. It has been stated that the demand for paper and paper Board by the end of the Fourth Five Year Plan was estimated at .96 million tonnes per year on the basis of demand estimates given by Development Council for Paper, Pulp and Allied Industries and the export targets. In regard to Fifth Five Year Plan, a task force on Paper, Pulp and Allied Industries estimated the demand to be 1.33 million tonnes in 1978-79, based on the expected annual increase in demand. The Committee thus find that even the Fifth Plan estimates are not based on scientific method of assessment of demand for different varieties of Paper and Paper Boards. The Committee, therefore, stress that Government should without further loss of time conduct a scientific survey for different varieties of Paper so as to plan the future development of paper industry on right lines and take correct investment decisions therefor.

Reply of Government

Various organisations such as the Planning Commission, the National Council of Applied Economic Research, the DGTD, etc. have carried out studies of the future demand of paper and paper board and have also been reviewing this demand figures from time to time. Various factors e.g., past trends of production, imports, development programmes in other sectors of the country's economy, plans for literacy and education, projected standards of living and purchasing power were kept in view while conducting such surveys and suggesting targets for the Five Year Plans of the country. Recently a study on requirements of white printing paper has been carried out on behalf of the Supervisory Committee of the Paper Industry and Trade. The study was presented to the Development Council for Paper and Allied Industries and it has also been decided by the Development Council that similar studies should be undertaken in respect of other varieties of paper also.

Moreover, now that the HPC has been able to organise its Marketing Division on a better footing is proposed to entrust the survey of the demand of some important varieties of paper to them also.

The planning of setting up of additional capacity in Paper industry including approvals for industrial licensing, import of capital goods, import of know-how wherever necessary, was done keeping in view the projected demand of different types of paper as assessed from time to time by the Ministry of Industry and the Planning Commission.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, Dt. 18.10.76]

Recommendation (Serial No. 4)

The Committee find that for meeting the demand of paper of 1.33 million tones by 1978-79, the Task Force has recommended capacity and production targets of 1.5 million and 1.33 million tones respectively. The Planning Commission has, however, lowered the targets of capacity and production to 1.4 million and 1.2 million tonnes respectively based on the assessment of capacity likely to fructify and the constraint of resources. The Committee understand that the installed capacity at the end of 1974 was of the order of 1.04 million tonnes. Letters of intent have been issued for a capacity of 2 million tonnes during 1975, 1976 and 1977. According to corporation, additional capacities of 1.40,000 tonnes, 60,000 tonnes and 80,000 tonnes are likely to be commissioned during these years and some other schemes already approved are likely to come to fruition during the period following 1977. It may thus be possible to meet the demand of 1133 million tonnes by 1978-79. Unless the new capacities

expected to be available during 1975-77 and after 1977 actually come to be established before 1979—89, the committee apprehend that the targets of capacity and production may not be fulfilled. Since Paper Industry has a long gestation period, the Committee recommend that Government should monitor the progress of the projects which are to be commissioned during these years so as to ensure that these projects actually come up and are commissioned on schedule so that the demand for paper is fully met and scarcity conditions do not develop in this essential commodity.

The Committee also find that as against the installed capacity of 1.04 million tonnes at the end of 1974 the production during 1974 has been of the order of 8,35,000 tonnes only. The Committee would like Government to go into the reasons for the production being less than the installed capacity and see that the capacities already installed are utilised to the maximum extent.

Reply of Government

Paper is a continuous process industry. Taking into account the need for proper maintenance of the equipment installed, as well as periods of short shut-down for changing over from one variety of paper to the other, and assuming an average of 330 working days per year, a capacity utilisation of the order of 85 per cent is considered to be normal and optimum in the Paper Industry. The capacity utilisation in the Paper Industry during 1974 worked out to 83.5 per cent which is very near the optimum figure. The marginal under-utilisation of capacity could be attributed to the shortage of power experienced by a number of mills as well as shortage of water during summer months and labour problems faced by some mills. The matter of increasing the capacity utilisation of paper mills is receiving the close attention of the Ministry of Industry as well as DGTD. Monthly production reports are prepared and analysed with a view to follow up action for fuller utilisation of capacity. The question of adequate supply of power by the State Electricity Boards as well as allocation of coal and movement of wagons is being taken up with the appropriate authorities from time to time. Any other problems that are brought to the notice of Government by individual paper mills in achieving full production are also attended to and followed up.

The Ministry is also monitoring the progress of the projects to be commissioned by 1978-79 and it has satisfied itself that adequate capacity to meet the requirements of paper by 1978-79 is likely to come up and no shortage of paper is expected in the Fifth Five Year Plan period.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-1976].

Recommendation (Serial No. 5)

The Committee have observed from the report prepared by Consultant of the Food and Agricultural Organisation of United Nations that the production of paper and paper boards in the world is estimated to result in a deficit, in 1978, of 16.1 million metric tonnes (11 million mt. in the developed countries and 5.1 million mt. in the developing countries) which will have devastating impact on education, Communications and Commerce in the developing countries. They feel that the world-wide shortage of paper would not only make it difficult for India to import paper from other countries to meet her requirements, as is being done at present, but that it would also make it too costly for her to import the paper thus causing heavy drain on her foreign exchange resources. The Committee are, therefore, of the opinion that in view of this it is all the more imperative for the Government/HPC that effective steps are initiated without loss of time to meet the anticipated shortage of paper and paper board in the world so as to minimise the harmful effect which the shortage of paper may otherwise have particularly on education for the people in this country.

They would suggest that the anticipated shortage of paper in the world in 1978 should in fact be viewed both as a challenge and an opportunity and no efforts should be spared to achieve self-sufficiency in this field before that date and also to enter the export markets in a big way.

(Paragraph 2.18)

Reply of Government

The Hindustan Paper Corporation is already implementing the Nagaland Project for a capacity of 33,000 tonnes per annum. The Corporation is also expected to take up the implementation of Nowgong and Cachar Projects of 100,000 tonnes per annum capacity each. Apart from the public sector projects Government had also adopted a liberal policy in licensing additional capacity in the Paper Industry. With effect from November, 1975 manufacture of paper by small and medium entrepreneur based on agricultural residues and waste and not involving import of capital goods and raw material has been delicensed. With a view to facilitating quick creation of additional capacity import of second-hand plants of below 10,000 tonnes capacity was also allowed upto 31-12-1975 to non MRTP entrepreneurs. As a result of these steps the availability of paper in relation to demand during the year 1975 improved considerably and the situation continues to be easy. On reassessment of the demand of paper in consultation with the Planning Commission, it appears that the demand of paper in 1978-79, i.e. the terminal year of the Fifth Year Plan will be

lower than that anticipated earlier and will be of the order of 10.75 lakh tonnes. A review of the Paper Industry has also been made and on the basis of the effective steps report by the entrepreneurs it appeared that the revised Fifth Five Year Plan targets for production of paper would be met. Keeping in view that paper is a long gestation industry, adequate licensing has been done to take care of the capacity required for the first half of the Sixth Five Year Plan also. Implementation of these schemes is being monitored closely and all possible help given to the entrepreneurs to actually achieve the capacity. There is therefore no likelihood of any shortage of paper and paper board in the near future.

[Ministry of Industry (Department of Industrial (Development)
O.M. No. 10-21/76-Paper Dt. 18-10-76]

Recommendation (Serial No. 6)

The Committee learn that letters of intent have been issued for a capacity of nearly 2 million tonnes but considering the long gestation period and the heavy investment need, it is not clear as to what percentage of this capacity would materialise. They stress that HPC, which it is stated would account for only 20 per cent of the capacity by the end of the Fifth Plan period, should play a leading and more vigorous role in the growth of paper industry in the country. It should ensure that the various projects which are under implementation are commissioned on schedule and the new projects which are under investigation are finalised expeditiously and taken up for implementation well in time to cope with the growing demand for paper in the country in the years to come.

(Paragraph 2.19)

Reply of Government

The Government and the Hindustan Paper Corporation are making every effort to ensure expeditious implementation of projects to ensure that they are commissioned according to schedule. The HPC is also investigating the possibility of establishing newsprint projects in West Bengal and Assam and a special quality paper mill in Sikkim. It is therefore expected that gradually the HPC would play a leading and more vigorous role in the growth of Paper Industry.

[Ministry of Industry (Development of Industrial Development)
O.M. No. 10-21/76-Paper, Dt. 18-10-76].

Recommendation (Serial No. 7)

The Committee note that at present against the total demand of 1,50,000 tonnes of newsprint in the country, NEPA Mill is the only working newsprint unit in the country which produces 55,000 tonnes per annum and rest of the requirement is being met by import. A sum of Rs. 18.48 crores in foreign exchange was spent on imports of newsprint in 1973-74 and Rs. 44.99 crores in 1974-75. They also note that expansion programme of NEPA Mill raising its capacity of 75,000 tonnes per annum is under implementation and according to original schedule expected to be completed by 1975-76, and the Hindustan Paper Corporation, is implementing a newsprint project in Kerala which will produce 80,000 tonnes of newsprint from October, 1978. Against the estimated demand of 2,50,000 tonnes by 1979-80 indigenous production of newsprint both from NEPA Mill and Kerala Project is expected to be around 1,50,000 tonnes only.

Government had already, issued letters of intent for the manufacture of newsprint to the extent of 2,20,000 tonnes per annum to five units. Three of the five schemes are still stated to be under preliminary stages of project formulation and detailed feasibility studies. It has been stated that the progress of these schemes has been very slow and it is not possible to say at this stage with any degree of certainty as to when they would materialise. The Committee stress that serious efforts should be made to ensure completion of the NEPA Expansion Project without avoidable delay and also accelerate the progress of completion of the public sector project in Kerala so that the country's dependence on imports could be reduced to the extent of newsprint production from these mills. Since it takes about six years to plan and build a paper mill, unless the projects which have been licensed, are completed and commissioned on schedule, the Committee feel that the possibility of even the present demand projections up to 1979-80 not being met is not ruled out and the gap between demand and availability might thus be widened further. The Committee would therefore like that the schemes for which the licences have been issued are monitored regularly to see that the projects come up in time and are commissioned according to schedule.

(Paragraph 2.36 & 2.37)

Reply of Government

The expansion of the capacity of the Nepa Mills upto a capacity of 75,000 tonnes is being reviewed from time to time both at the Board level and by the Ministry of Industry. Every effort is being made to ensure that the expansion is completed without any loss of time. It is expected that the expansion will be completed by the end of 1976-77. The progress of the Kerala Newsprint Project is also being monitored closely and corrective action is being taken to ensure that the project is commissioned according to schedule. So far as the projects in the private sector are concerned, the

entrepreneurs are being asked to report from time to time regarding the progress and discussions are being held with the entrepreneurs as well as the State Government authorities to ensure that the implementation of the projects progresses smoothly.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-27/76, Paper, dated 18-10-76.]

Further information called for by the Committee

Has the expansion of Nepa Mills upto a capacity of 75,000 tonnes been completed by the end of 1976-77. If not, reasons therefor.

[L.S.S. No. 22-PU/76, dated 30-12-1977].

Further reply of Government

The expansion of the Nepa mills upto a capacity of 75,000 tonnes per annum is complete in so far as the pulping plants are concerned. However the designed capacity has yet to be achieved as during the trial runs certain defects and deficiencies were noticed in the Cold Soad Plant. This plant is the first of its type in the country and the deficiencies are at present being rectified by the machinery suppliers. The foreign experts from the Machinery Suppliers are expected to arrive shortly in order to conduct further trials and carry out the necessary modifications/alterations so as to enable them to give the performance guarantee for the plant.

With the addition of a new Paper Machine, (Machine No. 2) the Nepa mills have got an installed capacity for the Manufacture of 67,500 tonnes of Newsprint per annum. To bring the capacity to 75,000 tonnes per annum the mills are planning to renovate the old paper machine certain modifications have already been carried out and the performance of the machine is being observed. Consultations on further modifications which are required are being carried on with reputed Paper Machinery manufacturers.

[Deptt. of Industrial Development O.M. No.
10(21)/76-Paper dated 31-1-1978.]

Recommendation (Serial No. 5)

The Committee are informed that indigenous production is likely to be short of requirements in the near future partly because of lack of investment and partly due to non-availability of conventional raw materials. Certain areas where raw materials are available are reported to be presenting locational difficulties and lacking in infrastructural facilities. The

Committee recommend that Government and HPC should examine the constraints in the way of further increasing the capacities for production of newsprint and formulate a long-term plan to remove these constraints and provide infrastructural facilities in the areas where raw materials for newsprint are available. The Committee recommend that while locating the future newsprint projects, care should be taken to see that they are situated in areas where raw materials for newsprint are available and infrastructural facilities have been established.

The Committee also recommend that the production of newsprint in the country should be tapped up and imports in future kept to the barest minimum. They would stress that adequate care should be taken to see that newsprint produced by N.E.P.A. Mill is properly utilised and is not allowed to deteriorate as a result of stock piling etc.

(Paragraphs 2.38 & 2.39)

Reply of Government

With a view to increase the indigenous production of newsprint, Government have been allowing certain special facilities to entrepreneurs proposing to set up projects for the manufacture of newsprint. These are as follows:

- (a) import of machinery is permitted for the manufacture of newsprint;
- (b) Government have been trying to take up the question of sustained availability of raw materials with the State Governments. Provision of necessary power and infrastructural facilities is also taken up with the concerned authorities;
- (c) entrepreneurs have been assured that the newsprint would be allowed to be sold at a price which would ensure reasonable return on capital.

Despite the above facilities the private sector entrepreneurs have been reluctant to set up newsprint projects, presumably because of high capital costs and long gestation period of the newsprint industry. It is for this reason that efforts are being made to increase the production of newsprint in the public sector not only by expansion of NEPA Mills but by setting up of the Kerala Newsprint Project. Apart from projects in hand, the HPC has also under consideration the setting up a newsprint mill in North Bengal and Assam and setting up a mother pulp mill/newsprint mill in the Bastar region.

Government have carried out pre-investment surveys of various regions to locate suitable sources of raw material. HPC is also associated

with the UNDP Project for identification of raw materials for the paper/newsprint industry. All these efforts will enable Government to identify future projects which can be based on sustained availability of raw materials. After HPC completes the projects already in hand, the question of taking up further projects for the manufacture of newsprint would be considered.

The question of further increasing the capacity for production of newsprint and formulation of long term plans is being examining in consultation with the various authorities. It may be added that in considering the question of location of site detailed studies are generally undertaken to ensure availability of raw an material, availability of power and adequate water supply, infrastructural facilities, etc., and these factors are taken into account and considered carefully.

It is expected that with the commissioning of the Kerala Newsprint Project and the implementation of one or two other newsprint projects in the private sector the imports of newsprint would be reduced progressively. Even at present quantity of newsprint available from indigenous production is kept in view while planning imports which are kept at the lowest level competable with the country's requirements. Due regard is given to the quantum of newsprint produced by Nepa mills in determining the quantities to be imported so that there is no accumulation of stocks with Nepa mills. The stock of standard sized newsprint with Nepa mills is reported to have been satisfactory over the past few months.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, Dt. 18.10.76]

Recommendation (Serial No. 9)

The Committee note that NEPA Mills and Hindustan Paper Corporation are both engaged in the manufacture of newsprint. The Committee are informed that when HPC was formed, the question of having one undertaking to deal with paper and newsprint was considered and it was felt that on balance, it would not be advantageous to club the two public sector corporations. According to the Ministry, it has not so far thought that it was time to consider merger of the two organisations. The Committee feel that in the interest of better co-ordination of the two newsprint manufacturing units, Government should consider at the appropriate time the desirability of having one set-up to look after the manufacture of newsprint.

(Paragraph 2.40)

Reply of Government

After the Kerala Newsprint Project of the HPC is commissioned, the question of co-ordination of the activities of the newsprint projects in the public sector would come up and if necessary the proposal of having only one set-up to look after the manufacture of newsprint in public sector would be considered at the appropriate time.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (Serial No. 10 & 13)

The Committee note that according to the Interim Report of National Commission on Agriculture, the requirements of pulp and bamboo are 50.33 lakhs tonnes and 21.99 lakhs tonnes respectively by 1980 and 127.32 lakhs tonnes and 19.54 lakhs tonnes respectively by 1990. It has also been stated that by 1980 additional investment of Rs. 242 crores would be required for clear felling and raising plantations. During 1981 to 1990 further investment of Rs. 306 crores in clear-felling plantations and Rs. 1187 crores in forest industries would be required of which the paper industries alone would account for Rs. 979 crores. The Committee also note that in pursuance of the recommendations of the National Commission on Agriculture for the establishment of forest development corporation in almost all the important states, 18 states/union territories have included provision in their Fifth Plan for establishment of forest development corporation and 11 states have already set up such corporation, the main activities of most of which would be tapping of resources in hitherto untapped areas and plantation of fast growing species. A provision of Rs. 10 crores has also been kept in the Fifth Plan for central participation in the equity of the state corporations. The Committee are informed that if the plantation programme as envisaged by the Commission is undertaken then it will be possible to meet all the future raw material requirements of not only the pulp and paper industry but all the wood based industries. Future paper industry would have to be based on hard woods, agricultural residues including bagasse and other cellulosic raw materials for man-made plantations.

The Committee recommend that there should be a meaningful coordination between Hindustan Paper Corporation and the Forest Corporations so that the latter can so arrange their programme as to meet in full the requirements of raw materials for the projects of HPC. A watch should also be kept on the working of Forest Corporations to make sure that these subserve the larger objectives of providing essential raw materials for the paper industry. The Committee need hardly stress that the location of future paper/newsprint projects should be sufficiently close to the source

of raw materials so as to reduce the cost of transportation of raw material to the minimum and thereby ensure production of paper/newsprint at economic cost.

(Paragraph 3.24 & 3.25)

The Committee also find that HPC has requested the Governments of Kerala and Karnataka to generally examine the possibilities of assigning land for raising plantation by Corporation for future expansion of its projects. It has been stated that neither of the State Government so far given its reply. The Committee feel that the Corporation should while concentrating its activities for the present on the implementation of the paper projects already in hand should take care in coordination with the State Forest Development Corporations that the programme of afforestation is correlated with the future demand.

(Paragraph 3.31)

Reply of Government

The Hindustan Paper Corporation is maintaining a close touch with the concerned authorities in respect of the forest raw material requirements of projects under implementation. So far most of the Forest Development Corporations have limited their objectives to harvesting forest areas and regeneration and projects have been drawn up for this limited activity only. The question of keeping a watch on the Corporations so as to ensure that they sub-serve the larger objective of providing essential raw material for the paper industry would be pursued in due course when the activities of the Corporations are stabilised.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76.]

Recommendation (Serial No. 11)

The Committee are informed that though in pursuance of the recommendations of National Commission on Agriculture, forest development corporations have been formed in many states, the paper industry as such is not being associated with these schemes. The Committee would like Government to impress upon the State Governments and the forest development corporations the importance of associating the paper industry with the implementation of the programme of forest development corporations.

(Paragraph 3.26)

Reply of Government

The recommendations of the Committee have been brought to the notice of the State Governments for their consideration.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76.]

Recommendation (Serial No. 12)

The Committee note that the requirements of raw materials for the present as well as future projects of Hindustan Paper Corporation are 1.6 lakhs tonnes of eucalyptus and 1.29 lakhs tonnes reeds for the Kerala Project, 50,000 tonnes of reeds of 50,000 tonnes of bamboos for the Madhya Mills and 2.25 lakhs tonnes of bamboos for each of the Nowgong and Cachar Projects.

The Committee also note that the HPC had made arrangements with the State Governments concerned for meeting the requirements of raw materials for the different projects. In the case of Kerala Projects, HPC had already entered into an agreement with Kerala Government for sustained supply for raw materials. In the case of Nagaland Projects, forests areas have been identified from which it should be possible to obtain the required quantities of bamboos and reed and the Government of Nagaland have assured the Corporation that these areas would be acquired and assigned to the Corporation on long lease. In the case of Madhya Pradesh, the State Government has restricted the availability to about 73,000 tonnes instead of 1,40,000 and the matter is under Correspondence with the State Government through the Ministry.

In regard to Cachar Project it has been stated that according to the survey by Forest Department, approximately 2 lakhs tonnes of bamboos would be available from the forest of Cachar District and the balance will be met by allocation of hard-wood which will be available in the reserve forests adjacent to the mill. In Nowgong Project, a draft agreement is stated to be ready for execution with the Government of Assam and District Councils for obtaining sustained supplies of raw materials.

The Committee have given their recommendations in regard to availability of raw materials in the relevant chapters of the report. The Committee would like that the Corporation should ensure that their arrangements with the State Governments are finalised early so as to enable it to have an assured and continuous supply of raw materials for their projects.

(Paragraph 3.27 to 3.30)

Reply of Government

The HPC has already entered into an agreement with the Kerala Government for supply of raw materials for the newsprint project. In the case of Nagaland Project, the State Government has initiated action to acquire all the areas with bamboo and grass from which these raw materials would be supplied to the mill. A draft agreement has also been submitted to the State Government for their concurrence. As regards the Nowgong and Cachar Projects, the text of the agreement for supply of raw material has been settled with the Government of Assam and the agreement will be formally entered into after PIB clearance for the projects is obtained. So far as the proposal of expansion of Mandya National Paper Mills is concerned, the State Government has agreed to provide bamboo from some areas of the State and the HPC is examining these proposals in detail.

[Ministry of Industry (Deptt. of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76].

Further information called for by the Committee

Please indicate the latest position in regard to arrangements with the State Governments for an assured and continuous supply of raw materials for the projects of the Corporation.

(L.S.S. No. 22-PU/76, dated 30-12-1977)

Further Reply of Government

The latest position with regard to the agreements with the State Governments for the assured and sustained supply of raw materials for the HPC Projects is as under :

1. Kerala Newsprint Project

The requisite agreement for the supply of Eucalyptus and reed wood and other infrastructural facilities has already been signed on 7th October 1974 with the State Government.

2 & 3 Nowgong and Cachar Projects

The agreement for the supply of raw-material and other infrastructural facilities has been signed with the Government of Assam and the Mirk Hills District Council on 20th July 1977.

4. Nagaland Project

The Government of Nagaland has since then acquired 10 sq. miles of reed bearing areas and 23 sq. miles of bamboo bearing areas. The Gov-

ernment of Nagaland is going ahead with the acquisition of the balance bamboo bearing area of 27 sq. miles. The terms and conditions of an agreement for the supply of raw materials and other infrastructural facilities has already been discussed and agreed upon with the State Government and the agreement is expected to be executed soon. The matter is being pursued with the Government of Nagaland.

5. Mandya National Paper Mills

The State Government of Karnataka is still examining the possibilities of allotment of additional areas to meet the requirements of raw-material for the expansion of Mandya National Paper Mills. A meeting in this connection was held in the Chamber of the Minister for Industry, Government of India on the 6th December, 1977 in which it was conveyed to the Government of Karnataka that they should explore the possibility of additional allotment of raw material or alternatively consider the State Government's taking over the Mandya National Paper Mills. Further discussions are being held with the State Government.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 15-2-76].

Comments of the Committee

1. The final result of action taken in consultation with the Government of Nagaland and Karnataka for the assured and continuous supply of raw material etc., for the HPC projects be intimated to the Committee.

Recommendation (Serial No. 14)

The Committee note that according to surveys done by FAO and Government of India sufficient raw materials are available in Bastar, Kerala, Chanderpur and Bhandara Districts of Maharashtra, Khammam and East Godavari Districts of Andhra Pradesh parts of Bihar,—Jhelum and Chenab, catchments of Jammu and Kashmir and some other areas. Surveys are also being carried out in North Eastern Parts of India. It has been stated that Bastar area in Madhya Pradesh is not only capable of sustaining large sized bulk paper plants but also suited for regeneration of tropical pines if this area is developed, and infrastructural facilities are provided. All these measures call for a long term plan of action. The Committee are informed that with the allotment of bamboo resources for the major pulp and paper industries in the country, all resources except the areas of Central India have been earmarked for the present and future expansion of paper industry. The Committee would therefore like Government to examine the possibility of developing the Bastar and adjoining areas which have the potential for raw material for paper industry. The Committee would like that Government should prepare a perspective plan for the development of paper

industry and should also have a shelf of schemes consistent with the availability of raw materials best suited for paper/newsprint manufacture. The Committee also desire that the Corporation should keep itself abreast of technological advancements made in the world for the manufacture of paper/newsprint so that they could be suitably adopted for paper manufacture in the country.

(Paragraph 3.32)

Reply of Government

Government have already examined the possibility of setting up a pulp/paper mill in the Bastar region, which has a large potential sources of raw material. It has now been decided that with the assistance of the world bank feasibility studies for the industrial utilisation of the resources of the Bastar region will be carried out in the near future. The proposal of setting up a pulp and paper mill in the area will form part of the studies. It is proposed to associate the HPC with these feasibility studies.

Government have already worked out the requirements of paper for the Fifth Plan and first half of the Sixth Plan and are closely monitoring a number of projects which are already under implementation to ensure that the desire targets are achieved. So far as the long term requirements of the paper industry are concerned, Government have reviewed the targets in consultation with the Planning Commission from time to time. A number of schemes are already under consideration in the North-Eastern region and in the Bastar region which have large unutilised resources of bamboo/hardwoods. Preliminary studies have already been carried out and the HPC has also been associated with these studies so that at the appropriate time further projects can be taken up to meet any gaps which might arise in the demand and supply position.

The HPC have been taking steps to keep themselves abreast of the latest development in the filed of pulp and paper technology. The following concrete steps have been taken up:—

- (a) Participation in international conference, seminars, etc., and
- (b) Participation in international conferences, seminars, etc., and interaction with experts in the filed of pulp and paper technology;
- (c) Deputing engineers for training and on fellowships to countries advanced in pulp and paper technology;
- (d) Subscription to technical journals and magazines.

Further, by association with Messrs Sandwell and Company of Canada, who are the Consultants for the Kerala Newsprint Project, HPC is expected to absorb the latest technology in this regard. The Chairman-cum-

Managing Director of HPC is a member of the FAO Pulp and Paper Advisory Committee. Finally, HPC is also associated with the UNDP Project "Identification and Exploration of Alternative Raw-Materials for Paper and Newsprint Manufacture".

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18.10.76].

Recommendation (Serial No. 15)

The Committee note that while bamboo is the main and important raw materials for production of paper, because of shortages developed in the availability of bamboos, hardwoods are also being used upto 40 per cent for pulp. In addition, there are a number of other products like jute sticks, conifers straws, bagasse etc., which can be used as raw materials for paper. In regard to jute sticks, it has been stated that because these are used as fuel, the question of finding alternative sources of fuel and the problem of finding machinery for collection, transport and storage on economic cost have to be considered. The Development Council for Paper, Pulp and Allied Industries is reported to have set up a Committee to examine these problems. The Committee hope that the body set up by the Development Council will conclude its examination soon and suggest ways and means of solving the problem of collection, transportation and storage of these products in the interest of making jute sticks available to the paper industry.

(Paragraph 3.33)

Reply of Government

The Agriculture Residue Committee set up by the Development Council for Paper has completed its work on the utilisation of jute sticks for paper manufacture and submitted its report for consideration of the Development Council. The Committee has made various recommendations regarding collection, transport and storage of jute sticks and the process to be adopted for utilisation of jute sticks for manufacture of paper pulp. The Report will be considered by the Development Council and thereafter the Government would examine the recommendations of the Development Council in this regard. The recommendation of the Development Council are awaited.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18.10.76]

Further Information Called for by the Committee

Please furnish the recommendations of the Development Council for making jute sticks available to the paper industry and action taken by Government thereof.

(L.S.S.O.M. 22-PU/76 dated 30.12.1977)

Further Reply of Government

The summary of recommendations of the Agricultural Residue Committee constituted by the Development Council for Paper, Pulp and Allied Industries is enclosed Appendix-I.

The Development Council accepted the report of the Committee in its entirety and copies of the report were sent to the three paper manufacturing Associations (the Indian Paper Mills Association, the Indian Paper Makers Association, and the All India Small Paper Mills Association) in order to encourage their members to utilize jute sticks.

To encourage the use of secondary raw-materials such as agricultural residues and wastes, Government have delicensed the manufacture of writing, printing and wrapping papers from agricultural residues and wastes by such medium entrepreneurs who require neither imported raw-materials nor imported Capital Goods nor foreign collaboration for such manufacturing activity. Certain excise duty concessions have also been extended to such paper units for using agricultural residues like cereal straw bagasse and jute sticks.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-(21)/76-Paper dated 11-1-1978]

Recommendation (Serial No. 17)

The Committee note that against the annual rated capacity of 10,800 tonnes in the Mandya Mills, the actual production during 1971-72, 1972-73 and 1973-74 (9 months) was 9825, 9595 and 7760 tonnes respectively. The utilisation of capacity was accordingly 91 per cent in 1971-72, 88.8 per cent in 1972-73 and 95.6 per cent in 1973-74. After the take over of the Mill in January, 1974, the Corporation re-organised the production operations by increasing the percentage of bagasse furnish and fixed the target for the year 1974-75 at 10,650 tonnes. However, the actual production was only 9202 tonnes and utilisation of capacity was 85.2 per cent. The shortfall of 1448 tonnes is stated to be due to the break-down of boiler in July, 1974 and acute shortage of water and bagasse.

The Committee are informed that since the total requirements of bagasse were not met by the nearby sugar factories, it became necessary to pro-

cure bagasse from distant places like Tamil Nadu, Andhra Pradesh and Maharashtra and annual contracts are being entered into with mills there to ensure sustained supply of bagasse throughout the year. The Committee would like the Government to examine the arrangements and conditions for supply of bagasse by Mysore Sugar Mills and whether there has been any failure or breach of contract by the Sugar Mills in supplying the required quantity of bagasse to the Mandya Mills because of which they had to go in for supplies from distant places and, if so, take suitable action therefore. They also recommended that the Corporation should work out the bagasse requirements of the Mandya Mills with reference to the present capacity and future expansion, identify the nearest sources of supply of bagasse and enter into firm commitments with the suppliers on a long term basis so as to ensure that its production is not affected on account of shortage of this essential raw materials.

(Paragraph 4.26 to 4.27)

Reply of Government

The Government have taken up the question of arrangement for supply of bagasse by Messrs Mysore Sugar Mills to the Mandya National Paper Mills with the State Government at the highest level. The matter is under consideration of the State Government. It is expected that a suitable agreement will be reached by which Mandya National Paper Mills would be able to make firm arrangements for meeting their present requirements of bagasse. The Mill has also identified other sources of bagasse and is trying to come to firm arrangements for their supply. As regards the expansion of the mill, it is based on bamboos, reeds and hardwoods for which the requisite commitment has been received from the State of Karnataka.

Comments of the Committee

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76]

Please see Para 6 of Chapter I of the Report.

Recommendation (Serial No. 19)

The Committee are informed that the second hand turbine which was purchased in 1962 could not be commissioned due to some accident and since then the mill has been dependent on the purchased power. As they have already recommended the Corporation should first decide expeditiously whether or not installation of a captive power plant is absolutely essential for the mill and if it be so, the Corporation should determine in consultation with the experts whether or not the old turbine, after repairs, can be put to economic use to meet the power requirements of the Mill. In case the old turbine cannot be put to economic use, the Committee have no doubt that the Corporation/Government would take urgent action to dispose it of in the best public interest.

Reply of Government

The old turbo generator set was blown off in the year 1964 and there was heavy damage to the rotor, stator and roto shaft. The HPC's expert consultants certified that the damage was beyond repair and although advertisements were issued for the disposal of the damaged items, the offers received were too low. The HPC are however making further efforts to dispose of these items at a suitable price.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76]

Further information called for by the Committee

[L.S.S. O.M. No. 22-PU/76, dated 30-12-1977]

Please indicate the latest position in regard to disposal of damaged items.

Further Reply of Government

The question of disposal of the Turbo Generator set which burst out in the year 1964 was referred to the Director General of Supplies and Disposal, New Delhi. The set was auctioned through the DGS&D on 17.1.1978 and the highest offer received was Rs. 1,82,000 (excluding 3 No. transformer). The acceptance of the bid is subject to the approval of the DGS&D Directorate General at Delhi, which is still awaited.

[Department of Industrial Development O.M. No. 10(21)/76-Paper, dated 15.2.1978]

Comments of the Committee

Please see Paras 9 and 10 of Chapter I of the Report.

Recommendation (S. No. 20)

The Committee note that the shut-down hours of the Mills rose from 20 per cent in 1972-73 to 23 per cent in 1973-74 and to 30 per cent during the first full year (1974-75) of the working of the Mills under the control and management of the Corporation. The Committee find that out of 2622 shut-down hours during 1974-75, the "General Shut" which included shut-down due to power failures and water shortage accounted for 1809 hours; repairs of various equipments accounted for 368 hours and machine clothing for 199 hours. The Committee are distressed to note that the shut-down of the machines during 1974-75, which was higher than that during the two preceding years, caused a shortfall of 2000 tonnes in the production of paper equivalent to sales value of Rs. 90 lakhs and a reduction in profit to the extent of Rs. 40 lakhs to the Mill. The Committee would like the Corporation to investigate the various causes for the shut down with a view to determine as to how far the causes could have been avoided by timely

and preventive action and fix responsibility for the lapses if any. The Committee recommend that conclusive measures should be taken to keep the shut-down hours to the minimum and save the mill from loss in production.

(Paragraph 4.31)

Reply of Government

HPC have examined the reasons for the shut down during 1974-75. It has been determined that the following are the main reasons for the shut down:—

(I) Water shortage:

As the level of water in Krishnaraja Sagar reservoir became very low in 1974, there was no flow in the canal which was the main source of water supply to the mill and the plant had to be shut down for a month;

(II) Due to low water level in the reservoir at Sharawati which is the main source of power supply in the State, the State Govt. had imposed a power cut varying from 10 per cent to 60 per cent and the power supply to the mills was restricted;

& (III) There was a break-down in the boiler in July '74 and it could be commissioned only in November '74. Restricted supply of steam caused a fall in production.

HPC have taken all possible steps to keep the shut-down hours to the minimum and in 1975-76 the shut-down was reduced markedly.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10/21/76-Paper, dated 18.10.76]

Further information called for by the Committee

Please indicate the improvement effected during 1975-76 and 1976-77.
(L. S. S. O.M. No. 22-PU/76 dated 30-12-1977)

Further Reply of Government

The following specific steps have been taken to keep the shut down hours to the minimum.

1. *Water shortages* As the level of water in Krishnaraja Sugar Reservoir used to go low, the mill was having difficulties because of shortage of water. To obviate this shortage of water, arrangements have been made near Deveraja Anicut across the river Cauvery to pump water to the mill.
2. *Power shortage:* The Karnataka Electricity Board had increased the quantum of power out from 10 per cent to 55 per cent from October '76 onwards. Efforts were made to obtain

power from Kerala and Tamil Nadu but this could be possible only after May 77. To overcome this power shortage, the mill has ordered a 1.5 M.W. Turbo Generator Set from M/s Triveni Engineering Works, Naini to supplement the power requirement of the mill. An oil Fired Boiler is being converted to Coal Fired Boiler to minimise cost of production of steam required for the generator. The mill expects to commission the new TG Set by the middle of 1978.

3. The mill has installed a Water Softening Plan which has improved the maintenance of Boiler Tubes.
4. Preventive Maintenance procedures have been introduced which has brought down the break down time to a considerable extent.
5. Provision has been made for an additional storage reservoir for the Treated Water Plan and additional storage space for Un-blached and Bleached Pulp, Black Liquor and White Liquor, which has helped to maintain the continuous operation of the Paper Machine.
6. To improve and stabilise its production, the Mill has also taken steps for the following:
 - (a) Installation of Reed Pulping Street;
 - (b) Installation of Balancing Equipment in the Chemical Recovery Plant; and
 - (c) Modification in the Paper Machine and the Stock Preparation Plant.

[Department of Industrial Development O.M. No. 10(21)/76-Paper dated 15.2.1978]

Recommendation (S. No. 21)

The Committee suggest that whenever a private unit is taken over by the Government/Management should immediately identify the critical items of machinery and equipment and taken all possible precautions to guard the critical equipments against sabotage or careless handling.

(Paragraph 4.34)

Reply of Government

Such precautions are already taken at the time of assuming management of private undertakings. Government have taken special note of this observation of the Committee.

[Ministry of Industry (Department of Industrial Development) No. 10/21/76-Paper, dated 28-1-77]

Recommendation (S. No. 22)

The Committee note that though as an integrated pulp and paper mill there was no overall unutilised capacity, all the sections of the Mandya Mills did not, however, have the matching capacity, while the paper machine has a capacity of 55 tonnes per day the chemical recovery section has a capacity for production of 30 tonnes per day and the pulp mill can produce only 40 tonnes per day. A scheme costing about Rs. 69 lakhs has been proposed for addition to balancing equipments. With the provision of these balancing equipments, the mill which was designed for a total production of 34 MT per day will be expected to produce around 50 to 55 tonnes of paper per day.

The Committee also note that while orders for balancing equipments to the extent of over Rs. 19 lakhs were placed in 1974 and 1975, action in regard to the balance of items is yet to be taken. Even in cases where orders have been placed, the delivery schedules in certain cases have not been adhered to by the suppliers. The Committee see no reason why all the orders for the balancing equipment could not be finalised and the entire equipment not obtained on top priority basis. They recommend that the Corporation should finalise orders in all the remaining cases without delay and ensure that supply of equipments is made according to a time-bound programme which should be adhered to strictly. They also recommend that the Corporation should not hesitate to enforce the penalty clause in the supply orders in cases where avoidable delays in adhering to the delivery schedules have occurred.

The Committee need hardly emphasise the urgency and importance of providing balancing equipments in the Mill to remove bottlenecks for the optimum utilisation of the available machine capacity. The Committee recommend that the Corporation should ensure that all civil and erection works are completed and the balancing equipments pressed into service without delay so that the heavy investment made to remove the imbalances starts yielding return at the earliest. The Committee would like the Corporation to ensure that the balancing equipment would be suitably integrated with the proposed expansion programme so as to ensure that the investment being made now is not rendered infructuous after the expansion.

(Paragraphs 4.36 to 4.38)

Reply of Government

In view of the proposed major expansion of the Mill under which a new paper machine and a recovery section has been provided the balancing equipment programme costing Rs. 69 lakhs was cut down to Rs. 35

lakhs by deferring modifications in the recovery section and paper machine. The balancing equipment installation will be completed by October, 1976.

About Balancing items, some of the critical items costing Rs. 19 lakhs were ordered during 1974-75. The order for other equipments could not be placed earlier as the supplier of the machinery have changed the design particulars of the towers. After getting the correct design, the orders for the rest of the items were placed.

The delay for construction of concrete Tower was also due to getting necessary permission from Railways as the Corporation had to cut a part of existing railway embankment. The permission was received recently. The tenders for the construction work of Tower have been floated.

Regarding other civil constructions almost all the work is over.

The erection work of balancing equipment such as Brown Stock Washer No. 3 and its accessories, instrument air compressor and workshop equipment are completed and commissioned. The work on additional steel tanks is in the final stage of fabrication and will be completed soon.

Regarding the delay in supply of materials, the Mills have introduced a penalty clause for future Purchase Orders.

The expansion scheme costing Rs. 36.16 crores has already been submitted to the Government for PIB clearance. The Balancing Equipment Scheme has been suitably integrated with the Expansion Scheme.

Ministry of Industry (Department of Industrial Development) O.M.
No. 10-21/76-PAPER DT. 18.10.76.

Recommendation (Serial No. 23)

The Committee note that a scheme for expansion of the Mandya Mills costing about Rs. 32 crores was drawn up by the Corporation as it was recognised that the sick mills cannot survive unless it is expanded to an economic and reasonable size. The Committee also note that a special provision was made for the expansion of the Mills in the Tripartite Agreement dated the 16th May, 1973, signed by the State Government of Karnataka, Mandya National Paper Mills and the Hindustan Paper Corporation under which the State Government of Karnataka had agreed to make available eight forest areas adjacent to the mills which were expected to yield about 1,40,000 tonnes of air-dry bamboos for a period of 20 years commencing after regeneration of bamboo forests and during the period of process of regeneration, the Corporation was to be allowed to extract such quantities as would be available. The Committee are informed that subsequently the situation had changed as the Government of Karnataka had taken control over the Mysore Paper Mills and had decided that both Mandya and Mysore Paper Mills should be expanded to an economic capacity.

They also learn that after the gregarious flowering of bamboos in 1974 the Government of Karnataka informed the Corporation that it was not possible for them to fulfil their earlier commitment to allot 1,40,000 tonnes of bamboos per annum on regeneration as extensive bamboo areas had flowered and regeneration had not been adequate. After protracted correspondence with the State Government by the Corporation as also by the Central Government at the highest level, the Government of Karnataka have now agreed to allocate five such forest areas to the Mandya Mills as on regeneration would yield 73,000 tonnes of bamboos that too only for a period of 5 years. As the regeneration is expected only, in about 1982, the Government of Karnataka have also agreed to make available 25,000 tonnes of bamboos, 20,000 tonnes of reeds and 10,000 tonnes of hardwoods in the interim period. The Committee are informed that on the basis of the availability of forest raw materials in the interim period, the Corporation is preparing a scheme for immediate expansion of Mandya Mill which will then be sent to the Government of India for consideration and approval. The Committee feel that the expansion plan should be such as to raise the capacity of the mill to an economic and viable size and it should be possible to persuade the State Government to agree to supply the forest raw materials on a long term basis for the expansion of the mill to an economic size.

The Committee feel that in view of the past experience of the Corporation/Government with the Government of Karnataka who have once gone back on their commitment made in 1973 in this regard, it would be advisable to make sure that the new commitment made by the State Government to allot forest areas of bamboos on regeneration and bamboos, reeds and hardwoods in the interim period is irrevocable before any expansion plan is implemented.

The Committee feel that five year period for the duration of lease as agreed to by the State Government is not adequate in view of the heavy investment which the Corporation would be making on the expansion programme. They recommend that the Government/Corporation should have the duration of lease extended to a period of 20 years as originally envisaged.

The Committee also recommend that Government/Corporation should carefully examine the financial viability of the new expansion scheme on the basis of current availability of raw materials before its sanction and implementation.

(Paragraphs 4.49—4.53)

Reply of Government

H.P.C. are negotiating with the State Government for obtaining clear cut commitments regarding supply of adequate raw materials. They are also negotiating for extension of the duration of the lease for a period of 30 years. After the State Government agree to these changes, HPC will enter into a long term agreement.

[Ministry of Industry (Department of Industrial Development) O.M.
No. 10-21/76-PAPER dt. 18.10.76]

Further information called for by the Committee

Please indicate the outcome of negotiations with the State Government.
(L.S.S. No. 22-PU/76 dated 30-12-1977)

Further reply of Government

The immediate availability of raw-material as per the assessment made by HPC *vis-a-vis* the allotment made by the Karnataka Government is as under:

Item	Quantity of raw Material Allotted by Karnataka Government		Estimate of Availability of HPC.	
	Present	Ultimately after bamboo clumps mature	Present	Ultimately
Reeds	20,000	20,000	15,000	15,000
Bamboos	25,000	73,000	4,000	73,000
Hardwoods	10,000	10,000		
Eucalyptus	40,000	40,000	1,000	1,000
TOTAL	95,000	143,000	20,000	89,000

1. Since there was a wide difference between the quantity allotted by the Government of Karnataka and that assessed by HPC, the Union Minister for Industry called a meeting on 6th December, 1977 which was attended by the Chief Minister of Karnataka and the concerned officers of the State Government to consider whether the commitments made by the State Government of MNPM could be honoured and if not then what were the alternate solutions.

2. In this meeting the Union Minister for Industry observed that if the State Government was not in a position to honour its commitments, they should consider taking over the running of the Mandya National Paper Mills themselves. The Chief Minister agreed that this was a possible solution. It was also decided that the Chief Secretary, Karnataka, who was also present, should hold a joint meeting of the representatives of the State Forest Department and the HPC to work out the parameters of a joint study. This study should be conducted within a period of two months, and if it was found that raw materials allotted to Mandya did not in fact exist as contended by the HPC, and if no additional allotments could be made by the State Government then alternate options should be considered, such as the taking over of Mandya National Paper Mills by the State Government. Further discussions are being held with the State Government authorities.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10(21)/76-PAPER dt. 15.2.78]

Comments of the Committee

The matter regarding additional allotment of raw material to the HPC by the State Government of Karnataka or in the alternative taking over the running of Mandya National Paper Mills by the State Government themselves, may be finalised early and the final result of the discussion being held with the State Government in this regard may be intimated to the Committee.

Recommendation (Serial No. 24)

The Committee note that the Hindustan Paper Corporation proposes to procure a second hand paper machine from abroad to reduce the project cost of the proposed expansion of the Mandya Mill. They are informed that a second hand paper machine of about 60 TPD would cost around Rs. 2 crores while a new paper machine of the same capacity would cost around Rs. 6 crores and the installation of second hand machine would enable the Corporation to gain roughly Rs. 32 lakhs per annum of reduction in the cost of production @ Rs. 150 per tonne. The Committee do not see the rationale behind the assumption of 20 years as the expected life of a new machine as well as the old machine for purpose of comparative calculation of cost of production. In view of this, the Committee feel doubtful as to how far the claim of the Corporation that the old machine, as compared to the new machine, would yield a gain of Rs. 32 lakhs a year on cost of production @ Rs. 150 per tonne could be sustained.

The Committee note that the paper machinery industry in the country is capable of producing small size, medium size and large size plants of capacity ranging from 20 tonnes to 150/200 tonnes per day and its capacity utilisation during 1975 has been around 50—55 per cent. The Committee also note that while on the one hand the capacity utilisation in

the industry has been rather low on account of lack of orders or improper flow of orders, on the other hand, the Corporation is thinking of importing second hand paper plant to keep the project cost low. As stated by the Corporation itself, the possibility of second-hand machinery imported from abroad turning out to be incomplete and its substantial parts being nothing more than scrap is also not ruled out. The Committee would like that the Government should critically go into the economics and advisability of importing second hand machinery from abroad consistent with their policy of encouraging use of indigenous machinery taking into account all the relevant factors and take a decision in the larger and long term interest of the nation and the paper industry. They need hardly stress that when indigenous capacity to manufacture paper machinery is available in adequate measure, maximum amount of machinery should be obtained from indigenous sources.

(Paragraphs 4.64-4.65)

Reply of Government

HPC was proposing to obtain a second hand paper machine mainly to limit the capital cost of the proposed expansion scheme for the Mandya Mills. It has since been decided that a new paper machine would be purchased from the indigenous sources for the Mandya expansion scheme. As regards the import of machinery, it may be reiterated that Govt. policy has always been to encourage use of indigenous paper machinery. The facility of allowing second hand paper machines of capacity below 10,000 tonnes was given only temporarily up to 31st December, 1975 in the context of the urgent need to fill up the gap in the installed capacity for manufacture of paper with a reasonable short period at low capital cost. This scheme is no longer in force and entrepreneurs have to procure the machinery from indigenous sources for setting up future capacities for manufacture of paper.

[Ministry of Industry (Department of Industrial Development), O.M. No. 10-21/76-PAPER dt. 18.10.76].

Recommendation (Serial No. 26)

The Committee note that while the cost of production of white printing paper in Mandya Mills is Rs. 3205 per tonne, under the orders of the Government it is required to be sold at a controlled price of Rs. 2750 per tonne, with the result that there is a gap of Rs. 478 per tonne between the cost of production and the selling price. The Committee are informed that the Corporation is trying to reduce the cost of production by using higher percentage of filler and reducing the chemical consumption to the extent that the quality of paper is within ISI specifications. The Committee would like the Corporation not to spare any efforts to bring

about reduction in the cost of production of white printing paper consistent with the quality specifications so as to be within the standard level and avoid loss on this account.

(Paragraph 4.80)

Reply of Government

The HPC have been making constant efforts to reduce the cost of production of white printing paper. The cost has now been reduced to Rs. 2900/- per tonne as against Rs. 3205/- and it is hoped that with further effort and after installation of balancing equipment, there will be a further reduction in the cost of production of white printing paper which would bring the loss to nil.

[Ministry of Industry, (Department of Industrial Development), O.M. No. 10-21/76-PAPER, Dt. 18.10.76]

Recommendation (Serial No. 27)

While the Committee are happy at the reorganisation of the marketing system by the Corporation after the take over of Mandya Mill, they feel that in the field of paper where demand is much more than the supplies, it should not be necessary to have a very large marketing set up. They would, therefore, like the Corporation to keep this aspect in mind while determining the size of the marketing set up and ensure that the marketing expenses are kept to the minimum.

(Paragraph 4.81)

Reply of Government

The paper industry in India has been subject to cyclic fluctuations and HPC's marketing organization is being set up with the objective of coping with this inherent cyclical nature, as also to have a direct consumer contact. The Corporation is fully conscious of the need to minimise marketing expenses and to keep the size of the marketing set up within reasonable limits. HPC is also keeping in view the need to maintain market communication for ultimately being able to handle the expected out put of 1000 tonnes per day which would be the estimated production of their proposed units.

[Ministry of Industry, (Department of Industrial Development), O.M. No. 10-21/76-PAPER, Dt. 18.10.76]

Recommendation (Serial No. 28)

The Committee find that Corporation is setting up depots to meet the requirements of smaller consumers. They would like the working of depots to be kept under constant and continuous review and necessary improvements made in the light of the experience gained to ensure that paper is available easily to all the smaller consumers at a reasonable price.

They recommend that the marketing expenses *vis-a-vis* sales turnover and the working results of the depots should be reviewed from time to time and the report of the review should be placed before the Board periodically to enable it to advise remedial measures to bring the marketing expenses down whenever they happen to go up beyond a reasonable limit.

(Paragraph 4.82)

Reply of Government

HPC will be continuously reviewing the working of its depots/branches and will be drawing up efficiency norms. The results of these reviews will be placed before the Board periodically as recommended by the Committee.

[Ministry of Industry, (Department of Industrial Development), O.M. No. 10-21/76-PAPER, Dt. 18.10.76]

Recommendation (Serial No. 29)

The Committee would suggest that, after a unit is taken over by Government, Government Management should take that opportunity to explore the possibility of evolving a wage system with built-in incentives in which the accent should be on productivity.

The Committee further suggest that immediately after take over the Management should also review the sales and purchase procedures of the private units to make sure that there is no surreptitious margin built into these procedures so that these do not operate to the detriment of the public sector.

(Paragraph 4.83)

Reply of Government

The administrative Ministries/Departments have been suitably advised in this regard *vide* Bureau of Public Enterprises' O.M. BPE/GL-002/77/MAN/9(33)/7 BPE(GM I) dated 14-1-1977 (Copy enclosed).

[Ministry of Finance BPE No. 9(34)/76-BPE(GMI) dated 18.1.77 & Department of IDOM No. 10-21/76-PAPER, dt. 28.1.77]

COPY

No. BPE|GL-002|77|MAN|9(33)|76-BPE(GM. I)

Government of India
Ministry of Finance
Bureau of Public Enterprises

7th Floor, Mayur Bhavan, Connaught
Place, New Delhi, the 14th Jan., 1977

OFFICE MEMORANDUM

SUBJECT:—Review of wage system, sales and purchase procedures, etc. in the taken over private sector units.

The Parliamentary Committee on Public Sector Undertakings in their Eighty-fifth Report (April, 1976) have inter alia made the following recommendations:

“The Committee would suggest that, after a unit is taken over by Government/Managing should take that opportunity to explore the possibility of evolving a wage system with built-in incentives in which the accent should be on productivity.

The Committee further suggest that immediately after take over, the Management should also review the sales and purchase procedures of the private units to make sure that there is no surreptitious margin built into these procedures so that these do not operate to the detriment of the public sector.”

The above observations were made by the Parliamentary Committee in the context of their study on the working of Mandya Paper Unit taken-over, the Hindustan Paper Corporation, a Central Public Enterprise. However, the recommendations in question of a general applicability and are, therefore, brought to the notice of the administrative Ministries for guidance in future. If any general revision in the wage system is called for, the instructions contained in the Bureau of Public Enterprises' O.M. No. 2(194)/71BPE(GM) dated 21-10-1971 may also be kept in view.

Sd/-
(S. Krishna Moorthy)
Joint Director
Tele; No. 262221

To

All Ministries/Departments of the Government of India etc.

Copy to:—(i) The Controller & Auditor General of India.

(ii) Adviser (P)|Adviser (F)|Adviser (C)|Director I&R|Secretary,
PESB/DS(C), Bureau of Public Enterprises.

(iii) Chief Executive of Public Enterprises.

Sd/-
(S. Krishna Moorthy)
Joint Director.

Recommendation (Serial No. 33)

The Committee are informed that the purchase Manager and the Financial Controller of the Mill, who was in service of the Mill before the take over of the Mill by the Corporation, were found lacking in exercising effective financial control on purchases and the Corporation "got rid of them" when things came to its notice. The Commercial Manager is reported to have left the services of the Mill in January, 1975 after having worked under the old management for 15 years. A new Purchase Manager has been appointed and a new Financial Controller and Internal Auditor are also joining. The guidelines about the purchase procedure have been issued and procedure is being stream-lined. The Purchase Committee has been asked to tighten its control. The Committee recommend that the Corporation should ensure that the procedure for purchases is implemented in letter and spirit and all deviations from the purchase procedure in the case of major purchases together with the reasons therefor should be brought to the notice of the top management of the Mill and the Board. The purchase procedure should also be reviewed from time to time and modified if necessary in the light of experience gained.

(Paragraph 4.99)

Reply of Government

The observations of the Committee have been noted for future compliance. An exhaustive Purchase Manual on the lines laid down by BPE is under preparation, incorporating standard guidelines for procurement of capital and operational items. This will be reviewed periodically to up-date its contents in the light of the experience gained from time to time. The deviations from purchase procedures, if any, in the case of major purchase together with the reasons would be brought to the notice of the top management of the Mill and the Board of Directors.

[Ministry of Industry, (Department of Industrial Development), O.M. No. 10-21/76-PAPER, Dt. 18.10.76]

Recommendation (Serial No. 35)

The Committee recommend that when the revised estimates vary so widely from the original estimates as has been in this case, the Investment Board of the Central Government should go into the reasons for such wide variations, fix responsibility for it as it seriously affects the economic parameters on the basis of which the Project is sanctioned and issue necessary guidelines to all concerned to obviate recurrence.

(Paragraph 5.24)

Government reply to Recommendation No. 35

It has been laid down in the Ministry of Finance, Deptt. of Expenditure (Plan Finance Division) O.M. No. 26(6)/PF-II/70, dated 30-9-1972 copy enclosed Appendix-II on the setting up of the Public Investment Board that :

“If a detailed project report or any other revision throws up a cost estimate which exceeds more than 20 per cent the amount approved at the stage of investment decision the matter should be referred to the Board again”.

So far about 50 revised estimates have been put up to the PIB for approval based on these guidelines laid in the O.M. on setting up of PIB. Just like the Feasibility Reports and DPRs, these revised estimates are also scrutinised by various agencies in the Government like the Administrative Ministry, Associated Finance, BPE, Planning Commission etc. to satisfy themselves as to the reliability of these revised estimates and also that these revisions could not be foreseen earlier at the time of preparing the original FR/DPR. It has been also laid down in O.M. No. BPE/1 (185)/Adv(F)/72 dated 24.11.72 that such revised project cost estimates should also include the revised profitability of the project based on such revised capital cost estimates. So it may be seen that guidelines have been already issued requiring PIB's approval to revised project estimates where such estimates exceed the sanctioned cost by more than 20 per cent and also to include the revised profitability estimates at the time of submission of such revised project cost estimates.

2. Ministry of Finance, Deptt. of Expenditure, have also brought to the notice of the administrative Ministries *vide* its O.M. F1(10)/PF-11/76 dated 17th April, 1976 Appendix-III that while seeking investment proposals, they should ensure that cost estimates are not only carefully worked out but are also complete in all respects, and also further ensure that commitments are entered into only after investment decisions are taken on the basis of carefully worked out estimates. It will be observed that it is the responsibility of the administrative Ministry to go into the reasons for the variation and to fix the responsibility therefor. However, the instructions for carefully worked out cost estimates have already been issued by the Government.

[Ministry of Finance (BPE) D.O. No. 9(34)/76-BPE(GM.I) dated 9.11.76 and Deptt. of I.D.O.M. No. 10-21/76-Paper Dated 28-1-77]

Recommendation (Serial No. 36)

The Committee further note that the revised cost estimates of the Nagaland Project would push up the cost of production per tonne from Rs. 1606 as estimated in 1971 to Rs. 4585 as estimated in 1975 and depress the profit per tonne from Rs. 424 estimated in 1971 to Rs. 276 as

estimated in 1975. This position of profitability is stated by the Ministry to be based on the assumption that down-time of machinery and the expenses of treatment and disposal of effluent would not be unusually high. But, the Corporation feels that because of the dispersed locations of the various sections of the mill, and the difficulties which would be experienced in repairs and maintenance during rainy season, the down-time will be rather high, making it not possible to run the mill to full capacity, and the capital costs on treatment and disposal of effluent would be substantially higher than earlier estimated. The Committee regret to note that "the mill would not be among the more profitable ones", and in the opinion of the Chairman-cum-Managing Director of HPC, * it will never make profits in all probability". The Committee cannot but express their deep concern over the bleak future thus projected of this mill which on present indications would turn out to be a losing concern in all probability and thus become a permanent liability. The Committee recommend that the Government/Corporation should seriously and urgently look into the problems of maintenance, down-time and effluent treatment and disposal which have upset the profitability of the Mill so gravely and spare no efforts to find a satisfactory solution with the help of experts to these known problems.

(Paragraph 5.25)

Reply of Government

The Corporation has already secured the services of a number of experts in the field of soil mechanics, geology, civil engineering etc. in order to arrive at the best possible solution and to overcome stupendous difficulties of constructing and managing a mill at Tuli. The suggestions and advice of other government agencies like BPE, CWC, NEERI etc. are also being sought wherever necessary.

The problem of effluent treatment and disposal is under active consideration and the consultants (NIDC) alongwith the technical experts of the HPC are working out a solution. The National Environmental Engineering Research Institute, Nagpur also has been consulted.

[Ministry of Industry (Department of Industrial Development) No. 10-21/76-Paper dated 18-10-76]

Recommendation (Serial No. 37 & 39)

The Committee note that the Nagaland Pulp and Paper Mills was conceived by the State Government of Nagaland sometime in mid sixties and out of the two sites, at Tuli and Naginimara, considered suitable by the experts, the site at Tuli was selected by the State Government for constructing the mill.

The Committee are informed by the Corporation that the site at Tuli has many disadvantages and the mill at Tuli would never make profits in

all probability. The Corporation is reported to have suggested shifting of the mill from Tuli to Naginimara where besides many other advantages, the cost of construction of the mill will be Rs. 2 crores less than that at Tuli and saving in the cost of production on an annual production of 33,000 tonnes would be Rs. 64.35 lakhs.

The Committee are informed by the Ministry that they have consulted the Nagaland Government twice about the proposed shifting but the latter had stated that it was not possible from their point of view to shift the site. The Committee learn that besides loss of a considerable part of the investment already made at Tuli and the delay that the shifting will cause, there were difficulties in regard to the acquisition of land and in this matter the Central Government have to go by the judgement of the State Govt. The Ministry have stated that although, comparatively speaking, there was some advantage in having the other site, the balance of advantage from the 'practical point of view lies in sticking to the original site taking care of the other difficulties and defects that might arise at the present site.

The Committee note that while the preliminary report of the International Consultants left the question of site between Tuli and Naginimara undecided, the Kane Committee, which was appointed by the Central Government to go into the feasibility report and other aspects connected with the establishment of the paper project, concentrated only on the problems relating to the availability and suitability of raw materials and did not give any consideration to the question of selecting a suitable site for the project. The detailed project report prepared by the Government of Nagaland on the basis of conclusions arrived at by Kane Committee, did not give any detailed comparison of Tuli and Naginimara sites. The appraisal group of experts appointed by the Central Government to scrutinise the DPR submitted by the Government of Nagaland, it appears, did not examine the merits of the other two sites, (Dimapur and Naginimara) and compared the merits of the two possible sites in Tuli area only and recommended the present site. Thereafter, a Cell was set up by the Ministry of Industrial Development to provide guidance and active assistance for the quick implementation of the project and the Cell, expressing their views in respect of the site, stated that "we generally agree with the site which has been selected by you for locating the proposed plant".

The Committee are informed that thereafter NIDC was engaged to update the capital costs and on the strength of their report the project was finally cleared by the Government. The Committee are constrained to observe that even though the project was examined by many experts at various stages, the question of suitability of site was either side tracked or not subject to any scientific study to determine the effect of site on the economics and efficiency of the project. It is all the more regrettable that NIDC which were appointed consultants for the project also overlooked the question of suitability of Tuli area for the project and did not bring out

the inherent disadvantages of the site which it is now pointed out, will have serious effect on the economics and efficiency of the mill.

In view of the difficulties involved in shifting the mill to any other site as also the fact that an expenditure of nearly Rs. 3 crores has already been incurred on civil and other works at Tuli, the Committee are led to the conclusion that location of mill at Tuli is *fait accompli*. There is imperative need to resolve the difficulties and defects that arise at the present site. As already recommended by the Committee in para 5.25 of the Chapter, they would like the Government/Corporation to earnestly look into the problems of maintenance, down-time and effluent disposal which are likely to upset seriously the profitability of the mill and spare no efforts to find satisfactory solutions to these problems so as to offset the locational disadvantages of the project and thus prevent this mill from becoming a permanent liability.

The Committee are informed that a landslide occurred in September, 1974 near the Digester House of the Mill. The Experts Committee, which was appointed by the NIDC (the consultants) to go into the matter came to the conclusion 'the so-called slips to the hillock sides are essentially the sliding of the loose excavated soil dumped on the hillock sides caused by rain water'. The Expert Committee observed that the natural soil was quite stable and there need be no anxiety on this account. As regards the site being in an active earthquake thrust zone, the Experts Committee stated that there need be no fears on this account as long as structures and formulations were designed making allowances for earthquake as per ISI codes, which they were advised was being done. The Experts Committee were satisfied that these site was suitable from an engineering point of view. They however, did not examine the suitability of the site from the operational and economic angles.

The Experts Committee have made recommendations for taking certain additional protective measures to protect the hillock sides from further damage. The Committee would like Government to take all necessary protective measures to safeguard the structure of the mill and plant. The Committee would like to be informed of the concrete measures taken in this behalf.

[Paragraphs 5.26 to 5.31 and 5.33 to 5.34]

Reply of Government

The recommendations as given by the expert committee appointed by NIDC are being followed. Nevertheless in February, 1976 the Govt. constituted another expert committee to go into the suitability of the site at Tuli and recommend measures to be taken for slopes protection. As recommended by this committee a soil testing team of Central Water Commis-

sion was also engaged to test the soil. The recommendations for soil protection are still awaited. Meanwhile, the Corporation has also retained the services of Dr. Adke an eminent civil engineering expert in the country, to suggest and approve necessary protective measures undertaken for strengthening the slopes at the mill site.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18.10.76]

Further information called for by the Committee

In the reply furnished by Government it has been stated that in February, 1976, the Government constituted another expert committee to go into the suitability of the site at Tuli and recommend measures to be taken for slope protection. Please state:—

- (a) What are the recommendations of the Expert Committee with regard to the slope protection of the site at Tuli and what action has been taken thereon. Please also state the composition of the Committee.
- (b) Have the recommendations of the soil testing team of Central Water Commission in this regard been received by Government. If so, what are these and what action has been taken thereon?

LSS O.M. No. 22-PU/76, dated 20-1-1977

Further reply of Government

(a) The Expert Committee constituted by Government of India to assess the suitability of the site at Tuli and measures for slope protection consists of the following members:—

- (1) Shri V. K. Joshi
Director (Canals) C.W.C.—*Chairman*
Members
- (2) Shri R.V. Chalapathi Rao
Director, Engineering Geology
Geological Survey of India Member
Members
- (3) Shri N. K. Chakraborty Member
Dy Adviser (Construction)
Bureau of Public Enterprises
- (4) Dr. N. Som Member
Reader of Civil Engineering
Soil Mechanic Department
(Jadavpur University)

A Copy of the draft recommendation handed over by the Committee is enclosed (Appendix IV). Steps are being taken to carry out the work as per the recommendations of the committee.

(b) The soil testing team of Central Water Commission conducted soil testing work as advised by the Expert Committee. They have submitted the results of the soil investigation directly to the Chairman, of the Expert Committee and the recommendations of the committee is based, *inter alia*, on these soil investigations results.

[Department of Industrial Development O.M. No. 10-21/76-Paper dated 3.3.77]

Statement showing Action taken on the recommendations/conclusions contained in the Eighty-fifth Report of the Committee on Public Undertakings on Hindustan Paper Corporation

Recommendation (Serial No. 38, Paragraph 5.32)]

The Committee need hardly point out that the selection of site for location of public sector enterprises should be made in the larger public interest after a thorough and critical appraisal of the merits and demerits of all the possible sites and the location should be such as well, on balance, be most conducive to the efficient and economic running of the project, and not such as would make a project permanently losing proposition. The Committee need hardly stress that the Investment Board is expected to critically and thoroughly go into the suitability of location of a project before according approval thereto. They would like the Bureau of Public Enterprises to bring this matter to the notice of all the Ministries and public undertakings for their future guidance.

Government's reply to Recommendation No. 38

The points made are being taken note of by the various processing agencies in respect of projects now being posed for investment approval. In fact, to enable appraisal of projects based on different locations, all feasibility reports/ project reports are required to show the cost involved—capital an revenue—of various alternatives based on the different locations, techniques of production, level and pattern of production, etc. This aspect has been emphasised in the guidelines for the preparation of feasibility reports for industrial projects issued by the Government in January 1975, for the benefit and adoption by the various agencies concerned with the preparation and appraisal of feasibility reports/project reports. The fact that investment approval and sanction of expenditure depend *inter-alia* on the data provided by the Ministry for an examination of the reasonableness

of cost estimates and techno-economic viability (with reference to choice of technology, product-mix, scale of operations, location etc.) has been again reiterated by the Government *vide* Ministry of Finance (Plan Finance Division's) O.M. No. F. 1(17)/PF-II/76 dated the 20th November, 1976, in the context of advising the administrative Ministries about the action to be taken pursuant to the recommendations contained in the 98th Report of the Estimates Committee (1975-76) on Ministry of Finance (Deptt. of Expenditure) relating to delegation of financial powers.

[Ministry of Finance (BPE) P.O. No. 9(34)/76-BPE, dated 18-1-77 & Deptt. of ID OM No. 10-21/76-Paper dated 28-1-77]

Recommendation (Serial No. 42 and 43, Paragraphs 6.10 and 6.11).

The Committee are informed that as a general policy Government feel that taking a long range point of view it may be advisable to gradually develop capability for such purposes with Hindustan Paper Corporation itself although this proposal is yet to be considered from all angles and given a concrete shape.

Now that the Hindustan Paper Corporation has been entrusted with the implementation of the Newsprint Project and a number of other projects, it appears to be more appreciate if the consultancy service and expertise for paper technology are developed under the HPC. The expertise if any, available with the NIDC could also be suitable absorbed by the HPC.

The Committee have found that in the case of fertilisers, several parallel agencies in the public sector have been developed for designs and consultancy with the results that not only the efforts of these organisations got diluted and difficulties are faced in taking final decisions about design but there is also avoidable duplication and heavy unnecessary overheads. The Committee feel that it is time that Government consider all aspects and take a decision about the location of design and consultancy services for paper in the public sector so that it could be squarely entrusted with the responsibility of development and execution of projects.

Reply of the Government

The Government of India recently decided that HPC should itself develop design consultancy services and expertise on paper technology and all the future consultancy services in the field of pulp and paper should be rendered by the HPC. M/s NIDC have been advised to complete their existing commitments and no further pulp and paper projects should be taken up by them. After completion of the Nagaland Project, pulp and paper section of the NIDC will be wound up. In the future HPC will be:

the sole agency responsible for development and execution of pulp and paper projects in the public sector.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10—21/76-Paper dated 18-10-76.]

Recommendation (Serial No. 44)

The Committee are informed that the Hindutan Paper Corporation approached the reputed firms of foreign consultants to quote their fees and ultimately in 1975 appointed M/s. Sandwell and Company Limited, Vancouver, (Canada) as its consultants for the Kerala Project and this arrangement has also been approved by the Government of India. The Committee find that before entering into agreement with M/s. Sandwell Co. negotiations were also conducted with M/s. Simon (International) Limited about the terms and conditions and finally M/s. Sandwell & Co. had been selected. The Committee hope that the Corporation had kept in view the difficulties experienced by NIDC with M/s. Simon & Co. before finalising the terms and conditions of agreement with M/s. Sandwell & Co. and ensure that such problems had been taken care of so that the terms and conditions are in the best interests of the Corporation and the country and the technology selected is most uptodate.

(Paragraph 6.12)

Reply of the Government

All necessary precautions have been taken while executing agreements with M/s. Sandwell & Co. as the foreign consultants for the Kerala Newsprint Project. M/s. Sandwell & Co. had been selected for this assignment after detailed scrutiny of various offers received by the Corporation from different world renowned companies in the field of pulp and newsprint. It is confirmed that agreement has been executed in the best interests of the Corporation and the country and the technology selected is most uptodate in the field of pulp and newsprint industry.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10—21/76-Paper dated 18-10-76]

Recommendation (Serial No. 50)

The Committee find that the approval to the revised estimates was given by the PIB subject to the condition that utilisation of pulping techniques for hybrid eucalyptus is carefully examined and necessary precautions taken to arrest the fungus attack on eucalyptus. The Committee are informed that the Expert Committee appointed in July, 1973 examined the question of utilisation of hybrid variety of eucalyptus recommended installation of three pulping streets instead of two as originally

envisaged without involving revision of capital cost. The Committee are also informed that the question fungus problem has been referred to another Expert Committee associating the Dehra Dun Forest Research Institute. The Committee would like to be informed of the findings in regard to fungus problem and the action taken in pursuance thereof, as this raises a very basic question about the raw material to be used for paper manufacture. (Paragraph 6.41).

Reply of Government

The expert committee which was appointed in 1973 to go into reasons of fungus attack on Eucalyptus trees has informed that 10 thousand hectares of plantation raised on high altitude and low rains fall areas are free from fungus disease. This Committee also recommended that a fungus investigation unit should be set up in the Kerala State Forest Department to work out the profilative measures to combat the fungus disease. In accordance with these recommendations the fungus investigation cell has been set up in Kerala State Forest Department and the personnel required for this project are being brought in position early. This unit will start functioning in October, 1976.

According to the available statistics 10 thousand hectares of Eucalyptus grandis plantations so far raised by the Kerala State Forest Department will be approximately 17 years of age when they will be felled for the project. The wood obtained from these plantations would suffice for the production of mechanical pulp for the first 10 years after the commissioning of the mill. There after the wood will be available from coppice crops of 10 years of age. The Kerala Government is taking necessary action to raise in the next two years an additional plantation of about 6,000 hectares of Eucalyptus grandis. With this additional plantation area becoming available for harvesting after the 10th year there may be no necessity for using Eucalyptus hybrid in the Kerala Newsprint Project. Besides, the tests arranged by the Foreign Consultants Sandwell and carried out by Defibrator, Sweden have confirmed that a mixture of 75 per cent Eucalyptus grandis and 25 per cent Eucalyptus hybrid will give the desired quality pulp.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10—21/76-Paper, dated 18-10-76.]

Further Information called for by the Committee

When did the fungus investigation cell of Kerala State Forest Department start functioning?

[L.S.S. O.M. No. 22-PU/76 dated 30-12-1977].

Further Reply of Government

The Fungus Investigation Unit started functioning with effect from the 3rd September, 1976 at the site and is being fully financed by the Department of Science and Technology Government of India. However, the work on the project was initiated at the Forest Research Institute and Colleges Dehradun, even before the Fungus Investigation Unit started functioning.

[Deptt. of Industrial Development O.M. No. 10(21)/76-Paper dated 15th February, 1978].

Recommendation (Serial No. 51)

During the course of examination of the Nepa Mills in 1973, the Secretary of the Ministry of Industrial Development had informed the Committee that besides expanding the capacity of Nepa Mills, a project was coming up in Kera'a under HPC which would be completed by the end of 1976 and it would produce 70,000 tonnes of newsprint and 10,000 tonnes of magazine paper based on eucalyptus.

The Committee are now informed by the Corporation as well as the Ministry that the date indicated towards the end of 1973 for the commissioning of the Kerala Project was not realistic, as raw materials had not been tied up, only a small parcel of land had been acquired, foreign exchange had not been provided, settlement with State Government regarding infrastructural facilities had not been made and even quotations for equipment had not been received. The PIB clearance for capital cost had not been obtained. The Ministry stated that even if the above problems had not intervened, the project could not have been completed by the end of 1976 since it would have taken 3 to 3½ years from the date of final clearance of the project.

The Committee are also informed that:

- (a) Agreement with the State Government on the assistance required including allotment on long term basis of forest areas was signed only on 7th October, 1974;
- (b) The major portion of the land had been taken over by HPC only by the middle of 1975 for the site preparation operations;
- (c) Arrangement for foreign exchange was made only in the month of August, 1974;
- (d) In February, 1974. Simons formally backed out of collaboration with NIDC and HPC had to cancel its consultancy

arrangement with NIDC and had to make alternative arrangement for foreign collaboration;

(e) Orders for major plant and machinery are yet to be placed.

The Committee are surprised as to how without taking these important factors into account the date for commissioning could have been given out as 1976.

These Committees are informed that a number of preliminary items of work had been completed and the project is now expected to be commissioned by 1978. The Committee also note that the Corporation has entered into an agreement with the Kerala Government on 7th October, 1974 for sustained supply of raw materials to the project from 1977-78. According to the agreement if the Corporation does not place orders for major plants by the end of March, 1977 or does not complete before the end of December 1978, all the factory and other buildings essential for production, the Government of Kerala would be entitled to review the reservation of plantations from where the Corporation has to take raw materials for its Kerala Project. According to the agreement with M/s. Sandwell, the work is to be completed by the 31st December, 1978 at the latest.

The Committee need hardly stress that it is imperative on the part of the Corporation to ensure that the completion of project is not delayed more as there is a commitment made with the Kerala Government on which the Corporation are dependent for the supply of raw materials.

The Committee would like the Ministry to keep a close watch over the progress of the project and render all assistance to the Corporation in overcoming constraints, if any, so as to enable the Corporation to adhere to the revised schedule.

(Paras 6.52—6.57)

Reply of Government

To monitor the progress of the project an updated Bar Chart has been prepared, indicating all major activities and the time taken which will be reviewed from time to time during the course of the project work for the purpose of adherence to the time schedule.

[Ministry of Industry (Department of Industrial Development
O.M. No. 10/21/76-Paper dt. 18-10-76]

Recommendation (Serial No. 52)

The Committee note that the project estimates prepared by the National Industrial Development for the Nowgong and Cacher Projects in 1971-

'72 for Rs. 32 crores and 31 crores respectively for an annual capacity of 50,000 tonnes had first been revised by the Hindustan Paper Corporation to Rs. 88 crores of a capacity of 80,000 tonnes and thereafter to Rs. 115 crores for an annual capacity of 1 lakh tonnes and submitted to Government in May, 1976. The increase in cost has been stated to be due to not only the increase in capacity but also factors like incorporation of latest technology, provision of additional machinery and equipment and price escalation. The Committee feel that the initial project itself should have been based on plants of economic size of 1 lakh tonnes capacity instead of 50,000 tonnes and revising the estimates from time to time thus losing more than two to three years in the process.

The Committee further note that the Corporation has settled the terms of agreement with the State Government for supply of raw materials and infrastructural facilities for both the projects and the conclusion of the agreement were awaiting investment decision of the Government.

(Paragraphs 7.27 & 7.29)

Reply of Government

It is submitted that there has been no time lost in making periodical revisions in the Scope/Capacity of the two projects. These projects remained in abeyance because of financial stringency. The projects estimates and reports in their final forms for a capacity of 1,00,000 tonnes per annum each are now awaiting the final investment decision of the Government.

[Ministry of Industry (Deptt. of Industrial Development) O.M. No. 10-26/76-Paper, dt. 18-10-76]

Recommendation (Serial No. 53)

The Committee are informed that the Ministry are aware of the implications of the delay in giving final clearance of the projects but compulsions and priorities of other sectors and the limitation of resources have so far stood in the way of clearance of these two projects.

The Committee find that in reply to a Starred Question No. 219 in the Rajya Sabha on the 18th March, 1976, the Minister of Industry and Civil Supplies has stated that final investment decision in regard to these projects especially "in respect of their timings" is yet to be taken owing to the size of the investment funds required and the constraint of financial resources for which there are competing demands. A provision of Rs. 5 crores has been included in the Annual Plan for 1976-77. It has also been stated that the possibility of obtaining assistance from abroad is also in view. The Committee note that both the projects are situated in back-

ward regions and are for the manufacture of white printing paper where against an estimated demand of 7.5 lakhs tonnes by 1978-79 the present availability is only of the order of 4 lakhs tonnes. The Committee feel that keeping in view the policy of development of backward areas and the gap between the demand and availability of the white printing paper in the country, the Government should take an early investment decision in regard to these paper plants. The Committee need hardly point out that any further delay may result not only in the escalation of costs but may create difficulties in the conclusion of firm agreements with the State Government for assured supplies of raw materials for the mills at agreed rates.

(Paragraph 7.30)

Reply of the Government

The Public Investment Board has since given conditional clearance to the proposals relating to the Nowgong and Cachar paper Projects and the final investment decision is expected to be taken shortly.

[Ministry of Industry (Department of Industrial Development)
O.M. No.10—21/76-Paper, dated 16-11-76]

Further Information called for by the Committee

Have the project estimates for a capacity of 1,00,000 tonnes per annum received the final investment decision of the Government? If so, please indicate latest progress of work in this regard.

Has final investment decision been taken in regard to the Nowgong and Cachar Project? If so, what are the reasons for delay?

(L.S.S. No. 22-PU/76 dated 30-12-1977)

Further Reply of Government

The Government have approved setting up two integrated pulp and paper mills in the State of Assam—one at Nowgong and the other at Cachar with a capacity of 1,00,000 tonnes per annum each with the proviso that implementation of the Cachar Project should not be undertaken until a year after the first Project. During this year no expenditure should be incurred on the Cachar project except for some preliminary preparatory expenditure. The Government also decided that both the projects should be based on the continuous digester system.

The Government have also approved estimates as below and conveyed their decision on 15th March 1977:

(All figures in Rs. lakhs.)		
	Nowgong Project.	Cachar Project.
1. Land	25.00	22.00
2. Civil Works	902.50	936.50
3. Plant & Machinery.	8784.70	8724.70
4. Projecting Cost.	803.40	807.20
5. Initial Spares.	208.00	208.00
6. Township	496.60	496.60
7. Margin money for working capital.	205.00	205.00
TOTAL	11425.20	11400.00

The progress achieved up-to date in respect of these two projects is given below:

Nowgong Project	Cachar Project
1. Out of 500 acres of land required for the project 175 acres of forest land at Jagi Road has been taken possession of Acquisition proceedings for the balance 325 acres are in progress.	About 760 acres of land of Badarpur Tea Estate has been purchased from a private party with the assistance of Govt. of Assam. The land has been taken possession of.
2. Topographical survey, preliminary soil investigation and soil testing have been completed.	
3. Basic engineering work has been completed and conceptual layout plan drawn up.	
4. Necessary arrangement for procurement of raw materials and other infrastructural facilities have been completed and an agreement to this effect had been signed with the State Government on 20th July 1977.	
5. All the requisite meteorological data have been collected.	
6. North-East Frontier Railway have conducted preliminary survey for expansion of railway lines for siding facilities.	
7. A site office at Jagi Road has been functioning to co-ordinate daily activities.	Though no office has yet been stationed at the project site, a project office is already functioning from Silchar Town to co-ordinate all activities.
8. Joint Survey of roads has been conducted by HPC engineers and Assam PWD officers to assess the capability of the roads for handling heavy equipment and machinery needed for the project.	
9. The work of site levelling and grading commenced in September 1977. The site has been cleared of the jungle and is being consolidated.	Tenders for site levelling and grading have been invited.
10. Work of planning designing and supervision and construction of township is being entrusted to CPWD and CPWD officers are expected to visit the site for detailed planning.	

11. Action with regard to water and power supply at the site has been initiated and bids for power supply equipment and erection have been received. Action with regard to water and power supply at the site has been initiated.

12. Orders have already been placed for the following long delivery items of equipment.

	Value (Rs. lacs)		Value. (Rs. lacs)		
Power Boilers.	3	395.97	Power Boilers.	3	395.97
Rec. Boiler	1	337.65	Rec. Boiler.	1	337.65
TG Sets.	2	419.72	TG Sets.	2	419.72
Paper Machine	1	821.27	Paper Machine	1	762.04
Paper Machine size press.	1	966.02	Paper with size press	1	909.98
TOTAL		<u>2940.63</u>			<u>2825.96</u>

13. Offers for other long delivery equipment such as evaporators, digesters, caustic chlorine plant, etc. have been received and the same are under process of evaluation and negotiation.

14. HPC would use its own expertise for implementation of the projects. However, the services of outside consultants will be availed of for carrying out detailed engineering work for which tenders are under preparation.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10(21)/76-Paper dated 15-2-1978]

Recommendation (S. No. 57)

The Committee are informed that the Corporation intends to set up R&D wings at all plants. The Committee feel that the R&D units should besides taking steps for assimilation of the foreign technology and transfer of technology to the new units to be set up, should also be closely associated with the work of suggesting measures for increasing utilisation of capacity, effecting reduction in cost, improving efficiency and effecting economies. The Committee would like that a review of the activities of the R&D spelling out in specific terms its achievements and the expenditure incurred thereon should be suitably included in the Annual Report of the Corporation.

(Paragraph 8.28)

Reply of Government

At the moment—HPC—has only one running mill and no R&D wing has been set up. With the increase in the number of its mills, the Corporation would start its research and development activities. Soon after the research and development work starts, a review of R&D work would be included in the Annual Report of the Corporation.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10-21/76-Paper (dt. 18-10-76)]

Recommendation (S. No. 58)

The Committee note that the Hindustan Paper Corporation is at present engaged in the implementation of the following projects :

1. Kerala Newaprint Project.
2. Cachar Pulp and Paper Project.
3. Nowgong Pulp and Paper Project.

In addition, the Corporation has two subsidiary companies, *viz.*, Nagaland Pulp and Paper Company and the Mandya National Paper Mills Limited.

Mandya National Paper Mills is the only running unit and the other projects are still at the various stages of implementation/construction. The Committee have given their comments in regard to these projects in the relevant chapters of the Report.

The Committee would, however, like that the Ministry/Corporation should critically examine the economics of projects particularly those which are still in the planning stage and satisfy those which are still in the planning stage and satisfy themselves about their viability. The Committee would also like the Ministry/Corporation to keep a strict watch on the capital cost of the various paper projects which are under way, complete the projects expeditiously and commission them without delay.

(Paragraphs 9.8 and 9.9)

Reply of Government

The Corporation is keeping a strict watch on the capital cost of the Paper Projects and also ensuring that these Projects are commissioned as expeditiously as possible. For this purpose, Project Coordinators have been and are being appointed in the Head Office of the Corporation to monitor the implementation of these Projects as per the PERT CHART. The Ministry has also prescribed certain norms and monitor the physical and monetary progress of these projects and accordingly, a continuous review is being done and corrective actions are being taken to ensure the timely commissioning of these projects. As regards the projects in the planning stage, the various agencies of the Government would go into the question of their viability before taking investment decision in regard to these projects.

(Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18th October, 1976]

Recommendation (S. No. 59)

The Committee would also like that the Corporation should introduce a scientific system of costing in all its projects so that analysis of the cost of production of paper may be made on correct lines and economies effected wherever necessary.

(Paragraph 9.10)

Reply of Government

The introduction of scientific system of cost for all the projects has been under active consideration of the Corporation. A qualified Cost Manager has already joined the Corporation and few Cost Accountants have also been appointed for the different projects. A detailed cost manual is under preparation to ensure that cost of production is prepared on the most modern and scientific lines and the document thus becoming available will be used by the management as an instrument for bringing about economies and improving the overall efficiency.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76]

Further Information called for by the Committee

Has the detailed cost manual been prepared? If no, please state the reasons for delay.

(L.S.S. O.M. No. 22-UP/76 dated 30-12-1977)

Further reply of Government

As per the Cost Accounting Records (Paper) Rules, 1975 issued by Government (Department of Company Affairs), the maintenance of cost records has been made mandatory for the Paper Mills. As these Rules are quite comprehensive the same have been adopted by the Hindustan Paper Corporation as the Cost Manual for the operation of the Mill.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10(21)/76-Paper, dated 15-2-1978]

Recommendation (S. No. 60)

The Committee also recommend that the Corporation should right from the beginning ensure that there is no over-staffing in any project and the overheads are kept to the minimum.

As the wages in the Public Sector paper plants are generally high, there should be a built-in accent on productivity in the wage structure from the very inception to subserve the larger public interest.

(Paragraph 9.11)

Reply of Government

Hindustan Paper Corporation has prepared organisational charts for all the departments and these have been approved by the Board. Staff recruitment is done in a phased manner consistent with the requirements. Similar action is being taken for Projects. Strict control is exercised at the time of placement of staff to avoid any over-staffing. The Corporation is effectively exercising financial control to keep the overheads to the minimum.

The pay scales adopted by the HPC are the same as laid down for public sector enterprises. The suggestion of the Committee that the wage structure of the plants should have built in accent on productivity has been noted.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (S. No. 61)

Paper is highly capitalised Industry. It is therefore necessary that strict financial control is exercised from the very inception. Care should be taken to see that the establishment and other overhead charges are kept within the norms which should be prescribed in this behalf. The Corporation should also introduce the system of management accountability to assist the Management and the Board to take right decisions.

(Paragraph 9.12)

Reply of Government

The Corporation has been exercising a strict financial control on its affairs. For the purpose, Project estimates have been drawn and Annual Budgets are prepared to control the Actual expenditure on the various Projects. All-out efforts are made to ensure that the expenditure does not exceed the provisions made in the Project Estimates. Accounting and Costing Manuals are being drawn and a System of Management Information has already been introduced as suggested by the Ministry. Accordingly, the progress of expenditure as well as the progress of work are being watched and reported to the higher management as well as to the Ministry. So far as the Establishment expenses and other overhead expenses are concerned, Organisation Charts have been drawn and recruitments are made according to the phased progress of work.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (S. No. 62)

The Committee would like the Government representatives on the Board to pay attention to the aforementioned aspects more particularly

to the necessity of ensuring that the expenditure on the projects under implementation does not get so inflated as to militate against the viability of the project.

The Committee would like the administrative Ministry also to pay special attention to the functioning of the Corporation including recruitment of staff to see that there is no over-staffing at any stage, as large funds are being expended through it to develop large scale paper manufacturing units in the public sector.

(Paragraphs 9.13 & 9.14)

Reply of Government

The recommendation of the Committee that Government representatives on the Board should pay attention to the necessity of maintaining strict financial control and take care that establishment and other overhead charges are kept within the norms has been noted. The Government Directors include the Financial Adviser of the Ministry and they are particularly conscious of the need to ensure that the expenditure on the projects of the corporation does not get inflated. The Corporation would be submitting regular returns to the Board indicating the progress of the projects in hand paying particular attention to financial aspects. The Administrative Ministry would also pay special attention to the functioning of the Corporation and the progress of the implementation of the projects being undertaken. The observations of the Committee regarding over-staffing will also be kept in view.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 16-11-76]

Recommendation (S. No. 63)

The Committee regret to note that so far neither a detailed accounting manual nor a system of internal audit has been introduced in the Corporation. The Committee need hardly emphasise the importance of the internal audit as an aid to management which besides discovering irregularities if any, concurrently has the added advantage of bringing to the notice of the management the weak areas and help them to streamline financial procedures cutting out waste etc. The Committee would therefore urge that the Corporation may immediately set up a compact internal audit cell with qualified personnel. The important points noticed by internal audit may be brought to the notice of top management and a report of the points together with action taken thereon may be placed before the Board of Directors from time to time.

(Paragraph 9.15)

Reply of Government

The Corporation has already set up an Internal Audit Cell. The Chief Internal Auditor joined the Corporation in February, 1976 (resigned w.e.f. 22nd June, 1976). Subsequently, two Internal Auditors have also joined the Corporation in May, 1976. The Chief Internal Auditor directly reports to the Chairman-*cum*-Managing Director. A manual of Internal Audit is also under preparation and is likely to be ready soon.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10-21/76-Paper, dated 18-10-76]

Further Information called for by the Committee

Has the manual of Internal Audit been prepared? If so, please furnish a copy thereof.

(L.S.S. O.M. No. 22-PU/76 dated 30-12-1977)

Further Reply of Government

The Internal Audit Manual of the Hindustan Paper Corporation Ltd., has been brought out in October, 1976 and a copy of the same is enclosed.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10(21)/76-Paper, dated 15-2-1978]

CHAPTER III

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

Recommendation (Serial No. 2)

1.19. The Committee note that the Hindustan Paper Corporation was asked by the Government of India to examine the question of taking over of the Thakur Paper Mills, Samastipur, which remained closed for two-three years. The Corporation's engineers visited the Mill and studied in detail the condition of the plant, machinery and equipment as also the prospects of rehabilitating the unit and found that the plant was technically good and could be revived. The Corporation was of the view that the Mill could be taken over provided dependable arrangements for supply of sabai grass are made with the State Government and the Mill could be taken over under the I.D.R. Act. The Committee, however, find that a decision was taken by the Government of India in July, 1974 that it was for the Government of Bihar and I.F.C. to decide on the future course of action of the Mill. The Committee find that the State Government ultimately decided to hand over the Mill to a private party.

1.20. The Committee feel that it is an interesting situation where the State Government was interested in handing over an undertaking in which it had a majority investment of over Rs. 24 lakhs out of total paid-up capital of Rs. 39 lakhs and which was technically sound and could be revived to a private party instead of the HPC a Public Undertaking especially when HPC was of the view that it could be taken over. The Committee recommend that the reasons why the Central Government could not take over the Mill or persuade the State Government to take over the Mill under the Industries (Development and Regulation) Act should be gone into and the Committee apprised of the results.

(Paragraphs 1.19-1.20)

Reply of Government

The Thakur Paper Mills are lying closed since 1965. The company had accumulated liabilities of about Rs. 51 lakhs to the Industrial Finance Corporation and the Bihar State Financial Corporation. There were also other unsecured sundry debts amounting to Rs. 29 lakhs (approx.). The IFC and BSFC had obtained decree from the Civil Court at Darbhanga

and the mill was pending for auction sale by the court. The State Government were anxious that this factory should not be allowed to be auctioned but reopened and they had moved petitions for adjourning the date of auction and simultaneously entered into negotiations for rehabilitation of the mill. The State Government also approached the Central Government with a proposal that the factory may be taken over under the provision of the Industries (Development and Regulation) Act, 1951 and its rehabilitation entrusted to the Hindustan Paper Corporation. The HPC were accordingly requested to examine the possibilities of reviving the mill. It was reported by the HPC that various repairs would have to be undertaken and it would also be necessary to undertake an overhaul of the paper machines and other parts of the mill which had been lying closed for several years. It was estimated that a total expenditure of Rs. 30 lakhs would be involved initially for restarting the mill. Further as the mill did not have any chemical recovery section, chemical costs would be high and there would be a problem of disposal of black liquor. The HPC however stated that they would have no objection to restart the mill without making any immediate arrangement for chemical recovery provided that suitable arrangements for supply of raw material on a sustained basis could be made, the production would be in the grade of fine writing papers falling in the range of specialties and the State Government would not have any objection to the disposal of the effluents into a nearby river. Further, financial institutions would have to be persuaded to forego interest on their loans for a period of six months after the mill was taken over by the HPC. They would also have to agree to a new schedule of repayment of the principal amount with interest thereafter.

While these matters were under consideration, the petition of the State Government in the Patna High Court regarding the transfer of the controlling group of shares was rejected by the High Court. The State Government were anxious to ensure that the mill would not be auctioned. In view of the judgement of the Patna High Court, they felt that the new directors of the company may be allowed to run the mill as the State Government was anxious for its rehabilitation. The new directors of the company had also obtained permission of the creditors namely the IFC and BSFC for running the mill after getting their dues rescheduled.

As the question of take over the mill by HPC had been initially considered only at the request of the Government of Bihar, the Government of India took note of the judgment of the High Court and the decision of the State Government to consider having the mill restarted by the new directors. It was accordingly felt that there was no point of taking over the management of the mill under the IDR Act for a temporary period and then handing over the mill back to the private party after making a lot of investment. It was therefore for the Government of Bihar and the IFC to decide on the future course of action to rehabilitate the mill. It may also be added that the mill was comparatively very small and the study by the HPC had

revealed that the condition of the mill was not very satisfactory and substantial financial inputs were required for its rehabilitation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (Serial No. 16)

3.34. The Committee note that bagasse is being used by paper industry for the production of ordinary varieties of writing and printing paper not needing strength characteristics but large scale utilisation of bagasse is possible only if its availability is assured on a long term basis to the paper industry. The Committee are informed that since bagasse is at present being used as fuel by sugar mills for their boilers, no sugar mill is willing to part with bagasse except on the condition that their boilers should be replaced by coal-fired boilers by the paper industry which should also accept the responsibility of supplying coal. It has been suggested by the Corporation that in order to popularise the use of bagasse for the production of writing and printing paper, Government should make it obligatory on all the new sugar mills to have coal-fired boilers and to make all the bagasse available with them to the paper industry for making paper. The Committee feel that in view of the considerable improvement in the position of coal, Government should consider the feasibility of making it a condition for the new sugar mills to be licensed to have only coal-fired boilers and to release the bagasse for use by the paper industry. The Government should also consider ways and means of introducing coal-fired boilers in place of the existing (bagasse-fired) boilers in the sugar mills. (Paragraph 3.34)

Reply of Government

The question of switching over from bagasse to coal in the sugar factories in India, was examined by the Directorate of Sugar and Vanaspati in consultation with some experts in the industry. To replace bagasse by coal in the existing sugar factory boilers, the factories would have to instal conversion equipment for each boiler which is estimated to cost about Rs. 10 lakhs per boiler. Most of the sugar factories which are reported to be financially weak, would not be in a position to afford this huge expenditure as they have five to six boilers which would mean about Rs. 50 to Rs. 60 lakhs expenditure. Due to limited space available in the existing factories between boiler to boiler and the limited combustion space provided in these boilers, it is also difficult in many cases to switch over from bagasse to coal firing. The conversion equipment is also not available readily. Further it is also necessary that sugar factories are assured of regular supplies of Gr. I steam coal at reasonable price and they have storage yard and capital for storing coal required for about three months.

The Development Council for Paper, Pulp and Allied Industries also considered the question of inducing the sugar factories to spare bagasse for the manufacture of paper and a Sub-committee was asked to examine the availability of bagasse for the manufacture of paper. The Committee made various recommendations regarding installation of coal-fired boilers and agreements to be entered into between the paper mills and sugar factories regarding the price of bagasse and installation of additional equipment at the expense of paper factories. The main thrust of these recommendations was that this matter is to be sorted out by the sugar and paper industry through mutual agreement.

As regards the question of making it a condition for new sugar mills to be licensed to have only coal-fired boilers and release the bagasse for use by the paper industry, it is being examined in consultation with the concerned authorities and the final decision of the Government will be communicated subsequently.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (Serial No. 18)

The Committee are informed that one of the reasons for under-utilisation of capacity was power shortage/cuts which ranged between 10 per cent and 60 per cent during 1974-75. The mills depend for their power supply on the Karnataka State grid. In view of the fact that power situation is now comfortable in the Southern region as stated by the Deputy Minister of Energy in answer to Lok Sabha Unstarred Question No. 1330, dated the 28th January, 1976, the Committee feel that it should not be difficult for the Government/Corporation to take up successfully the question of power supply with the State authorities and enter into firm commitments with them in regard to power supply to the mills.

The Committee are also informed that in general, the policy of the Hindustan Paper Corporation is to generate its own power in its captive power plants and it has plans to instal turbo generator set for its own power generation in the Mandya Mills. The Committee would like that the Ministry of Industry and Civil Supplies/Corporation should, in consultation with the Ministry of Power, critically examine the need and economics of the proposed captive power plant for Mandya National Paper Mill in the context of the comfortable power position in the Karnataka State and take a final decision in the matter in the longer interest of economic and efficient working of the mill.

(Paragraph 4.28 to 4.29)

Reply of Government

It is learnt from HPC that the power position in the State of Karnataka is not comfortable even at present. A 40 per cent power cut valid till mid 1977 has been imposed recently and the matter is being discussed by the HPC with the State Government authorities. As regards installation of turbo generator set for its own power generation, it is not considered to be economical with the existing production of the mill. Installation of a turbo generator set is envisaged as a part of the total proposal of expansion of the mills. The economics of the proposed captive power plant is being examined in detail in consultation with the scrutinising agencies in connection with the final expansion proposal of Mandya Mills.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dated 18-10-76]

Recommendation (Serial No. 25)

4.79. The Committee note that the cost per tonne of paper produced by Mandya Mill has gone up from Rs. 2926 per tonne in 1973-74 (9 months) to Rs. 3748 per tonne in 1974-75. The increase in cost is stated to be due to increase in prices of raw material, rise in dearness allowance of the staff and workers, increased maintenance expenditure and higher administrative expenses due to general rise in prices. The Committee, however, find that the cost of production includes an element of selling and distribution expenses. They are unable to appreciate the rationale of allocating selling and distribution expenses to cost of production as such expenses do not constitute even indirect overheads on production. They would recommend that the Bureau of Public Enterprises should issue standing guidelines as regards the items which should be taken into account while calculating the cost of production.

They are informed that certain steps like increased use of bagasse and loading (fillers), provision of balancing equipments, have been taken to reduce the cost of production. While the cost of production during 1975-76 was estimated at Rs. 3636 per tonne, the actual cost during the first five months of the year was only Rs. 3606. The Committee expect that with the steps now taken and provision of balancing equipment and keeping strict and effective control on overheads, it should be possible to utilise the full capacity in the mill and reduce cost of production. The Committee also recommend that the Corporation should review the norms so far obtaining in the various elements of production and revise them suitably on the basis of improvements in techniques and with reference to addition

of balancing equipment and work out standard cost of production for purposes of cost controls. The Committee recommend that the cost data and analysis of the variances from the standards together with a report on remedial measures taken should be placed as a regular item on the agendas for the Board's meeting so as to enable the Board to review all aspects of the matter from time to time. (Paragraph 4.79)

Government reply to recommendation No. 25 (Para 4.79)

It is not possible to lay down the items which should be taken into consideration in determining the cost of production of items, as such items would depend upon not only the techniques of an accounting but also methods of manufacture, which vary widely in 160 public enterprises existing at the time being based on the recommendations contained in the 15th Report of Committee on Public Undertakings (3rd Lok Sabha) all the public enterprises have been already requested to develop an integrated system of cost and financial accounts as well as lay down standard costs for the purpose of comparison with actuals and throwing variations in initiating necessary remedial measures *vide* O.M. No. 46-Adv(F)/BPF/68/12 dated 12-9-1968. (Copy enclosed Appendix V).

The items to be included in the standard cost of production as explained earlier, will naturally vary between enterprises depending upon the method of manufacture etc. and the companies are most competent to determine such items themselves.

The necessity for preparation of regular periodical cost data for prompt submission to the Board of Directors has also been highlighted in O.M. No. 2(43)/66-F dated 5-9-1966 (Copy enclosed Appendix—VI).

[Ministry of Finance (BPE) D.O. No. 9(31)/76-BPE (GM.I) dated 27th Oct., 1976 and Ministry of Ind. Dev. O.M. No. 10-21/76-Paper dated 28-1-1977].

Further Information called for by the Committee

The Committee had observed that they were unable to appreciate the rational of allocating selling and distribution expenses to cost of production, as such expenses did not constitute even indirect overhead on production. The Committee recommended that standing guidelines be issued by B.P.E. with regard to the items which should be taken into account while calculating the cost of production.

Please intimate the specific instructions that have been issued by Government in regard to the inclusions of selling and distribution expenses to the cost of Production.

[L.S.S. O.M. No. 22-PU/76, dt. 15-2-77].

Further reply of Government

We agree with the observation that selling and distribution expenses should not be included in the cost of production but these should definitely be included in cost of sales or total cost. It has been earlier pointed out that BPE (Bureau of Public Enterprises) has not issued any instruction with regard to the items which should be included in cost of production. Considering that the items of cost varies with type and range of products, manufacturing method and system of accounting in about 160 Public Sector Enterprises, it is not possible to furnish an exhaustive list of items to be included in cost of production for all these undertakings and as such all Public Sector Enterprises were advised to develop their own cost and management accounting systems *vide* O.M. Nos.

7(18)-CL/59/S	Dated 13-5-1959 by the Department of Company Law.
1(2)-CL/IV/61	Dated 8-3-1961 Do.
19/21/63-IGC	Dated 10-10-1963 Do.
43/Adv.(F)/BPE/68/12	Dated 12-9-1968 by the Bureau of Public Enterprises
46/Adv.(F)/BPE/63/15	Dated 12-9-1968 by BPE on preparation of manuals.
43/Adv.(F)/BPE/68/4	Dated 12-9-1968 by BPE etc.

In this connection it may be worthwhile to quote a chart of cost items as given in page 5 of the cost control Handbook by Mr. R. M. S. Wilson with a foreword by Shri Denys E. Edmonds, President of the Institute of Cost and Management Accountants (1974-75) as stated below :

	Direct material	}	Prime Cost	Works Cost.	Cost of Sales Sales or Total Cost.	Selling Price
	Direct labour					
	Direct expenses					
Indirect	{	Manufacturing expenses				
		R & D expenses.				
		Distribution expenses				
		Marketing expenses				
		Administration expenses				
		Net profit.				

In determining the selling price, it is the total cost need be considered including selling and distribution expenses and it is only in this context that Mandya National Paper Mills Ltd. had furnished the statement mentioned in para 4.67 of the 85th Report of the Committee on Public Undertakings (5th Lok Sabha) where also Mandya National Paper Mills Ltd. had termed it correctly as total cost.

[Department of Industrial Development: O.M. No. 10-21/76-Paper
dt. 28-3-77]

Recommendation (Serial No. 30, Paragraphs 4.37 and 4.38)

The Committee note that stock verifications done during the years 1973-74 and 1974-75 indicated shortage of coal to the extent of 800 tonnes (of the value of Rs. 1.02 lakhs) and 987 tonnes (of the value of Rs. 1.58 lakhs) respectively. The Corporation stated that the consignments were received correctly at the Railway siding, but, since there was no weigh-bridge at the siding of the mill, correct receipt of the coal was ensured through visual inspection only. The difference between the coal received and the coal used by the mills added to the coal left in stocks might in the opinion of the Corporation, also be due to the handling of the coal within the mills and inability of the workers to keep exact record of consumption due to the very nature of operations. The Committee are informed that the shortage of coal in the Mandya Mill were of the order of 7.5 per cent in 1973-74 and 6.8 per cent in 1974-75 which are considered "normal" by the Corporation in comparison with West Coast Mills (where shortage is stated to be of the order of 18-19 per cent) and Bhadravati Mills (where it is stated to be 5 per cent) the latter having their own weighbridge.

The Committee feel that in the absence of weigh-bridge at the siding of the Mandya Mills and also of a suitable device for measuring issues and utilisation of coal, the possibility of pilferage between the Railway siding and the Mills premises or within the premises itself cannot be ruled out. They are not happy at the complacent attitude adopted by the Management towards the heavy shortage of coal from year to year. They would recommend that the Government/Corporation should have the shortages investigated and take action against those found responsible for the shortages. The Committee see no reason why it was not found possible to instal weigh-bridge if it could help to control the pilferages. They would also like the Corporation to identify the various other loopholes in the handling of coal at various stages and take positive measures to plug them without loss of time. They would also like to be informed of the action taken in the matter.

(Paragraphs 4.37 and 4.38)

Reply of Government

Coal is received at the Mills in open and closed wagons from mines at Bengal, Bihar and Singareni. No doubt, Mandya National Paper Mill does not have a weigh-bridge and it cannot be ascertained what amount of coal has been received exactly. MNPM cannot dispute the weights supplied by Coal Company, as the wagons are weighed by them while loading. Therefore when MNPM takes the inventory, they find difference between the closing stock and the stock as per the Inventory. This difference can be for the following reasons :—

- (a) possible error in the inventory of coal at the siding and at the Buffer point where it is not possible to measure exactly the volume of coal lying.
- (b) Transit loss during movement of coal.
1. Every effort is being taken to reduce the error in Inventory while assessing the quantity at siding and buffer point. HPC have now taken action to find out the volume of coal lying at these places by preparing drawing which will indicate the volume of coal lying at the siding and buffer point.
 2. The difference in coal in these two years (for the year 1973-74 and 1974-75) works out to 7.5 per cent and 6.8 per cent respectively. When enquiries were made from a few other Mills like West Coast Paper Mill, Bhadravathi Paper Mills, it is found that their transit loss/shortage comes to 18-19 per cent and 5 per cent respectively. The Mysore Sugar Company to whom the Mandya National Paper Mill are supplying coal in lieu of bagasse to be supplied by them, have also reported shortages varying between 5 and 8 per cent in different years. Mysore Sugar Company has a weigh bridge and they are ascertaining the transit losses. Under these circumstances, the variance in the inventory and stock amounting to 7.5 per cent and 6.8 per cent seems to be reasonable. Here again, the mill has taken care to reduce the transit loss by having its own Supervisors at the transshipment point. In spite of this, as the coal is handled at 2 places, there is bound to be a transit loss.
 3. The consumption are based on the number of grabs fed to the boiler from the pit. The steam generated is correlated with this. However there is a possibility that the consumption factors given for accounting are not very accurate. As the coal is being unloaded only inside the Mills, i.e. at the buffer point/railway siding, the possibility of pilferage can safely be ruled out. This loss can only be on account of transit and handling loss inside the Mill and possible variation in the accounting of consumption.

The feasibility of having a weigh-bridge has been examined in detail and on account of the possibility of changing the existing siding from its position, the matter of installation of weigh-bridge for the present has been deferred.

A weigh-bridge will be provided during the laying of new railway siding as per the expansion plans. It may also be stated here that the Railways

are actively considering the conversion of Meter gauge to Broad gauge from Bangalore to Mysore and therefore, the Railway siding shall have also to be converted. In these circumstances the provision of weigh-bridge has been kept pending.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper Dated, 18.10.76]

Further information called for by the Committee

The Committee had recommended inter alia that "the Government/Corporation should have the shortages investigated and take action against those found responsible for the shortages." No specific reply to this aspect has been furnished. Please intimate the action taken by Government in this regard.

[L.S.S. O.M. No. 22-PU/76 dt. 20-1-1977]

Further reply of Government

As desired by the Committee on Public Undertakings, the General Manager of the Mandya National Paper Mills Limited, Belagula, constituted a Committee, consisting of the following members, to investigate the shortage of coal found at the end of financial year 1973-74 and 1974-75.

1. Chief Engineer
2. Manager (Purchase and Stores)
3. Assistant Accounts Officer (Cost)

The Committee also associated the Internal Auditor of the Mills in its deliberations. The Committee felt that since the entire quantity of coal was unloaded within the Mills premises (except 58 M.T. out of 13575 M.T. of coal received in 1974-75 there was no possibility of its pilferage, particularly in view of the fact that there was an effective system of security check in existence for outgoing materials. The Committee also contacted the National Coal Development Corporation Limited and the Office of Member Audit Board and Ex-officio Director of Commercial Audit, Bangalore, to find out the normal shortage in handling of coal. It was informed to the Committee that in June, 1968, the NCDC prescribed a tolerance limit of 5 per cent for difference between the actual physical stock and the book balance of coal. The Committee felt that in the case of Mandya National Paper Mills Limited, the loss of 7.5 per cent in 1973-74 and 6.8 per cent in 1974-75, which was more than the norm fixed by the NCDC, was mainly due to transshipment involved in the transit and the possibility of error in correctly estimating the consumption in the absence of weigh bridge.

The Corporation and the Mills fully agree with the recommendations of the Committee of Public Undertakings that a weigh-bridge in the Mills should be installed as early as possible. Since, however, the expansion of the mills is likely to take place shortly, it is felt that it would be more appropriate to provide a weigh-bridge during the expansion when the new railway siding is laid. It is also understood from Railways that the metre gauge line from Bangalore to Mysore is likely to be converted shortly into broad gauge and therefore it would perhaps be more appropriate to wait for the present to instal the weigh-bridge. However, till such time the weigh bridge is provided, it is decided that the quantity of coal received should be assessed on the basis of volume immediately on its receipt in the Mills' Premises and the difference between the R/R weight and the receipt so arrived at should be treated as transit loss. It is further decided that the consumption of coal and year losses should be ascertained lot-wise and only shortage exceeding the norms should be immediately investigated.

[Ministry of Industry (Department of Industrial Development
O.M. No. 10-21/76-Paper dt. 3.3.77)]

Recommendation (Serial Nos. 31 & 32)

The Committee note that though the Mandya Mill invited tenders for supply of alum from August, 1973 to July, 1974 and only one firm quoted against the tender and another firm sent sample, the contract was settled after negotiations with M/s. Solar Chemicals who had not quoted at all. The Committee also note that though orders were placed at the negotiated rate of Rs. 363 per metric tonne on M/s. Solar Chemicals for supply at 100 to 150 metric tonnes per months from August, 1973 to July, 1974 even before the completion of the stipulated supply upto February 1974; the rate was increased to Rs. 450/- per metric tonne in April, 1974. The rate was again raised to Rs. 510 in May, 1974—and was further raised to Rs. 730/- in August, 1974 every time much before the completion of the supply according to the originally agreed rate. The Committee fail to understand why the supply order was not got executed and why no action was taken against the firm for not completing the supply.

The Committee are informed that the increase in rate in April, 1974 was allowed after testing the market through limited tender while a subsequent increase in May, 1974 was allowed merely on the basis of a survey carried out by contacting reputed firms. However, the further increase to Rs. 730/- per metric tonne was allowed after ascertaining the market trend through advertised enquiry.

The Committee are informed that it was not possible to obtain the security deposit from the suppliers particularly at a time when the prices were increasing day by day and offers received were higher than those of

Solar Chemicals. The Committee are also informed that although in the absence of security deposit only alternative left was to black-list the firm no action was taken in the interest of the Mill and also because the other offers were higher than those of the Solar Chemicals. The Committee are not convinced of the reasons adduced by Corporation for deciding the supply order in favour of M/s. Solar Chemicals. They would like that the matter should be got thoroughly investigated through C.B.I. with a view to determine how far the settlement made with the Solar Chemicals for the supply of alum and the increase in rates allowed to the firm were justified and why no action was taken against the firm for not completing the supply according to the originally agreed rate and fix responsibility for the lapse and Committee informed.

The Committee are informed that the Purchase Manager and the Financial Controller of the Mill, who was in the service of the mill before the take over of the Mill by the Corporation were found lacking in exercising effective financial control on purchases and the Corporation "got rid of them" when things came to its notice. The Commercial Manager is reported to have left the services of the Mills in January, 1975 after having worked under the old management for 15 years. A new Purchase Manager, has been appointed and a new Financial Controller and Internal Auditor are also joining. The guidelines about the purchase procedure have been issued and procedure is being streamlined. The Purchase Committee has been asked to tighten its control. The Committee recommend that the Corporation should ensure that the procedure for purchases is implemented in letter and spirit and all deviations from the purchase procedure in the case of major purchases together with the reasons therefore should be brought to the notice of the top management of the mill and the Board. The purchase procedure should also be reviewed from time to time and modified if necessary in the light of experience gained.

(Paragraphs 4.95 to 4.98).

Reply of Government

The year 1974 was essentially an year of scarcity. The prices of almost every commodity were skyrocketing and it is necessary to record that even the price of the paper produced by the Mandya Mill had shot up by 2 1/2 times approximately.

The order was placed with M/s. Solar Chemicals in August, 1973 *i.e.* before take over of the mills by Hindustan Paper Corporation Limited. In the order, there was no stipulation for price escalation or for security deposit. The provision of security deposit normally is not acceptable to the suppliers in such purchases and even where they accept such a clause,

they generally quote a higher price. It was found on enquiry that the price charged by M.M.T.C. for Sulphur, which is a basis raw material for alum, during the above period was as follows:—

	Rs.
July to December 1973	406
January to March 1974	592
April to June 1974	762
July to September 1974	907
October to December 1974	935
January to March 1975	935
April to June 1975	793

Therefore, even if there would have been a price escalation clause provided in the Contract, the price of alum would have been raised according to the above mentioned increase in the price of basic raw material like Sulphur.

In fact, whenever the supplier asked for any increase, the management always tested the market before acceding to the request of the supplier. Since the price quoted by M/s. Solar Chemicals was always the lowest, there was no other alternative for the management but to place the order with the above-said firm at the revised price. The only other alternative left with the management was to blacklist the firm and to purchase alum from other suppliers at the higher rates quoted by them which again would not have been in the interest of the Mills.

In this connection, it may be noted that the party had *vide* their letter dated 27-5-1974 indicated as follows—

“In connection we wish to inform you that the variation in our rates is because of increase cost of our raw material which is beyond our control. If the variation would have been negligible we would have never asked you to revise the rates. In future also, please note that if the price of raw material increases which is controlled by Government Undertaking—Minerals and Metal Trading Corporation of India Limited, Bombay, we will be compelled to request you to revise the rates.”

We hope you will realise our difficulties.

However, it has been noticed during the investigation made by Hindustan Paper Corporation Limited that the mills management had not insisted for price reduction during February to May, 1975 when the price of alum started falling. This matter is being examined by the Internal Audit Department of the Corporation and suitable action will be taken after a complete report is made available in this regard.

Under the circumstances, it is felt that there is no need to refer this case to C.B.I. for investigation.

[Ministry of Industry (Department of Industrial Development) O.M.
No. 10-21/76-Paper, dated 18-10-76].

Further Information Called for by the Committee

Please furnish a copy of the findings of Internal Audit Department of HPC in regard to placing of supply order in favour of M/s. Solar Chemicals and action taken by Government thereon.

[L.S.S. O.M. No. 22-PU/76 dated 30-12-1977].

Further Reply of Government

The Internal Auditor of the Corporation visited the Mill in the month of December, 1976 to examine this matter and to scrutinise whether any purchases were made between February, 1975 and May, 1975 from M/s. Solar Chemicals. The report of the Internal Auditor is reproduced below:—

“The case was further reviewed at MNPM with relevant records and it was verified that there were no purchases from M/s. Solar Chemicals after 25-2-1975 and therefore, there is no question of over payments. However, the price reduction of Rs. 30/- per M.T. was also obtained for the supplies after 14-2-1975 as there was no market price reduction earlier than this date.

The other point of price increase is already replied to COPU which was based on price rise of sulphur by MMTC and test made by the management for price ascertainment.

Under the circumstances there appears to be no further point for examination.”

[Department of Industrial Development O.M. No. 10(21)/76-Paper, dated 15-2-1978].

Recommendation (Serial No. 40)

The Committee note that the date of commissioning of project which was originally fixed as December, 1976 has been revised to October, 1977. They regret to note that in the agreement with the consultants (NIDC) no specific time-schedule was stipulated for the completion of the project, with the result that the consultants could not now be held responsible for the delay. The Committee take a serious view of this omission in the agreement and would like the matter to be investigated with a view to fix responsibility for the lapse. The Committee are informed that a Supplementary Agreement has been drawn up and an agreed PERT-

CHART has since been signed. The Committee find that the Ministry still apprehend that there may be some slippage even in the revised date of commissioning. If serious and concerted measures are taken by the Corporation and the Government render all possible assistance to the Corporation, in overcoming the constraints that may arise in the execution of the project it should be possible to avert any further slippage in the date of commissioning of the mill.

(Paragraph No. 5.35).

Reply of Government

Although the agreement entered into by the Nagaland Paper and Pulp Company with the National Industrial Development Corporation regarding the Nagaland Project does not itself provide for a specific time-schedule for the completion of the project, it did provide for various safeguards to ensure that the Consultants did not delay the project unduly. Articles 3 & 7 of the agreement provided that the Consultants should submit periodical progress reports, intimate changes of programme, draw up a detailed time schedule and also carry out changes in time schedule if any, in consultation with the client. It may therefore be seen that the agreement did provide for reasonable safe-guards to ensure that the Consultants completed the work in time. It is also submitted that the HPC had been set up only recently and did not possess the expertise to foresee the difficulties that could arise with regard to implementation of the project according to schedule. The Corporation had also doubtless taken into account the fact that the National Industrial Development Corporation was also public sector undertaking under the administrative control of the same Ministry and that naturally, it could be expected that any disputes with regard to timely completion of the project would be resolved by reference to the Government rather than trying to strictly enforce the provisions of the agreement.

As regards possibilities of further slippage in the commissioning of the project, the Corporation is trying its best to overcome the constraints and all possible effort is being made to complete the project as scheduled. Government are also keeping a close watch on the implementation of the project and all possible assistance will be given to the Corporation.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10(21)/76-Paper dated 14-12-1976].

Recommendation (Serial No. 41)

The Committee note that the National Industrial Development Corporation a public sector undertaking, was appointed in August, 1973, as turn-key consultants for the Kerala Newsprint Project on the strength of its collaboration with M/s. Simons (International) of Canada in spite of the fact that the NIDC did not have the requisite expertise in paper technology and a sum of Rs. 8 lakhs was also advanced to them. The Committee find that in Sept 1973 the foreign collaborators, M/s. Simons (International) of

4770 LS—6.

Canada formerly backed out and withdrew their collaboration with NIDC because of certain differences with the latter. Since NIDC did not have the requisite expertise in Paper technology and as the foreign collaboration with M/s. Simons fell through, the Hindustan Paper Corporation decided in 1974 to terminate the consultancy arrangement with the NIDC for the project, and to start afresh the search for consultants.

The Committee are informed that the NIDC was selected as consultants on the suggestion of the Action Committee of the Planning Commission which observed that NIDC, a public sector undertaking should be developed into a consultancy house for paper and pulp as it had tied up with a very well known firm of consultants M/s. H. A. Simons of Canada. Moreover, at that time there was no private consultants in India which had any standing for consultancy services for newsprint. Ministry stated that it was not the Government who appointed NIDC as consultants but the HPC itself took this decision though the Ministry admitted that "the Corporation would have been aware that it was the desire of the Government that the NIDC develops into an effective and reliable consultant" in this field. The Ministry have also admitted that there was no adequate opportunity to test the capabilities of NIDC as consultants. While the idea to develop an Indian organisation into a consultancy organisation in the field of paper and pulp industry is appreciated in the opinion of the Committee, the choice of NIDC which admittedly did not have the requisite expertise in this field was not right. (Paragraph 6.8 & 6.9)

Reply of Government

The development of Pulp and Paper Industry in the public sector in India was a matter of serious concern to the Government for a number of years. The Hindustan Paper Corporation Limited was formed in 1970 mainly to construct, operate and manage Pulp and Paper and Newsprint Mills in the Country. M/s. NIDC was already functioning as a consulting firm under the public sector and the Action Committee appointed by the Planning Commission recommended that NIDC should be developed as a consultancy firm in the field of Pulp and Paper and they should develop design capability in this field whereas HPC should mainly concentrate on managing the new mills.

In the light of the above decision and the fact that NIDC already had collaboration arrangements with M/s. Simons (International) of Canada, it was decided that NIDC should be appointed as a turn-key consultants for the Kerala Newsprint Project.

Subsequently however, when M/s. Simons. (International) of Canada withdrew from the project, the consultancy arrangements with the NIDC

were terminated and Sandwells and Company, Vancouver are now working as consultants for this project.

[Ministry of Industry (Department of Industrial Development) O.M. No. 10—21/76-Paper Dated 18-10-76].

Recommendation (Serial No. 45)

The Committee note that within a month after the appointment of NIDC as turnkey consultants in August, 1973, the then Chairman and officers of the Corporation went on a tour of foreign countries including Canada in August and September, 1973, it has been stated that the purpose of the tour was to have joint discussions with NIDC, the turnkey consultants, and their collaborators M/s H. A. Simons on the basic engineering work of the Kerala Newsprint Project, finalise detailed specifications, visit different workshops and pulp and paper mills to see special equipments and plants to have tenders issued for plant and machinery and to obtain offers therefor. The fact that the then Chairman and officers of the Corporation undertook the tour along with NIDC officials for finalising even the basic detailed specifications, etc, would indicate that enough spade work had not been done by the turnkey consultants/Corporation, and the tour became necessary primarily because the NIDC, the consultants for the project had hardly any experience of planning or designing newsprint mills.

The Committee regret to observe that the Corporation had not taken even the elementary precaution of verifying whether or not a firm agreement existed between the NIDC and M/s Simons of Canada, before the choice of NIDC as Consultants for newsprint project was made.

(Paragraph 6.26 & 6.27)

Reply of Government

In 1973 M/s NIDC were already acting as Consultants for the Nagaland Project. The HPC has on record a copy of an Agreement dated the 12th March, 1973 entered into by NIDC with Simons of Canada. In discussions between HPC and NIDC in 1973, HPC were informed by the NIDC that they had entered into collaboration Agreement with M/s Simons of Canada. M/s Simons being a reputed consulting firm and NIDC being a Public Sector Undertaking, HPC indicated its intents to NIDC towards the middle of 1973 to appoint them as Consultants for Kerala Newsprint Project subject to their arrangements with Simons remaining operative.

The present Chairman of the Corporation in the meeting, he had with NIDC in January, 1974 was also handed over a copy of the agreement of 1973 entered into by NIDC with Simons. In the subsequent discussions with NIDC had with the present Chairman and Technical Officers of the

Corporation, NIDC, in writing confirmed that this agreement was operative then.

The arrangements of NIDC as Consultants for the KNP is now of historic importance only. Another internationally reputed Consultancy Company *i.e.* Messrs Sandwell and Company has been appointed by the Corporation for providing the necessary services. Arrangements with NIDC have been terminated and it would appear that any further examination of this matter will not produce any fruitful administrative results.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10—21/76—Paper dated 18-10-76]

Recommendation (Serial Nos. 46 and 47)

The Committee note that while the three officers of Hindustan Paper Corporation left India on 26th August, 1973 and returned on 28th October, 1973 (64 days) after visiting as many as 9 countries (Japan, Canada, USA, UK, Finland, Sweden, West Germany, Holland, and Italy), the Chairman of the Corporation left India on 29th August, 1973 and returned on 29th September, 1973, after visiting 8 countries (Italy, Switzerland, West Germany, France, Canada, USA, Poland and Denmark). He was with the team of officers only for 8 days from Sept. 12 to Sept. 19, 1973 at Vancouver (Canada). For other days, his itinerary was different from that of officers. The total expenditure on the tour is stated to be about Rs. 1.5 lakhs. The Committee are not clear as to why the Chairman of the Corporation followed a different itinerary than that of his officers. The Committee understand that the then Chairman of the Corporation who was part-time left the Corporation in January, 1974. The Committee wish like to draw attention of Corporation to their comments about the appointment of the then Chairman of the Corporation in their 40th Report (1973-74) on 'Role and Achievements of Public Undertakings'.

The Committee are informed that basic engineering general lay out were got examined by Simons, specifications were finalised and world tenders were invited. It has been claimed that the tour was of advantage in as much as for the first time the Hindustan Paper Corporation was able to get first hand knowledge about the use of hard woods for pulp and paper making, formation of pulp sheets, types of twin wire formers and operation of certain machines and processes and this information, it is stated, has been useful, in subsequent discussions in 1974 with the machinery manufacturers and crystallisation of the thinking of the Corporation on the type of equipment to be ultimately selected for the project. The Committee are not sure whether the advantage claimed to have actually been realised are commensurate with the expenditure incurred and time spent.

The Committee also note that within less than two years after the first tour by the Chairman and the officers of the Corporation, a team of three officers including the new Chairman-cum-Managing Director went on another tour of six countries for 24 days from 19th February to 14th March, 1975. The total expenditure incurred on this tour is stated to be about Rs. 1.06 lakhs. It has been stated that as a result of their visit two consulting firms were invited to India and out of them one was finally selected. The second tour it is claimed enabled the undertaking to finalise its consultancy arrangements in place of the NIDC.

The Committee are not clear as to how such foreign tours were at all approved by the Ministry. They would like that all aspects of the tour in August-September, 1973 including the necessity for the tour, the benefits derived therefrom, the Composition of the team, the itinerary followed by them should be thoroughly investigated and the Committee informed of the action taken against those who are found not to have acted with probity and prudence expected not to executives of a public sector undertaking.

(Paragraph 6.28 & 6.29 to 6.31)

Reply of Government

The recommendations made by the Committee cover two aspects of foreign tour of HPC officers during 1973:—

- (1) That the Chairman with other officers of HPC had different itineraries for their foreign tour.
- (2) Whether any advantages accrued to the Corporation out of this tour.

(1) There is nothing available on record to indicate as to why the then Chairman of the Corporation decided for a separate tour programme. It would however, appear that the officers were given the task of visiting various paper mills, having discussions with the machinery manufacturers and also discussions with Simons on the basic engineering already prepared by HPC. This was a time consuming assignment and it would appear that the Chairman not having so much time at his disposal limited his visit to final discussions with Simons and also call on important machinery manufacturers. Both the team and their Chairman separately submitted their reports to the Government and to the Board of Directors. The team was out of India for 65 days and the Chairman was for only one month. A copy of the report submitted by the officials of the Corporation on this visit has already been submitted.

It will be observed from the reports submitted that during this visit, officers could study the operation of various types of Twin Wire Formers.

It is the information so collected which formed the basis for Corporation's decisions for the placement of paper machine order. Attention is invited to the fact that the paper machine order amount to over Rs. 10 crores CIF and the cost of the trip (Rs. 1.5 lakhs) amounts only to 10.5 per cent.

Moreover, one of the ways available to the Corporation to keep itself in touch with all modern developments in pulp and paper making is by sending its representatives abroad to visit paper mills and technical laboratories. In fact, this recommendation has been made by the Committee itself in paragraph 3.32.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10—21/76—Paper dated 18-10-76]

Recommendation (Serial No. 49)

The Committee regret to note that the original estimates prepared by NIDC, the turnkey consultants, for the Kerala Newsprint Project in 1971 for a capital outlay of Rs. 30.86 crores were revised to Rs. 39.08 crores in 1973 as a result of reappraisal by the HPC and again revised to Rs. 62.88 crores in 1974 representing an increase of 113 per cent over the revised cost of the project. The Committee are informed that apart from increase due to price escalation the main reasons for increase in the project estimates are changes in specifications, requirements of additional equipments (which account for 62 per cent increase in the cost of machinery) and increase in the civil works due to increase in floor area (which account for 40 per cent increase in the cost of civil works).

The Committee cannot but conclude that it was because of the choice of NIDC who had not requisite expertise in paper technology as consultants for the project that the estimates of the project proved unrealistic and incorrect and had to be revised. The Committee hope that at least the revised estimates now prepared are complete, realistic and have taken into account all the foreseeable items and there will not be any occasion for further revision. The Committee would like Government to ensure that the arrangements for preparation/revision of estimates are such that responsibility could be fixed for any lapses in this regard.

(Paragraphs 6.39 & 6.40)

Reply of Government

The original NIDC Report on the Kerala Newsprint Project prepared in 1971 was revised in 1973 and the project costs was then estimated at Rs. 39.08 crores. The project estimate was revised on the basis of the information furnished by the NIDC and the Corporation was not in a position to invite quotation/tenders for various items of equipment and machines needed for the project. It may also be remembered that all

the technological parameters were not decided at the time of revision of the project costs. Hence, HPC was mainly guided by the NIDC, the turnkey consultants for the projects. However, in 1974 all the main technical parameters were finally approved and the Corporation was in a position to invite quotations and tenders for the various equipment and plant and machineries needed for the project. After a detailed analysis of the information available the project was reappraised by the HPC in 1974 and the revised costs of the project was then estimated at Rs. 82.88 crores.

It is confirmed that all necessary precautions have been taken to ensure that the present project estimate are as much realistic as possible and that all foreseeable items have been taken into account while preparing the project estimate. These estimates however, do not include escalation from middle of 1974 onwards.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10—21/76—Paper dated 18-10-76]

Recommendation (Sl. Nos. 54, 55 & 56)

The Committee note that the major problems identified in the paper industry at present are about commercial use of bamboo for mechanical pulp, problem of silica in the pulping mechanical recovery section of straw based mills, use of bagasse for manufacture of newsprint, problem of collection, storage, transport etc. of agricultural residues such as rice, straw, jute sticks etc. increasing and optimising use of short fibred hardwood in the country, economic extractions of long fibred pine and spruce growing in comparatively inaccessible areas etc. Although there are two research institutes in the field of paper technology, viz. the Forest Research Institute, Dehradun (Cellulose and Paper Branch) and the Institute of Paper Technology, Saharanpur, the Committee feel that the contribution made by these institutes has not been very significant and many substantial and urgent problem still remain to be tackled. While the Forest Research Institute, Dehradun, has made some studies about the use of jute sticks, the research efforts still need to be intensified to evolve viable schemes and processes to set up paper mills and plants.

The Institute at Saharanpur has been mainly catering to the needs of paper industry in the field of education and training and not in the research and development, though it is stated to be a well equipped institute and has the potentialities for further development. Under the UNDP sponsored project of exploration and identification of all raw materials for Paper and Newsprint Manufacture it is proposed to provide a large number of laboratories as well as pilot plant equipment for the existing two Research Institutes at Dehradun and Saharanpur.

The Government are also contemplating to set up a Central Research and Development Institute for filling in the gaps in the existing R & D programmes.

The Committee feel that significant gaps exist between the demand and supply of paper, particularly newsprint. The Committee have, elsewhere in this Report, already emphasised the need for attaining self-reliance in paper production, as paper is vital for imparting education, dissemination of information and for carrying on business, industrial and governmental work. The traditional resource for manufacture of paper is soft wood, which unfortunately is not available at present in abundant quantities in the country. It is, therefore, imperative that research is intensified in order to develop processes for using hard wood in large quantities for the manufacture of paper. There is need for identifying and developing newer species of wood better suited to paper manufacture. There is need also for intensifying research in order to encourage the use of agricultural residues like bagasse, jute sticks etc. for paper manufacture.

The Committee feel that the Government should have drawn up much earlier a comprehensive programme for integrated and intensified research on paper manufacture. The concept of setting up a Central Research and Development Institute devoted to paper manufacture has come not a day too soon and it is imperative that it is put on the ground without delay. The programme for research should be pragmatic and relate to the requirements of the paper industry, particularly of the Hindustan Paper Corporation which has been given a major role in the Fifth Plan of setting up paper plants in the Public Sector. There should be close-co-ordination between the Central Research & Development Institute, the Forest Research Institute, Dehradun, and the Training Institution at Saharanpur so that the experience gathered so far in the field is put to best use in public interest. There should also be co-ordination with UNDP programme which is underway for identifying suitable raw materials for paper manufacture. The Committee would like to be informed of the concrete measures taken by Government to implement a comprehensive national research programme to be drawn up in consultation with the Hindustan Paper Corporation, N.E.P.A. and other leading paper manufacturing units.

The Committee also suggest that there should be a procedure by which the achievements of the Research Institutions are published and are available, to the paper industry as a whole in the national interest. The results of studies in regard to raw materials should also be fed back to the Agriculture and Forest Departments so that the latter may keep in view the needs of paper industry while determining the programme for afforestation and regeneration of plantations.

(Paragraphs 8.22 to 8.27)

Reply of Government

With a view to getting over the problem of availability of adequate raw materials for sustaining increased production of paper and newsprint in the future, with the assistance of the UNDP the Government is executing the project of 'Exploration and Identification of Alternative Raw Materials for paper and Newsprint Manufacture'. This project will tackle the following problems:

- a. Exploring available raw materials in the country.
- b. Identification the cellulosic raw materials for industrial production.
- c. Concerted research both in the field of chemistry and engineering to improve technology for increasing production of pulp and paper.

A long term programme for undertaking research activities will also be drawn up under the project. The project is fulfilling a major issue of research and development in paper and newsprint industry. However, with a view to having further follow up action after the completion of the project, as well as to fill up the other gaps in research and development programme in paper and newsprint industry and to co-ordinate these activities on an All India basis, this Ministry has proposed the setting up of a Central Research and Development Institute for pulp and paper industries. It has also been proposed to levy a cess on production of paper to finance the institute. This proposal is under consideration of the Planning Commission. Once the Planning Commission approves the scheme, speedy action will be taken to set up the proposed Institute.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10-21/76-Paper, dt. 18-10-1976]

Further Information called for by the Committee

Please indicate the present position in regard to proposal to set up of a Central Research and Development Institute.

(L.S.S. O.M. No. 22-UP/76 dt. 30-12-77).

Further reply of Government

Although the need for unified control on research activity in the field of pulp and paper has been accepted in principle, it is necessary to assess the present status of R&D facilities available in this field to determine the role that the proposed institute could be expected to play. It has therefore

been decided that an Inter-Disciplinary Expert Group should be set up to identify the specific areas of R&D which are excluded at present; which of these could be undertaken by existing institutions, and the sequential steps to be taken to establish the R&D Institute. Sophisticated laboratory facilities and pilot plants are being set up under the UNDP Programme for Exploration and Identification of Alternative Raw Materials for Paper and Newsprint Manufacture. The question of follow-up activity of the project is linked with the proposed R&D Institute. It has recently been decided that a Research and Development Wing would be set up in the Hindustan Paper Corporation, which is the agency executing the UNDP Project, and it is expected that a nucleus group of experts would be constituted by the R&D Wing to take further action for setting up the R&D Institute.

[Department of Industrial Development O.M. No. 10(21)/76-Paper
dt. 21-1-1978]

Comments of the Committee

Speedy action should be taken to set up the proposed Central Research and Development Institute.

CHAPTER IV

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

Recommendation (Serial No. 34)

The Committee note that the original cost estimates of Rs. 18.72 crores of the Nagaland Project, as prepared by the National Industrial Development Corporation (NIDC) in 1971 were revised to Rs. 51.54 crores in 1973 and again to Rs. 61.82 crores in 1974. These estimates were further revised to Rs. 62.64 crores as a result of re-appraisal by the Corporation. The Committee were informed that the steep upward revision has been due not only to general increase in costs of machinery (1.96 per cent), civil engineering works (69 per cent) and structural civil works (32 per cent), but also due to changes and additions in the quantity and quality of machinery and civil works which raised the cost of machinery by 41 per cent, site development and other civil engineering works by 250 per cent and structural civil works by 66 per cent. The Committee cannot but express their unhappiness over the fact that the cost estimates originally prepared by the consultants (NIDC) were unrealistic, incomplete and did not take full care of all aspects of the project. They would like that the matter as to why the estimates were unrealistic, should be enquired into with a view to fixing responsibility. They feel that if the costs estimates prepared by the consultants had been thoroughly scrutinised by the Ministry before these were approved, deficiencies which have been noticed subsequently, could have been detected right at the beginning and rectified. In this connection the Committee would like to invite attention to their recommendations contained in para 118 of their Fifteenth Report (Fourth Lok Sabha) on Financial Management in Public Undertakings and reiterate that the importance of estimates in the detailed project report being as realistic as possible needs hardly any emphasis as the project report forms the very basis on which Government approve the project and the capital outlay. It is essential that the estimates take into account all foreseeable items of expenditure and are based on correct data so as to obviate the necessary of revision of estimates frequently.

(Paragraph 5.23)

Reply of Government

The project cost estimates of Rs. 18.72 crores initially prepared by NIDC were not realistic and complete. The estimate did not take into account all aspects of the project such as expenditure on spares, margin money, construction of housing colony, site development etc. HPC was

registered in May, 1970 and was in its infancy in 1971 and no adequately staffed. Further NIDC were appointed as Turn-key consultants and HPC entirely depended on NIDC for cost estimates and other aspects of the project. Detailed reasons for the increase in estimates have been explained in the revised project cost estimates.

Since 1971 there has been considerable escalation in prices. Some of the specifications of plant and equipment were changed and some more equipment was added.

Quantity of civil works also increased. Recently an Expert Committee also examined in detail the estimates of the Nagaland Project and the latest revised figures of its capital cost has been reduced from Rs. 63 crores to Rs. 62.12 crores. The report of the Committee is enclosed (Appendix VII).

Since HPC is now getting equipped internally to prepare detailed project reports, in future HPC will be able to prepare estimates internally instead of depending on out side bodies. General Manager (Engineering Services) and General Manager (Technical Services) are already in position. HPC is also developing a fulfilled design and consultancy wing on paper Technology.

[Ministry of Industry (Department of Industrial Development)
O.M. No. 10—21/76—Paper dated 18-10-76]

Comments of the Committee

Please see para 13 of Chapter I of the Report.

Recommendation (Sl. No. 48)

The Committee need hardly point out that precious and scarce foreign exchange should not be allowed to be wasted on long, leisurely and unnecessary tours. They recommend that Government should critically scrutinise proposals for foreign tours received from the public undertakings and only if they are satisfied that a proposed tour is absolutely necessary in the larger interests of the public undertakings, they should allow a minimum number of officers to go abroad for a short duration to visit specified places for a specific purposes. The officers who go on tour should be asked to submit, on return, detailed reports on their tour to the Board of Directors and the administrative Ministry concerned who should evaluate the reports critically. The committee would like the Bureau of Public Enterprises to issue suitable guidelines to all the Public Undertakings and also the administrative Ministries concerned in this regard and review the guidelines from time to time in the light of experience gained.

(Para No. 6.32)

Reply of Government

Till November, 1967, the Public Enterprises had to obtain the approval of the Government for the foreign tours of their officers, just as in the case of similar tours of Government servants. In November, 1967, Government decided that all Public Enterprises should, like private sector units, apply directly to the Reserve Bank of India (to the concerned branch offices) for the release of foreign exchange/passage clearance, in respect of their proposals for official visits abroad of their employees. Consequently, the Public Enterprises are not now required to go up to the Administrative Ministries for the necessary approvals in this regard. A copy of the Deptt. of Economic Affairs' O.M. 16-11-1967 is enclosed as (Appendix VIII). In July, 1969, the position was reviewed and it was decided, in partial modification of the 1967 instructions, that whenever the Chief Executives of Public Enterprises have to undertake tours abroad, although approval of the administrative Ministry/Department, as such need not be taken to the same, they should inform the administrative Ministry/Department sufficiently in advance about their intended tours. Copy of O.M. Dated 7-7-69 is enclosed as (Appendix IX).

The Central point made in the COPU's recommendation, referred to above is that Public Enterprises should henceforth obtain Government's approval for the foreign tours of their officers. The question whether, apart from the clearance of Reserve Bank, sought and given in such cases at present, it is necessary to stipulate that the Public Enterprises should obtain the approval of the administrative Ministries concerned for such

foreign tours, has been examined in all its aspects in the light of the observations of the COPU. In this context, it was noted that the observations of the COPU have been made with reference to the foreign tours undertaken by the executives of one of the Public Enterprises. It is considered that no generalised statement can be made about the lack of purposefulness of foreign tours undertaken by the officers of the various Public Enterprises, and instances of misuse of foreign travel facilities are rare. It was also noted that the Public Enterprises have to operate on commercial lines and have to undertake dynamic promotional activities and imaginative sales programmes, acquire new technology, etc. Having regard to all the relevant factors, it has been decided that it will be adequate if Chief Executives of Public Enterprises inform the administrative Ministries as early as possible about their proposed foreign tours programmes. It would then be open to a Ministry to advise in any particular instance that the tour programme may be modified or even postponed or take suitable steps if there was an instance of excessive and unjustified touring abroad. The Chief Executives of the Public Enterprises should continue to approve all foreign tour programmes of their subordinate employees.

Necessary instructions to administrative Ministries and Public Enterprises, employing the instructions of July, 1968 on the above lines will be issued.

Further Information called for by the Committee

Whether necessary instructions to administrative Ministries/Public Enterprises have been issued? If so, please furnish a copy thereof.

(L.S.S. O.M. No. 22-PU/76, dated 30-12-1977)

Further Reply of Government

A copy of the BPE's O.M. No. BPE|GL-018|77|MAN|9(31)|76-BPE (GM-I) dated 8-8-1977 issued in this regard is enclosed (Appendix X).

(Department of Industrial Development O.M. No. 10(21)|76-Paper dated, -1-1978)

Comments of the Committee

Please see Para 17 of Chapter I of the Report.

CHAPTER V

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

—Nil—

NEW DELHI;
March 22, 1979.

Chaitra 1, 1901 (S).

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(See Reply to Recommendation No. 15, Page 24)

Summary of Recommendations of the Agricultural Residue Committee constituted by the Development Council for Paper Pulp and Allied Industries

1.0. About 3 million tonnes per annum of jute-mesta stalks/sticks are produced on the average in India. There is no significant commercial use of this material and large quantities are wasted. As fuel its use is mostly limited as a starter for lighting up. With 20 per cent of this produce viz. 600,000 tpa, available to start with, there should be enough raw-material for Dev.—and planning of pulp and paper manufacture in and around the jute growing areas of West Bengal, Assam, Bihar, Orissa and Andhra Pradesh.

2.0. Regarding price to be paid to the cultivator for jute-mesta stalks/sticks it is considered reasonable to relate the price to coal coke equivalent. Assuming the retail market price of coke to be Rs. 200/- per tonne, the price of jute-mesta stalks/sticks to be paid to the cultivator should be Rs. 70/- per tonne of air dry stalk of 12—14 per cent moisture content, at source.

3.0. Jute-mesta stalks/sticks are available during the months of November, December and January and for the remaining nine months of the year jute-mesta stalks/sticks purchased and stored in season, will have to be used, and or supplemented by other available agricultural residues like cereal straws.

4.0. Collection of jute-mesta stalks/sticks should be undertaken by agents of the pulp/paper mill during season on air dry basis. Air-dry material containing about 12 to 14 per cent moisture does not deteriorate on storage provided it does not come into contact with moist earth. Jute-mesta stalks/sticks containing high moisture undergo decomposition on storage. As the material is bulky, having a bulk density of about 200 kilogramme per cubic metre, investigations should be undertaken on the possibility of reducing the bulk by pressing or baling.

5.0. Transport of jute-mesta stalks/sticks from the rural centres of collection to the mill is best done by river in rafts where such facilities are available. Road transport should be limited to a short radius of 40 to 50

km. as in the case of sugar cane. The transport cost from the collection centre to the mill including the margin for the agent may be about Rs. 30—50 per tonne, so that price of the material at the mills is around Rs. 100 to 120 per tonne.

6.0. Preparation of jute-mesta stalks/sticks for digestion may be done by passing the material through a pair of grooved rolls, in order to flatten and then through a chaff-cutter to cut to 50 mm lengths/and fed to digesters by mechanical conveyors/elevators, rather than by pneumatic means.

7.0. Rotary digesters are not essential for pulping jute-mesta stalks/sticks. Vertical stationary types are suitable with liquor circulation. Continuous digesters for jute-mesta stalks/sticks, not in bales, may also be feasible for big mills.

7.1. Jute-mesta stalks/sticks can be pulped for various end-uses by any of the following processes:

- (a) Chemical-soda, sulphite, sulphate and lime.
- (b) Semi-chemical.
- (c) Mechano-chemical.

Sulphite regents give higher yield and better coloured pulp than soda and sulphate. Sulphite and Sulphite semi-chemical processes should therefore be preferable. Mechani-chemical processes should be suitable for both small and medium size plants for making pulps for board/corrugating media and wrapping paper. Standard lime cooking can also be adopted for the production of boards of excellent quality.

• Cooking jute-mesta stalks/sticks in a hydrapulper followed by defibration and refining should also be feasible. Chemical-less cooking in a hydrapulper followed by defibration and refining should be investigated for pulping jute-mesta stalks/sticks. As pulping of jute-mesta stalks/sticks require a high liquor ratio, presoaking is essential.

7.2. Washing of jute-mesta stalks/sticks pulps requires larger drainage area in the washing equipment. Bleaching of jute-mesta stalk/stick pulps present no special problems and usual bleaching methods work satisfactorily. Sulphite pulps from jute-mesta stalks/sticks have a high degree of whiteness and unbleached pulp is suitable for common writing and printing paper.

8.0. Controlled stock preparation is important in handling jute-mesta stalk/stick pulps as beating results in fast hydration. This property indicates the possibility of these pulps being used for manufacture of grease-proof paper.

9.0. Conversion of jute-mesta stalk/stick pulp into paper on the conventional four drainer or cylinder mould machines, does not present any special problem and existing paper machines can be adopted to the use of these pulps. The lower freeness and poor wet strength of the pulp has however to be taken into consideration and taken care of.

10.0. Although jute-mesta stalk/stick pulp is short fibred mechanical qualities of the papers are good. Jute-mesta stalk/stick pulp when mixed with other pulps for paper making improves the qualities of the resulting paper appreciably.

11.0. Because of the inherent properties of jute-mesta stalks/sticks, they represent potential raw material for rayon grade pulp.

12.0. Cereal straws specially rice and wheat straws should be considered as supplementary raw material for projects based on jute-mesta stalks/sticks wherever feasible or necessary.

13.0. Jute-mesta stalks/sticks represent important raw material for boards corrugating media, packing and wrapping paper as well as unbleached and bleached printing and writing paper for common uses, besides sulphite tissue papers for food wrappers and tea chest lining and grease proof papers may also be developed from this raw material.

Sd./- U. CHATTERJI,
29-1-1976
Convener

Sd./- D. C. TAPADAR,
Chairman

APPENDIX II

(See Reply to Recommendation No. 35, Page 39)

Government of India
Ministry of Finance
Department of Expenditure
(Plan Finance Division)

No. 26(6)/PF-II/70

Dated September 30, 1972

OFFICE MEMORANDUM

SUBJECT:—*Public Investment Board.*

The current procedure of scrutinising proposals for investment in the public sector is governed by circulars issued by the Ministry of Finance (Plan Finance Division and the Bureau of Public Enterprises) during 1967 and 1968. This procedure distinguishes three stages of investment scrutiny viz., project formulation, feasibility study and detailed project report. In the Ministry of Finance the Financial Adviser is the focal point for receipt of Feasibility Reports (FR) and Detailed Project Reports (DPR) and for consolidating the views of the Ministry of Finance on the investment proposals. Thereafter a series of meetings take place at different levels in the administrative Ministry, the Ministry of Finance, Planning Commission, etc., to discuss and process these investment proposals.

2. This procedure was carefully re-examined some time back and the following important shortcomings were noticed,

- (a) Too many meetings at different levels and at different places tended to delay the investment scrutiny;
- (b) The basic and broader issues which tended to get mixed up with the less important ones could not get isolated and brought up in clear focus to high decision taking levels adequately early in the process on investment decision;
- (c) There was no fixed and identifiable high level forum for investment decision.

With a view to removing these shortcomings, the Central Government have decided to set up a Public Investment Board. Subject to what has

been stated in para 3 below the functions of this Board will be as follows:—

- (a) Examination of the board contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken;
- (b) Taking investment decision on proposals for public investment to produce goods and to provide services;
- (c) Consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

3. All proposals for public investment in public sector corporation/undertakings involving an amount of Rs. 1 crore and above should be referred to the Board. Proposals on behalf of departmental undertakings which are now referred to the Expenditure Finance Committee should hereafter be referred to the Board if the investment is of Rs. 1 crore and above. The proposals below Rs. 1 crore will continue to be referred to the Expenditure Finance Committee (EFC). Investment proposals in the joint sector involving direct Government capital investment (excluding that of public financial institutions) of Rs. 1 crore and above should also be referred to the Board. Proposals in which the investment involved is less than Rs. 1 crore will continue to be processed as per current practice. Investment proposals of the Ministry of Railways, Ministry of Defence, Department of Atomic Energy, Space and Electronics will be outside the purview of the Plan Investment Board. Approval of statutory authorities wherever prescribed or necessary would be obtained by the Administrative Ministry concerned on the decision of the Board. It should normally not be necessary to seek direct approval "in principle" of the Cabinet for an investment proposal without referring it to the Public Investment Board.

4. The composition of the Public Investment Board would be as follows:

Secretary (E) Ministry of Finance	Chairman
Secretary (EAN) Ministry of Finance.	Member
Secretary, Planning Commission	Member
Secretary, Industrial Development	Member
Secretary to the Prime Minister, (Dr. P. N. Dhar).	Member
Secretary of the administrative Ministry concerned with the public investment proposal.	Member

Additional Secretary and Director General, Bureau of Public Enterprises will be a permanent invitee.

5. The Board would be serviced by the present Plan Finance Wing, Department of Expenditure, Ministry of Finance, the Board would meet periodically and may issue such instructions as may be necessary for the effective discharge of its functions. With the constitution of the Board and with the procedure prescribed there should be no need hereafter for prolonged correspondence and for too many internal and inter-ministerial meetings at different levels.

6. There are three distinct stages through which a project idea travels before a public investment takes place. These are project formulation, feasibility study and detailed project report. Investment proposals in the first two stages only should be referred to the Public Investment Board for a decision. The third stage viz., the examination and clearance of the Detailed Project Report and all related substantive expenditure sanctions would continue to be handled as at present by Financial Advisers in consultation with the Ministries concerned. However, if a Detailed Project Report or any other revision throws up a cost estimate which exceeds by more than 20 per cent the amount approved at the stage of investment decision by the Board, the matter should be referred to the Board again.

7. It will be desirable to keep these three stages distinct and separate. In any case, the stages of Feasibility Report and Detailed Project Report should not be telescoped. Without a clear prior investment decision, a Detailed Project Report should not be prepared which involves expenditure of considerable time and funds and which goes into details such as engineering designs, drawings, construction data etc. Expenditure should not also be undertaken on preliminaries such as land acquisition, Railway lines and sidings, site preparation etc., prior to investment decision. At the project formulation stage a preliminary and broad consideration is given to the question of priority and to the position of the investment proposals in the context of the Annual and Five Year Plans. This stage is usually relevant well before preparation of Annual/Five Year Plans by the administrative Ministry concerned with the public sector investment or when investments not already provided in the Plan are proposed from time to time. The administrative Ministry should very closely associate the Planning Commission at this stage. It is also necessary during this stage to associate the Plan Finance and Project Appraisal Wing, and where foreign exchange implication is serious, the Department of Economic Affairs also. After such consultation a report should be drawn up, incorporating the views of the concerned agencies where differences exist, by the administrative Ministry, for submission to the Public Investment Board through the Plan Finance and Project Appraisal Wing. A Feasibility Report should be prepared if the Board, after considering the report, directs so.

8. In the second stage after preparation of the Feasibility Report sufficient copies thereof should be sent by the administrative Ministry along with a note containing their views and recommendations to the concerned Financial Adviser in the Department of Expenditure. He will immediately forward for comments copies of the Report to the Planning Commission, Bureau of Public Enterprises, Plan Finance and Project appraisal Wing in the Department of Expenditure and to the Department of Economic Affairs and any other agency, deemed necessary considering the contents of the Feasibility Report. Such comments should relate largely to the broader issues which require consideration at a high level at the beginning itself. Examples of such issues are:—

- (a) The contribution of the project to the economic and social objectives and adherence to concerned policies of Government.
- (b) The advisability of undertaking the project in the public sector, in the joint sector or leaving it to the private sector;
- (c) Availability of Plan Funds, desirability of diversion of Plan funds to the new projects from those already on hand;
- (d) The plant capacity and the timing of the investment in the light of supply and demand balance including export possibilities of the product/service to be provided;
- (e) The economic benefits of the project as distinct from financial returns;
- (f) Crucial assumptions in the Feasibility Report which are likely to affect the performance of the commissioned project in relation to the claims made thereon in the Feasibility Report;
- (g) Major technological and constructional aspects which may have a bearing on the investment decision.

9. The Financial Adviser will arrange to obtain the comments expeditiously, consult the administrative Ministry concerned if necessary and prepare a report suitably incorporating the comments of different examining agencies and further views of the administrative Ministry, if any. The number of internal and inter-Ministerial meetings and consultations should be kept to the minimum with a view to cutting down the time taken in preparing the Financial Adviser's report. This report along with the Note, if any, from the administrative Ministry will be forwarded to the Plan Finance and Project Appraisal Wing by the Financial Adviser. The latter will prepare a final appraisal report for the consideration of the investment Board bringing out the essential points of and enclosing the note of the administrative Ministry, of the Financial Adviser and of the Project.

Appraisal agency of the Planning Commission, if any. This final appraisal report would examine in detail the financial and economic features of the proposed investment, of the assumptions made relating to production, prices etc. The decision of the Board on this appraisal would be either to ahead with the investment or to drop it or to modify it. Following an affirmative investment decision, the Financial Adviser will give specific financial sanctions for essential preliminaries of project execution which will not depend to any serious extent on the Detailed Project Report to be prepared subsequently. Such sanctions will be preceded by a quick examination of such details of the project as the Financial Advisers may deem necessary and that did not figure in the deliberations of the Board.

10. It will be the responsibility of Plan Finance and project Appraisal Wing besides furnishing its comments on the Feasibility Report to the Financial Adviser to:

- (a) Keep in touch with the Financial Advisers to ensure that Feasibility Reports are examined expeditiously;
- (b) get the meetings of the Board convened as frequently as may be necessary;
- (c) prepare the final appraisal report covering the main issues arising out of the comments referred to earlier and place it before the Board.

11. Normally, a Feasibility Report should be brought up before the Board along with the Appraisal Report within a period of three months of the receipt of the report. Project proposals not ready for decision of the Board within three months of their receipt should be periodically brought to the notice of the Chairman of the Board by the Project Appraisal Wing.

12. It is, however, the responsibility of the administrative Ministry to ensure that Feasibility Reports contain all essential data, presenting meaningful alternatives with adequate analysis for choice and that they are sent for scrutiny in the Ministry of Finance well in time so that haste in scrutiny vitiating its usefulness is avoided.

13. The appraisal report to be considered by the Board will be circulated to the members of the Board at least a week ahead of the meeting and should be sent to the administrative Ministry at least a fortnight ahead of the meeting. This is to enable the administrative Ministry to be fully prepared to clarify questions likely to be raised by the Board.

14. This Office Memorandum supersedes the circulars* hitherto issued on the subject scrutiny of Feasibility Reports, noted below, and modifies the relevant portions of the minutes of the Meeting circulated *vide* Department of Expenditure note No. F.4(3)-E(Coord)/71 dated the 30th July, 1971.

Sd/- M. R. Yardi
(Expenditure)
Secretary.

EXPEDITIOUS REVISION OF CAPITAL COST ESTIMATES AND ITS IMPACT ON THE ECONOMIES OF PRODUCTION.

Under the powers delegated to the Board of Directors of public enterprises for sanctioning capital works *vide* the former Ministry of Commerce and Industry O.M. No. Pr.C7(1)/61 dated 15th May, 1962, (See page F. 56) the public enterprises can proceed with the execution of the projects once the detailed project reports and the detailed cost estimates have been approved by Government. A reference is required to be made to Government only in the case of variation of more than 10 per cent for any particular component only in the approved estimates. Cabinet approval would, however, be necessary in cases where the increase is over 20 per cent of the level of investment earlier envisaged.

2. The necessity of expeditious sanctioning of the revised capital cost estimates, etc. was also emphasized in BPE O.M. Nos. 1(12) (67) Fi, dated 22-9-67 (ii) 9(1)-F.(67) dated 22-9-67 and (iii) BPE 3(4)/Adv(F)/69 dated 30-8-69 (See pages F. 57-58). It has, however, been observed that in spite of these instructions there have been considerable delay in certain cases, in the sanctioning of the revised capital cost estimates, etc. which have been adversely commented upon by the Committee on Public Undertakings in their 19th Report on Heavy Electricals (I) Ltd., and 21st Report on Bharat Heavy Electricals Ltd. The Committee has made following recommendations:—

Recommendation No. 3 of the 19th Report of the Committee on Public Undertakings.

* 1. Do No. 3213-S

(IPF)/67 dt. 5-9-67 from Shri Govindan Nair addressed to Secretaries, Central Economic Ministries

2. O.M. No. 2(75)/68/BPE(GM) dt. 23-4-68 from BPE addressed to all Ministries/Departments

3. No. 2400-PF.II/68, dt. 28-8-68

"Time is the essence of success of any commercial undertaking. The Committee regret to note that delay of about two years occurred in sanctioning the Revised Project Estimates of the Undertaking. The Management of Heavy Electricals (I) Ltd. took more than a year to approach Government for sanction of the revised project estimates, of Rs. 6,110.61 lakhs after they were approved by the Board of Directors of the company and the Government took another ten months to accord their sanction to the above mentioned revised estimates. During evidence it was conceded that Government should have taken much less time. The Committee are convinced that both the Management and Government had taken more time than what was warranted. The Committee are surprised that the project Estimates were revised five times. The Committee recommend that Government should lay down clear guidelines in the matter and the procedure for processing the revised estimate should be streamlined with a view to finalising them and communicating the orders without loss of time. The Committee need hardly point out that while examining such upward revision of estimates, Government should go into its impact on the economics of production; in fact the estimates should be so realistically framed that there should be no need for their revision".

Recommendation No. 2 of the 21st Report of the Committee on Public Undertakings.

"The Committee take a serious view of the fact that it took Government more than three years to sanction the estimates submitted by BHEL in December, 1966. It is regrettable that in spite of the recommendation of the Committee on Public Undertaking in their 39th Report (1967) that Government should accord its sanction to the estimates without any delay no serious efforts were made to expedite the sanction of these estimates. It has been admitted that there was considerable delay on the part of Govt. in sanctioning these estimates. However, no responsibility has been fixed for this delay as suggested by the Committee in their 16th Report (1967-68). According to the Ministry these revised estimates were examined in consultation with the Ministry of Finance and the Bureau of Public Enterprises which took some time. As no particular officer was responsible for the delay the question of punishing any delinquent officer in this connection does not arise.

The consultation among the various departments of the Government of India can hardly justify the delay of more than three years, in sanctioning the estimates. The Committee, therefore, consider that the procedure should be streamlined to avoid such delays in sanction of the estimates".

3. It is, therefore, reiterated that the question of revision of the capital cost estimates should be taken up as soon as it is felt by the public enter-

prises that the original estimates are going to be exceeded and every effort should be made to expedite the sanctioning of the revised cost estimates by all concerned. The revision of the capital cost estimates would also generally affect the profitability of the project. It is, therefore, imperative that while examining the upward revision of project cost estimates its impact on the economies of production is also carefully examined.

4. In this connection reference is also invited to Deptt. of Expenditure (Plan Finance Division) O.M. No. 26(6)/EF.II/70 dated 30-9-72 constituting a Public Investment Board, (See page F-114). One of the main functions of the Board will be consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

5. The Ministry of Industrial Dev. etc. are requested to bring the contents of this O.M. to the notice of all public sector undertakings under their administrative control.

[No. BPE/1(185)/Adv(F)/72 dated 24th November, 1972]

APPENDIX III

(See Reply to Recommendation No. 35 Page 39)

Copy

No. F. 1(10)|PF-II|76

Government of India/Bharat Sarkar

Ministry of Finance/Vitta Mantralaya

Deptt. of Expenditure/Vyaya Vibhag

(Plan Finance Division/Yojna Vitta Prabhag)

New Delhi, the 17th April, 1976

28 Chaitra, 1989(S)

OFFICE MEMORANDUM

SUBJECT:—Investment decisions—Working out cost estimates for.

Under the existing instructions, for securing investment approval for expansion of existing schemes or establishing new schemes or new lines of production by any state-owned public corporation, company, enterprise or project, the estimate of cost are worked out and submitted along with feasibility reports to the appropriate authority to give a clear idea of the financial commitments involved in taking the investment decision. The limit upto which the administrative Ministries are themselves competent to sanction variation in the approved cost estimates has been prescribed in the D.F.P. Rules, 1958, as modified from time to time. Wherever the costs exceed the original estimates, approval of the competent authority for the revised cost estimates is also to be obtained.

2. It has been observed in a number of cases that administrative authorities come up with proposals seeking approval for revised cost estimates involving substantial excess over originally approved estimates within a relatively short time of initial approval, and in some cases the cost estimates are market by increases of over 100 per cent and more. While such cost increase have often been attributed to escalation in cost of material/equipment and increases in duties and taxes, it has also been noticed that increases in cost are also on account of inclusion of new items of works and equipment changes in the scope of the project, insufficient provisions in initial estimates, etc.

3. Attention of the administrative Ministries is invited to Ministry of Finance, Department of Expenditure, Memo No. 26(6)/PF.II/70 dated 30th September, 1972 which refers to the broad issues that require consideration at the initial stage itself, in proposals for investment decisions, particularly regarding crucial assumptions in feasibility reports which are likely to affect the performance of the commissioned projects. It is also requested that the administrative Ministries should ensure that feasibility reports are drawn up as indicated in the "Guidelines for the preparation of feasibility reports for industrial projects" prepared by the Planning Commission and communicated *vide* Ministry of Finance Department of Expenditure, O.M. No. 8(20)/PF./II/75 dated 23rd August, 1975.

4. While considering a recent proposal seeking approval of revised cost estimates, the Cabinet has emphasized the need for the submission of more carefully worked out estimates before seeking investment approval decisions and entering into commitments.

5. It is requested that administrative Ministries should while seeking investment approval, ensure that cost estimates are not only carefully worked out but are also complete in all respects, and also further ensure that commitments are entered into only after investment decisions are taken on the basis of carefully worked out estimates.

Sd/-

(Ajit Mozoomdar)

Secretary of the Government of India

To

Secretaries to all Ministries/Department etc. of the Government of India.

All Financial Advisers and Branches in the Department of Expenditure (Civil).

APPENDIX IV

(See Reply to Recommendation Nos. 37 and 39, Page 44)

DRAFT REPORT OF THE EXPERT COMMITTEE CONSTITUTED BY GOVERNMENT OF INDIA TO ASSESS THE SUITABILITY OF THE SITE AT TULI AND RECOMMEND MEASURES FOR SLOPE PROTECTION

The Third and final meeting of the Expert Committee for examining and considering the question of soil at the site of the Paper Mill of Nagaland Pulp and Paper Company at Tuli (Nagaland) took place on 15th January, 1977 at Hindustan Paper Corporation Limited Office at Nehru Place, New Delhi.

2. The Following were present :

1. Shri V. K. Joshi, Director (Canals), C.W.C. Chairman
2. Shri R. V. Chalapathi Rao, Director, Geological Survey of India, Shillong. Member
3. Shri N. K. Chakrabarti, Deputy Adviser (Const.) Bureau of Public Enterprises Member
4. Dr. N. Som, Reader of Civil Engineering, Jadavpur University. Member
5. Shri R. Agarwal, General Manager, NPPC, Tuli By Special Invitation
6. Shri D. K. Thakurta Senior Project Engineer H.P.C., Calcutta. "
7. Shri S. D. Garg, Project Co-ordinator, HPC, Calcutta. "
8. Shri A. K. Dhawan, Asstt. Director (Canals), Central Water Commission. "

3. The Committee members reviewed the minutes of the two earlier meetings and also discussed the data made available subsequent to the second meeting. These data consisted of the geological plan of the foundation for a part of the Paper Mill site at Tuli, made available by the Geological Survey of India and the contour plan of the slopes, as they exist after 1976 monsoon, supplied by Nagaland Pulp and Paper Company. The Members discussed the acceptable criteria for safety of the slopes and decided upon the following factors of safety:

Slope Stability	Factor of Safety
Without earthquake	1.3
With earthquake	1.4

4. The terms of reference of the Committee were as under:—

- (a) To go into the question of fundamental stability of the Tuli site and its soil conditions;
- (b) To specify the protective works required to be taken at the mill site to avoid sliding of the hill slopes or sinking of the soil in the area.

5. The Committee after detailed discussions agreed upon the following:

Stability of Tuli Site and Soil Conditions:

5.1. The Committee considers that there can be no such concept as 'Fundamental Stability' by itself. The stability of any site is assessed with respect to the envisaged loading from plant structures/buildings in relation to environmental conditions like climate, geology, seismicity etc. The Tuli site is located in a highly seismic zone. The foundation geology of the Paper Mill consists of clayey sequence with small bands of friable sand rock. The plant site is located in a heavy precipitation area in Nagaland. The yearly rainfall is of the order of 250 cm.

5.1.1. The cross sections of the hill slopes around the site indicate that the present slope angles vary in general from 24° to 33° and the heights of the slopes range between 20 and 32 metres. It is in the light of these site conditions that the stability of slopes was assessed.

5.1.2. The foundation material is not sensitive. The site is however vulnerable to slides, which may take place in the main plant area if ingress of rain water into the subsoil is not effectively prevented.

5.1.3. It is recommended that the entire plant area at platform level (+156m level) be completely paved with bituminous or concrete pavements (excluding the areas protected by plant structures) and all surface run-off led into the plant area drainage system. The peripheral road and drains with catch pits and out fall pipes constructed in 1976 may be suitably integrated with the plant drainage. This surface drainage should be able to cater for a minimum precipitation rate of 5 cm. per hour for a sizeable period or a cloud burst of 10 cm. per hour for a shorter duration of less than an hour.

Protective measures required to be taken up at the mill site to avoid slide of the hill slopes:—

5.2.1. The soil tests have indicated that the sub-soil has generally a low clay content, Zero cohesion and an angle of shearing resistance of 29°. In such a material, to meet the stability criteria indicated in para 3,

a slope angle between 24° and 25° would be required to be maintained. From this consideration the slopes on the western side, particularly round the Digester House are steep and do not measure upto the stability criteria stand in para 3. These slopes and certain other areas will need remedial measures for stabilisation as indicated in the following paragraph.

5.2.2. Based on the above consideration and the proximity of the plant structure from the edge of the slopes a scheme of priority is required to be developed for the slope treatment. The most vulnerable plant structures are the Digester House and the Chip Silos. Slope treatment near them is of immediate necessity. On the northern side, adequate space is available so that in an event of the slopes flattening out by themselves, there will still be room left to undertake remedial measures without affecting the main plant structures and the working of the plant. The priority of the slope treatment has therefore been determined with respect to the existing state of slopes and nearness to critical plant structures:

I. FIRST PRIORITY :

- (A) Southern Slopes between Grid Lines 3 and 5, adjacent to Chip Silos.
- (B) On the western slope between Grid Lines A and F, opposite to retaining wall Nos. 4 and 3.
- (C) Eastern and Southern slopes of the main plant approach road between grid lines A and D.

II. SECOND PRIORITY:

- (A) Between Grid Lines G and 5 on north western slopes.

III. THIRD PRIORITY:

- (A) Northern Slope around Grid Line 9 opposite to Retaining Wall No. 2.
- (B) Northern slope around Grid Line 12 opposite to Retaining Wall No. 1.

In so far as the above two items under third priority are concerned, some remedial measures have already been taken and though the angles of slope are more than that can be theoretically permitted, there is no apparent sign of distress. They can therefore be watched for another one or two monsoons before the remedial measures are implemented.

These locations have been indicated in the drawing enclosed.

5.3. The Committee after considering different methods of stabilising the slopes recommends the following remedial measures:—

Flattening of the slopes to a slope angle of 24° will be necessary in the vulnerable areas indicated in the para 5.2.2. This may be done by filling and compacting the earth in layers of about 30 cm. from the toe of the slope upwards upto — 156 m. elevation of the plant area. The compaction of the filled material should be so done as to achieve a reasonably satisfactory dry density.

5.3.1. To examine the feasibility of implementing the aforesaid remedial measures, S/Shri R. V. Chalapathi Rao, Dr. N. Som and N. K. Chakrabarti, Members, visited the site between 29-1-1977—1-2-1977, as per decision taken in the meeting held on 15-1-1977. From the site examination it is found that such a flattening of the slope would interfere with the natural drainage course between Grid Lines A and F at the toe of the western slope. At this location it would be necessary to provide for a water way with a hose pipe of adequate diameter for the required length and the earthwork can be carried out on top thereof. The necessary diameter for the pipe may be worked out on the basis of the rate of precipitation indicated earlier in para 5.1.3.

5.3.2. By such flattening of the slopes between gridlines A and F, a valley will be formed on the western flank. The surface run-off from this valley could be led away by providing a longitudinal surface drain as indicated in Annexure enclosed.

5.3.3. The northern slopes between gridlines 5 and 6 are abutting against the area earmarked for the coal yard where earth work is in progress to bring it upto — 125 metres level. While it would have been desirable to flatten out these slopes under second priority, it may not be possible to do so, as their flattening will encroach on the Coal Yard by as much as 15 metres. This area may be watched for two more monsoons and assigned a priority, as the situation demands for flattening of the slopes generally prescribed.

5.3.4. On the easter slope behind the workshop building some excavated materials have been dumped. Flattening of this dumped material to an angle of about 24° is called for to prevent slides in the dumped material which may possibly drag along with it some parent material.

5.3.5. It would be desirable to complete the items indicated against first priority as early as possible. From our site examination it would appear that no dearth of fill material is anticipated.

5.3.6. The Committee would also like to make a general recommendation to grow on the slopes plants like Khagra and Bhutang reeds which are typical to this area or any others that may be recommended by the Forest Department of Nagaland. This would promote increased resistance of the slopes to soil erosion.

(Sd.) V. K. JOSHI

Chairman

(Sd.) DR. N. SOM

Member

(Sd.) R. V. CHALAPATHI RAO.

Member

(Sd.) N. K. CHAKRABARTY,

Member

APPENDIX V

(See Reply to Recommendation No. 25, Page 64)

COPY

FINANCIAL MANAGEMENT IN PUBLIC UNDERTAKINGS, 15TH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS—NEED FOR DEVELOPING EFFICIENT COST ACCOUNTING SYSTEM.

The Committee on Public Undertakings in its 15th Report on Financial Management in Public Undertakings have observed as under :—

“The whole economic success of any project depends on an efficient and accurate system of cost control. The Committee would, therefore, urge that a proper costing system should be introduced in all public undertakings. Without a proper costing system, it will not be possible to fix the prices correctly and to exercise adequate control over various elements of cost.”

“The Committee further consider that since the detailed project report is the basis of judging the profitability of a project, Government should insist that estimate of the cost of production must be included in the detailed project report. The vast experience gained so far in establishing and running of industrial projects should be utilised in making available to the consultants/collaborators such data as may be required by them for correctly estimating the cost of production and for making an independent check of the estimate made by them.”

“The Committee consider that such undertaking will be in the best position to judge whether or not the integrated system of cost and financial accounts would be suited to it. But whatever the system, collection of cost data should be completed as speedily as possible. It will be seen from the statement at Appendix XVI (Not reproduced) that in a number of undertaking the compilation of cost data takes more than a month's time, and in some cases it takes as much as three months. Prompt steps for cost reduction can be taken only if full data for cost analysis is readily available. The Committee therefore recommend that the undertakings should gear up their costing organisations so that cost data is compiled by each undertaking within the shortest possible time”.)

The Committee feel that introduction of standard cost is very necessary for exercising effective cost control. The standard cost should be calculated on the basis of normal levels of activity and efficient and should be reviewed periodically so as to take into account changing conditions. There may be some difficulty in expressing the standard cost in monetary terms, as due to the all round increase in price, standard cost is likely to become out of data very often. The Committee, therefore, consider that it will be advantageous to lay down physical norms for determining standard cost, *i.e.*, the quantity of materials that should be consumed per unit of end product, labour hours, machine hours etc. per unit of end product.

2. Government have accepted these recommendations and attach great importance to an efficient development of cost accounting system in all undertakings. In this connection reference is also invited to this office circular No. 2(43)/66 dated 5th September, 1966. In the case of manufacturing industries, it will be desirable to develop an integrated system of cost and financial accounts so that the necessity of frequent reconciliation of figures between financial and cost accounts is avoided. Standard costing has been recognised as an essential management tool for the purpose of cost control. Standard costing provides the necessary data against which actual performance can be compared and variations determined for initiating necessary remedial measures.

3. The Ministry of Industry etc. are requested to bring the contents of this O.M. to the notice of the undertakings under their control and impress upon them the need to organise a sound cost accounting system based on integrated system of accounts wherever possible, and also develop the standard costing at a very early date.

[BPE No. 46/Adv(F) BPE/68/12 dated 12th September, 1968]

APPENDIX VI

(See Reply to Recommendation No. 25, Page 64)

COST CONTROL IN PUBLIC SECTOR UNDERTAKINGS—SUBMISSION OF COST DATA, ETC. TO THE BOARD OF DIRECTORS.

The undersigned is directed to state that it has been observed that in many public sector undertakings adequate cost records are not maintained and linked with the Financial Accounts. There is also delay in preparation of cost statements. It is, however, of utmost importance that cost data is presented to enable them to take corrective action and policy decisions. The Finance Minister has emphasised in this connection the utmost need for cost consciousness and has stated that all relevant information should be made available by the managements to the Boards of Directors so that the latter could keep a continuous watch on costs. He has also pointed out that productivity should be carefully watched and for this purpose necessary work studies undertaken. Control of Inventories is another to which attention should be given by Board of Directors.

2. Ministry of Industry etc. are, therefore, requested to bring these observations to the notice of the Board of Directors of the Public Enterprises which they are concerned. The Board of Directors may draw up detailed procedure to ensure that cost analysis is made promptly and watched carefully that cost statements are fully reconciled with Financial Accounts, that productivity studies are undertaken and regular system of inventory control introduced.

[BPE No. 2(43)/66-F.1 dated 5th September, 1966]

APPENDIX VII

(See Reply to Recommendation No. 34, Page 84)

Annexure—1

Re: REVISED PROJECT CAPITAL COST AND PROFITABILITY OF NAGALAND PULP AND PAPER COMPANY LIMITED.

As per the revised Project Capital Cost Estimates made by the Hindustan Paper Corporation/National Industrial Development Corporation in August, 1975, the total cost of the Project was of the order of Rs. 62.65 crores, which was further increased to Rs. 63.13 crores as a result of further information received regarding the effluent treatment system from NIDC. Since this capital cost was considered on the high side, a Committee consisting of the following members were appointed on 19-12-1975 by the Chairman-cum-Managing Director, to determine the correctness of these estimates and to suggest ways and means of reducing the cost of the Project, if possible:

S. Shri V. P. Gohel, Expert—Pulp and Paper	Member
N. K. Chakravarty, Deputy Adviser, BPE	Member
B. Mishra, General Manager (ES) Hindustan Paper Corpn.	Member
(Dr.) A. Panda, General Manager (TS) Hindustan Paper Corpn.	Member
P. N. Sharma, Project Manager, NIDC	Member
N. D. Agarwal, Financial Adviser, Hindustan Paper Corpn.	Convener

2. The detailed project estimate prepared by HPC/NIDC in August, 1975, was reviewed by the Committee. The Committee held several meetings in the Head Office of the Corporation. S/Shri Gohel, B. Misra and N. K. Chakravarty also visited the project site at Nagaland from 3-1-1976 to 5-1-1976 to have a look at the site conditions in detail before examining the estimates prepared by HPC/NIDC in August, 1975.

3. The Committee has tried to make the estimates as realistic as possible upto January, 1976. Accordingly, the total Capital cost of the Project comes to Rs. 62.12 crores including price escalation of Rs. 10.17 crores as against the previous estimate of Rs. 63.13 crores. Thus, it will be seen that only a net saving of Rs. 1.01 crores could be possible, as per Annexure 'A' enclosed.

4. So far as the plant and machinery is concerned, the estimates have been made on the basis of actual value of orders already placed and

quotations received and as some of these contracts have clauses regarding price escalation based on increase in price of material and labour, it was estimated that roughly an amount of Rs. 818 lakhs would be payable upto December, 1975. It is also estimated that on spare parts in amount of Rs. 37 lakhs may have to be paid as price escalation. Thus, the total amount of price escalation on plant and machinery and spare parts payable upto December, 1975 would be of the order of Rs. 855 lakhs as per Annexure 'B' enclosed. Since at present we are placing all orders with a firm price during the delivery period, no price escalation has been taken into account against future orders, particularly in view of the fact that prices are now more or less stabilised.

5. So far as the civil works are concerned, the work relating to the factory buildings has been estimated on the basis of the rates in existence with the National Projects Construction Company Limited. However, as per their contract, they are insisting for higher rates with effect from 1st January, 1976. It has been estimated that the remaining work relating to the factory buildings will cost an additional amount of Rs. 1.62 crores, which has been taken in the price escalation statement (Annexure 'B' enclosed). So far as the township buildings are concerned, the estimates are based on the actual cost incurred upto 31st December, 1975 and for the remaining work at the rates prevailing as on 31st December, 1975. Therefore, no price escalation has been taken in the estimate for the township work in the hope that there will not be any further price increase from 1-1-1976 in view of the stabilisation of prices. Thus, the total cost of price escalation on plant and machinery and civil works has been revised from Rs. 11.10 crores to Rs. 10.17 crores (as per Annexure 'B' enclosed), which takes into account the price escalation upto 31st December, 1975 only.

6. The Committee has also gone into the profitability of the Project on the basis of Revised Capital Cost and the latest price of inputs as well as the present market price of paper. The quantities of inputs have also been reviewed and revised where considered necessary. On this basis, a revised profitability statement has been drawn as per Annexure 'C' enclosed. It would be observed from this statement that the cost of production per tonne would be Rs. 4596/- as against net sales realisation of Rs. 4034/- per tonne of paper. This would give a loss of Rs. 185.25 lakhs per annum. This loss is likely to be further increased by about one crore rupees in case the caustic chlorine is not produced by the mill and purchased from the market. It is therefore essential in the opinion of the Committee that the project must produce its own caustic chlorine and the State Government should be persuaded to provide the requisite electricity for the caustic chlorine plant.

7. The Committee also felt that the Capital Cost of the Project is very much on the high side because of difficult terrain and the necessity of

purchasing two pulp mill and two paper machines instead of a single line. It is estimated that the Project has been burdened by at least Rs. 12.65 crores on account of these factors, as per Annexure 'D' enclosed. The Corporation might consider if this extra cost could be given by the Government as a subsidy.

8. Since the Project is likely to suffer with heavy annual losses, it may be considered if the debt equity ratio may be changed from 1:1 to 1:2. In case the Government agrees to grant the subsidy as suggested above and to finance the Project by the debt equity ratio of 1:2, the net loss per annum is likely to be reduced by Rs. 179.02 lakhs, still leaving a net deficit of Rs. 6.23 lakhs per annum (as per Annexure 'E' enclosed).

Sd./- V. P. GOHEL,
Expert Pulp & Paper

Sd./- N. K. CHAKRAVARTY,
Dy. Adviser B.P.E.

Sd./- B. MISRA,
General Manager (ES)
Hindustan Paper Corpn.

Sd./- DR. A. PANDA,
General Manager (TS)
Hindustan Paper Corpn.

Sd./- Y. N. SHARMA
Project Manager
N.I.D.C.

Sd./- N. D. AGARWAL,
Financial Adviser,
Hindustan Paper Corpn.

ANNEXURE — 'A'
NAGALAND PULP AND PAPER COMPANY
Capital Cost Estimates

S.No.	Major Heads	Original	New revised
		Rs. Lacs	
A.	Land	1.00	1.00
B.	Civil Works	830.90	820.58
C.	Plant and Machinery	3271.44	3228.68
D.	Projecting Cost	513.88	513.88
E.	Initial Spares	147.00	145.98
F.	Township	350.30	381.00
G.	Price Escalation	1110.00	1017.00
H.	Margin Money	88.00	88.00
I.	Lime Kiln		16.00
	TOTAL :	6312.52	6212.12

HINDUSTAN PAPER CORPORATION LTD.
CONTRACTS WITH PRICE VARIATION CLAUSE

PROJECT NAGALAND

Serial No.	Name of Equipment	Supplier	Contract rates	Percentage of escalation	Amount of estimated escalation	Remarks
						(Rs. in lakhs)
1	Paper Machine	Jesop & Co.	862.89	52.15%	450.60	As per calculation attached.
2	Bamboo Pulping Street	Utkal Machinery	214.2	40.2%	86.11	Do.
3	Coal Fired Boilers	Walchand-Nagar Industries	150.9	39.08%	58.98	Do.
4	Recovery Boiler and Electrostatic Precipitator.	BHEL, Trichy	112.56	32.7%	36.82	Do.
5	T. G. Set	BHEL, Hyderabad	95.00	32.7%	31.06	Rate of S. No. 4 adopted.
6	Recalcitrating Plant	Dorr-Oliver	41.00	40.2%	16.48	Rate of S. No. 2 adopted.
7	Evaporation Plant	Larsen & Toubro	53.00	40.2%	21.30	Rate of S. No. 2 adopted.
8	Fixed price Contracts with provision of statutory increase of excise and customs duty, rate of exchange etc.				117.26	
9	Spare Parts				37.00	
10	Civil Works:				162.00	
	(One balance work of Factory Buildings)					
	TOTAL		1529.59		1017.00	

Note 1.—1. There is no other contract entered in so far having price variation clause except for statutory increases like taxes and excise duty and other New Government levies.

(2) List of contract having fixed price except statutory variation is attached.

S.No.	Name of Equipment	Supplier	Contract Value	Remarks
1.	Recd/Viras Pulp Plant	Eastern Paper Mills	199.15	Prices are firm except statutory increase like taxes & Customs Duty.
2.	D. G. Set	Basabhai Engineers	7.43	..
3.	Roll Grinding Machines	Dronasfield Bros.	1,49,197 ₹ (27.22)	..
4.	Blow Heat Recovery	Blessden Cole	21.0	..
5.	Goods Lift	Electric Construction Company	2.68	..
6.	Water Treatment Plant	Nagaland Construction Co.	36.0	..
7.	H.O./E.O.T. Crane	Mechanical movement	1.12	..
8.	D. M. Plant	Bird & Co.	34.75	Contract under preparation.
9.	Chemical Dosing Plant	Bird & Co.	2.60	Do.
10.	Deaerator Plant	ISGEC John Thompson	7.90	Do.
11.	Raw Water Pumps	Larsen & Tourbo	12.2	Firm except the cost of motor.
12.	Misc. Orders	Various	32.07	
TOTAL			384.14	

ANNEXURE—C

NAGALAND PULP & PAPER CO. LTD.

Cost of Production and Sales

	Total Rs. in lakhs	Per Tonne Rs.
Cost of production per year as per enclosed statement	1516.48	4596.00
Total realisations as per statement enclosed	1331.23	4094.00
Net deficit per year	<u>185.25</u>	<u>562.00</u>

NAGALAND PULP & PAPER COMPANY

TOTAL SALES EARNINGS

Capacity : 33,000 T.A.

S. No.	Name of Product	Annual Production Tonnes	Current Price (Rs.)	Agents commission (Rs.)	Transport charges (Rs.)	Net realisation (Rs.)	Total sales earnings (Rs. in lakhs)
1.	White Printing	3,300	4,000	600	250	3,150	103.95
2.	Surface sized quality paper	10,000	5,300	795	250	4,255	425.50
3.	Other varieties	6,500	5,000	750	250	4,000	260.00
4.	Craft Paper	13,200	4,300	383	250	3,727	491.96
Total		33,000				3,883	1,281.41

116

5. Add transport subsidy on outgoing goods

6. Add excise concession on New Projects

8.82
41.00
1391.23

NAGALAND PULP AND PAPER COMPANY

1. Production : 33,000 tonnes per year (100 TPD in 330 Working days)
2. Caustic Chlorine Plant at site : Yes, with max. 90% generation capacity power 7,200 KW.
3. Bought out power : 300 MW net. Contract 1600 KW—with 50% load factor.

Particulars	Annual require- ment	Unit cost	Annual Cost (Rs. lacs)	Per tonne cost (Rs.)
A. Raw Material				
(i) Bamboo	48,500	150	72.75	
(ii) Reeds (Blutang)	59,200	140	82.88	
			<u>155.63</u>	<u>472.0</u>
B. Chemicals				
(i) Salt Cake	2,510	1699	99.25	
(ii) Alum	1,198	750	8.99	
(iii) Resin	412	3600	14.83	
(iv) China Clay & Fillers	• •	397	23.58	
(v) Lime	17,325	265	45.91	
(vi) Salt	6,682.5	249	16.64	
(vii) Mercury	0.601	109670	0.66	
(viii) Graphite	11.53	23370	2.72	
(ix) Miscellaneous			<u>15.00</u>	<u>508.00</u>
			<u>167.58</u>	

Particulars	Annual requirement	Unit Cost	Annual Cost (Ru. Lacs)	Per tonne Cost (Ru.)
<i>Process Commodities</i>				
(i) Coal	82,500	1.80	99.00	
(ii) Oil	1,380	1.600	13.80	
(iii) Water Treatment Chemicals			8.25	
(iv) Effluent Treatment			59.40	
(v) Purchased power (load factor 150)	1.6 MW	0.12	7.60	
			<u>187.45</u>	568.00
<i>D. Consumables:</i>				
(i) Machine Clothing			19.80	60.00
(ii) Stores & Maintenance 2 1/2% on 4046.7 including Machine clothing			81.36	247.00
(ii) Packing & finishing Material			33.00	100.00
(iv) Maintenance (Civil) 1% on 982.58			9.83	30.00
			<u>143.99</u>	437.00
			32.73	98.00
E. Contingencies @ 5% on			150.00	455.00
F. Wages & Salaries			23.10	70.00
G. Administration Overhead			860.48	2,608.00
Sub-total without depreciation, interest and financial expenses				

Particulars	Annual requirement	Unit cost	Annual Cost (Rs. lacs)	Per Tonne Cost (Rs.)
H. Depreciation				
(i) Civil Works 5% with residual value 5% on 982.58			46.67	
(ii) Equipment 10% with residual value 5% on 4046.67			384.43	
			<u>431.10</u>	<u>1306.00</u>
I. Amortisation of projecting cost			51.39	156.00
J. Insurance on fixed Assets 1/2% 982.58 + 4046.67)			25.15	76.00
K. Incidence on township			11.78	36.00
L. Financial expenses				
(i) Long term loan 10 1/2% on 8914.38 Average			153.01	464.00
(ii) Short term loan 15% on 862.00 lacs			39.03	119.00
Sub-total of H + I + J + K + L			<u>711.73</u>	<u>2157.00</u>
			1572.21	4765.00
Less Sale of caustic soda surplus 2227.5 MT @ 1550 Net				
Transport subsidy			21.20	64.00
			<u>1516.48</u>	<u>4596.00</u>
Net cost of Production				

NAGALAND PULP AND PAPER CO.

	Amount & Rs. Lakhs
A. Difference in cost due to difficult Terrain	
1. Civil cost including land	226.20
2. Pulp Mill	30.00
3. Boiler and D.M. Plant	5.00
4. Piping & Fittings	10.00
5. Inward freight	69.80
6. Erection charges	8.98
7. Storage	18.10
8. General Construction charges	35.00
9. Interest	13.02
10. Township	30.90
11. Escalation	91.30
TOTAL—A	537.10
B. Difference in cost due to two lines as against one	728.60
TOTAL—A+B	1265.70

ANNEXURE 'E'

NAGALAND PULP AND PAPER COMPANY

Revised Profitability

(Rs. in lakhs)

1. Depreciation

(a) Reduction in P & M Cost.	—953.88	
Reduction in depreciation at 10% with 5% residual value		90.61
(b) Civil cost Reduction	—233.50	8.00
Depreciation at 5% with 5% residual value		110.51
(c) Projecting Cost		17.00
Reduction	—48.02	
Depreciation 10%		4.80
TOTAL 1.		105.92

2. Interest on Long terms borrowing
Reduction in Loan Capital

.	—1392.50	
Reduction in interest at 10.5% per annum on average		73.10
		179.02

APPENDIX VIII

(See Reply to Recommendation No. 48, page 85)

No. F. 1/53/EC/67

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 16th November, 1967

OFFICE MEMORANDUM

SUBJECT: *Procedure in regard to deputations/delegations—proposed by public sector undertakings.*

The undersigned is directed to state that the question of modifying the existing procedure regarding the scrutiny, approval and release of foreign exchange in respect of proposals for deputation/travel abroad of persons serving in the public sector undertakings owned/controlled by the Government of India has been under consideration for some time. It has now been decided that all such public sector undertakings shall, like private sector units, apply directly to Reserve Bank of India (to the concerned branch offices) for the release of foreign exchange/passage clearance in respect of all their proposals for official visits abroad of their employees. The Reserve Bank of India will deal with such applications in accordance with the normal policy and principles applicable to release of foreign exchange/passage clearance for travel for business purposes for persons in the private sector and the scales of release of foreign exchange prescribed by the Reserve Bank for such purposes will also apply to all such cases.

2. There are certain public sector units owned/controlled by the State Governments. At present travel proposals of such units are being processed in the Department of Economic Affairs. With the issue of these orders such cases would also be handled directly by the Reserve Bank of India. Such units may, therefore, now apply directly to the concerned branches of the Reserve Bank of India.

3. It has also been decided that the decisions of the Reserve Bank in all such cases would be final. Requests, if any, for reconsideration/review of any decisions of the Bank, may be addressed directly to the Reserve Bank of India by the public sector units.

4. Administrative Ministries/State Governments are requested to inform the public sector units under their control regarding these orders so that henceforth they may apply directly to the concerned branches of the Reserve Bank of India.

5. These orders will come into force with effect from 1st December, 1967.

6. These orders will govern all proposals for travel for business purposes by the public sector undertakings and are in supersession of orders contained in this Department's O.M. No. 1(23)/EC/62, dated the 30th May, 1962. This revised procedure will, however, not apply to cases of blanket release of foreign exchange for export oriented public sector undertakings, which will continue to be governed by orders contained in this Department's O.M. No. 1(17)/EC/66, dated the 5th November, 1966. (copy enclosed).

Sd./-

(P. K. KAUL)
Director.

To

All Ministries etc.

APPENDIX IX

(See Reply to Recommendation No. 48, Page 85)

No. 2(63)/69-BPE(GM)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

New Delhi, the 7th July, 1979

OFFICE MEMORANDUM

SUBJECT: *Tours abroad of incumbents of top posts in Public Enterprises.*

According to instructions issued by this Ministry in November, 1967, all Public Enterprises, like the private sector units, were allowed to apply directly to the Reserve Bank of India for the release of foreign exchange/passage clearance in respect of their proposals for all official visits abroad of their employees. The Reserve Bank of India will deal with such applications in accordance with the normal policy and principles applicable to release of foreign exchange/passage clearance for travel for business purposes for persons in the private sector, and the scales of release of foreign exchange prescribed by the Reserve Bank of India for such purposes will also apply to these cases. With the modified procedure, Government control over individual travels of public sector officials has lessened. While the modified procedure in regard to clearance of proposals for tours abroad of officers of Public Enterprises has been by and large successful and has achieved its objective, cases have recently arisen where even the Chief Executives of Public Enterprises have gone abroad on delegations, without apprising the concerned administrative Ministry/Department.

The position has been reviewed. As a result of the view, it has been decided that in future, whenever the Chief Executives of Public Enterprises viz. Chairman, Managing Directors, etc., have to undertake tours abroad, although approval of the administrative Ministry as such need not be taken to the same, they should inform the administrative Ministry/Department

sufficiently in advance about their intended foreign tours and that Ministries concerned would give appropriate instructions to the enterprises in this regard.

Ministry of Steel & Heavy Engineering, etc., are requested to issue such instructions to the Public Enterprises under their administrative control.

Sd./-

Director, Bureau of Public Enterprises.

To

All Ministries/Departments of the Government of India.

Copy to:

- (i) The Comptroller and Auditor General of India.
- (ii) Production Division/Adviser (C)/Adviser (F)/DS(I&R)|
DS(BPE)/Plan Finance Division.
- (iii) Heads of Expenditure Divisions in the Department of Expenditure (with 2 spare copies).

Sd./-

P. K. BASU,

Director, Bureau of Public Enterprises.

APPENDIX X

(See Reply to Recommendation No. 48, Page 86)
No. BPE/GL-018/77/MAN/9(31)/76-BPE(GM)-I

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

(General Management Division)

Mayur Bhavan, (7th Floor), Connaught Place, New Delhi

Dated the 8th August, 1977

OFFICE MEMORANDUM

SUBJECT: *Tours abroad of incumbents of top posts in Public Enterprises.*

Till November, 1967, the Public Enterprises had to obtain the approval of the Government for the foreign tours of their officers, just as in the case of similar tours of Government servants. In November, 1967, Government decided that all Public Enterprises should, like private sector units, apply directly to the Reserve Bank of India (to the concerned branch officers) for the release of foreign exchange/passage clearance, in respect of their proposals for official visits abroad of their employees. Consequently, the Public Enterprises are not now required to go up to the administrative Ministries for the necessary approvals in this regard. In July, 1969 the position was reviewed and it was decided, in partial modification of the 1967 instructions, that whenever the Chief Executives of Public Enterprises have to undertake tours abroad, although approval of the administrative Ministry/Department as such, need not be taken to the same, they should inform the administrative Ministry/Department sufficiently in advance about their intended tours.

The question whether apart from the clearance of Reserve Bank, sought and given in such cases at present, it is necessary to stipulate that the Public Enterprises should obtain the approval of the administrative Ministries concerned for the foreign tours of their officers, has been re-examined in the light of the observations of the COPU made in recommendation No. 48 of the 45th Report on Hindustan Paper Corporation Ltd. (April, 1976). Having regard to all the relevant factors, it has been

decided that it will be adequate if Chief Executives of Public Enterprises inform the administrative Ministries as early as possible about their proposed foreign tours programmes. It would then be open to a Ministry to advise in any particular instance that the tour programme may be modified or even postponed or cancelled. The Ministries concerned could, in any case, take suitable steps if there was an instance of excessive and unjustified touring abroad. The Chief Executives of the Public Enterprises would continue to approve all foreign tour programmes of their subordinate employees.

Ministry of Steel & Mines etc. are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for necessary action.

Sd./- KRISHNA CHANDRA,
Deputy Director.
Tele : 43730

To

All administrative Ministries/Departments of the Government of India.
Copy to:

- (i) The Comptroller and Auditor General of India.
- (ii) Adviser (P)/Adviser (F)/Adviser (C)/Secretary (P-ESB)/
Director (!&R)/Director (M)/DS(C)/PS to AS&DG, BPE.
- (iii) All I.F. As in the administrative Ministries.
- (iv) Chief Executives of Public Enterprises.
- (v) Secretary, Standing Conference of Public Enterprises.

Sd./- KRISHNA CHANDRA,
Deputy Director.
Tele. No. : 43730

APPENDIX XI

(Vide para 5 of Introduction)

Analysis of the Action Taken by Government on the Recommendation contained in the 85th Report (Fifth Lok Sabha)

I.	Total number of recommendations made	63
II.	Recommendations that have been accepted by Government (<i>Vide</i> Serial Nos. 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 33, 35, 36, 37, 38, 39, 42, 43, 44, 50, 51, 52, 53, 57, 58, 60, 61, 62 and 63)	
	Number	45
	Percentage to total	71.43
III.	Recommendations which the Committee do not desire to pursue in view of Govt's reply (<i>Vide</i> Serial Nos. 2, 16, 18, 25, 30, 31, 32, 40, 41, 45, 46, 47, 49, 54, 55 and 56)	
	Number	16
	Percentage to total	25.40
IV.	Recommendations in respect of which replies of Governments have not been accepted by the Committee (<i>Vide</i> Serial Nos. 34 and 48)	
	Number	2
	Percentage to total	3.17
V.	Recommendations in respect of which final reply of Government is awaited	NIL