

# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

SEVENTH REPORT

Action taken by Government on the Recommendations contained  
in the Thirty-Second Report of the Estimates Committee  
(Third Lok Sabha)

**NATIONAL COAL DEVELOPMENT CORPORATION  
LTD., RANCHI**

(MINISTRY OF STEEL AND MINES)



24222(7)  
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**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1965/Chaitra, 1887 (Saka)*

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Seventh Report of the Committee on Public Undertakings on Action Taken by Government on the recommendations contained in the 32nd Report of the E.C. (3rd Lok Sabha) on National Coal Development Corporation Ltd.

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CORRIGENDA

- Page (v), Para 2, line 9: for 'The' read 'the'  
Page 2, Para 4, line 5: add 'in' after the word 'increase'  
Page 4, Para 11, line 3: for 'khargali' read 'kargali'  
Page 10, line 28: for 'acre' read 'care'  
Page 25, line 36: for 'Barakana' read 'Barkakana'  
Page 31, line 17: for 'outlaying' read 'outlying'  
Page 47, line 5: for 'Sindhri' read 'Sindri'  
Page 53, line 27: for 'specification' read 'specific action'  
Page 53, line 43: add 'alone' after 'N.C.D.C.'  
Page 62, for page number '2' read '62'

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## INTRODUCTION

1, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on the action taken by Government on the recommendations contained in the Thirty-Second Report of the Estimates Committee (Third Lok Sabha) on National Coal Development Corporation Ltd., Ranchi (under the then Ministry of Mines & Fuel).

2. The Thirty-Second Report of the Estimates Committee was presented to the Lok Sabha on the 4th April, 1963. Government furnished their replies indicating the action taken on the recommendations contained in that Report between 18th November, 1963 and 19th December, 1964. As the public undertakings are now to be examined by the Committee on Public Undertakings the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by them. The draft Report was adopted by The Committee on 25th January, 1965.

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

I—Report.

II—Recommendations that have been accepted by Government.

III—Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV—Recommendations in respect of which replies of Government have not been accepted by the Committee.

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

4. An analysis of the extent of acceptance of the recommendations is given in Appendix V.

NEW DELHI;

PANAMPILLI GOVINDA MENON,

April 12, 1965.

Chaitra 22, 1887 (Saka).

*Chairman,*

*Committee on Public Undertakings.*

## CHAPTER I

### REPORT

#### *Objects and Functions:*

In para 11 of their 32nd Report (Third Lok Sabha) on National Coal Development Corporation Limited (hereinafter referred to as the Corporation), the Estimates Committee noted that the existing activities of the Corporation were mainly limited to the production of coal. The Committee felt that to make it a permanently viable unit, it was necessary that the Corporation should not remain merely a 'hewer' of Coal, but should also undertake low-temperature carbonisation, and other ancillary activities like coking of coal, gasification of coal, production of smokeless fuel, manufacture of bricks, etc. They, therefore, recommended that the whole matter be examined by an expert Committee which might suggest suitable lines of ancillary activities to be undertaken by the Corporation. In para 66 of their Report the Estimates Committee further observed that the rejects released by the Kargali washery of the Corporation were as high as 10 to 12 per cent. of input of coal (which was about 2 million tons per annum at the rated capacity). Since there was no outlet for these rejects, they should be used by the Corporation for brick-burning, gasification, etc.

2. In reply, Government have stated that the Corporation is prepared to undertake ancillary activities provided adequate resources are made available to it for the purpose, in addition to what is being provided for the coal production in public sector. It is also stated that there is a proposal to set up a coke-oven plant during the Fourth Plan; the question of setting up a low-temperature carbonisation plant has also been examined; but on account of lack of resources, both internal and foreign, no concrete step can be taken. Government have, therefore, not considered it necessary to set up any expert Committee, as recommended by the Estimates Committee. Regarding the utilisation of rejects, suggested in para 66, it is stated that the problem of high proportion of rejects is not likely to arise in the new washeries which are being planned. Besides, the Corporation has plans for using these rejects for stowing purposes mixed with sand.

3. *The Committee on Public Undertakings (hereinafter called this Committee) do not consider the reply of Government as con-*

vincing. They note from the Report\* (1964) of the Committee on Utilisation of External Assistance (V. K. R. V. Rao Committee) that the actual utilisation of foreign assistance during the First and the Second Plans has been less than the amounts available and the same is likely to be the position in the Third Plan. The inadequacy of resources, pointed out by the Government cannot, therefore, be accepted as a valid plea for not undertaking ancillary activities by the Corporation. In this Committee's view the taking up of suitable ancillary activities by the Corporation, as has been done by its counterparts in foreign countries, would go a long way in improving its financial position. They would, therefore, urge that an expert Committee should immediately be appointed to go into the whole matter and suggest suitable ancillary lines, including among others coal-tar distillation and underground gasification, for the Corporation. The desirability of having a separate subsidiary organisation for the purpose, may also be considered.

#### Third Plan Target of Production:

4. In para 28 of their Report, the Estimates Committee noted that the attainment of the Third Plan target by the Corporation involved an increase in production from 8 million tons in 1960-61 to 33 million tons in 1965-66 i.e., an additional output of 25 million tons over a period of five years. Considering the rate of increase production which would have amounted to about 11 million tons in the first four years, the Committee expressed doubt whether an additional production of 15 million tons would be possible in the last year. Such a high production in one year, even if achieved, might create transport difficulties as was the case in 1960-61. Therefore, sounding a note of caution against accumulation of any abnormal pit-head stocks apart, the Estimates Committee urged that the Corporation should not only make an all-out effort to achieve the target, which

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\*Relevant extract from the Report is reproduced below:—

"12. We now turn to an account of the quantum of assistance made available by friendly countries and institutions. The total amount of loans/credits made available in foreign currencies (excluding commodity assistance from U.S.A.) authorised upto the end of the First Plan was Rs. 227 crores of which Rs. 126 crores was actually utilised. The total availability of foreign loans/credits (including the carryover of Rs. 101 crores from the First Plan) during the Second Plan was Rs. 1400 crores. Out of this, an amount of Rs. 725 crores was utilised during the Second Plan period leaving a balance of Rs. 675 crores (excluding Rs. 29 crores of grants in foreign currencies). This amount included a sum of Rs. 329 crores, which though authorised during the Second Plan was really earmarked for Third Plan projects, primarily from the USSR and other East European countries. In addition to this, there has been a further authorisation of loans/credits for the Third Plan, upto 31st December, 1963 of Rs. 1330 crores. As against this, the total amount disbursed during the first two and three quarter years (i.e. 1st April 1961 to 31st December, 1963) of the Third Plan is Rs. 821 crores or an average of Rs. 299 crores a year. These figures exclude utilisation of loans and grants made available by the U.S. authorities from rupee counterpart funds, and also of Rs. 263 crores of grants made by various countries in foreign exchange which have been drawn to the extent of Rs. 240 crores."



had assumed an added importance in the context of emergency but should also see that adequate transport facilities were made available by that time.

5. In reply, Government have stated that due to factors beyond the control of the Corporation, such as the non-availability of foreign exchange, delay in the execution of coal-consuming projects, it is likely that the target may not be actually attained. A realistic estimate made in connection with Mid-Plan Appraisal reveals that the actual production from the NCDC's collieries in 1965-66 will be about 24 million tonnes as against the target of about 31 million tonnes. Adequate transport facilities for moving this quantity of coal are expected to be available in due time.

6. *While this Committee note the assurance about the adequacy of transport facilities, they regret the shortfall of about 7 million tonnes (23 per cent.) expected in the Third Plan target of coal set for the Corporation. They attach great importance to the preparation of realistic production targets after taking into account all the relevant factors and hope that Government would take adequate care in this regard in future.*

#### *Organisational set-up:*

7. In paras 165 and 167 of their Report, the Estimates Committee noted that there were divergent views as to the appropriate organisational pattern for the Corporation. One view was to continue the existing pattern i.e., groups of collieries being managed by a number of Area General Managers under the Corporation. The other view was to form subsidiary companies region-wise or State-wise, leaving the central body i.e., the Corporation to concentrate on policy-making, planning, direction and over-all supervision, etc. The Estimates Committee also considered that it would be worthwhile to examine whether a decentralised and quasi-federal structure on the lines of the French Coal Industry (where there was a central policy-making body i.e. Charbonnages-de-France with autonomous Coal Mining Companies in each region) or the British Gas and Electricity industries would be suitable for the Corporation. They, therefore, recommended the setting up of a Committee to review the existing organisational structure and procedures of the Corporation.

8. In reply, Government have stated that the decentralised system of management units (i.e. Areas) has been adopted after considerable deliberation and study of a few foreign patterns. They consider that the appropriate occasion to undertake a further review will be when the working of the newly introduced pattern has been watched for some time.

9. *This Committee while agreeing that the newly introduced pattern should be given a fair trial, would urge that its effectiveness should be reviewed as early as possible.*

#### *High Staff Strength:*

10. In para 199 of their Report, the Estimates Committee noted that the staff in all the collieries and at Head-quarters of the Cor-

poration was on the high side. They also observed that the estimate of strength in the project reports of the collieries having same production targets differed. The Estimates Committee, therefore, recommended that a review of the present staff strength of the Corporation be undertaken with a view to reducing the same and rationalising the present methods of determining the strength.

11. In reply, Government have stated that in respect of new projects undertaken by the Corporation, the Project reports follow a uniform pattern. As regards the old projects and the Khargali washery, the cost accounts department has been asked to work out standards of cost and in this process the standards of employment would also be determined.

12. *This Committee consider the reply of Government as unsatisfactory. As indicated in paras 60, 120 and 130 of the Report, excessive man-power besets many of the units of the Corporation. They would, therefore, urge that a proper review of the staff strength of the Corporation should be undertaken urgently.*

#### *Financial and Economic Obligations of Public Undertakings:*

13. In para 248 of their Report, the Estimates Committee recommended that broad principles regarding the financial and economic obligations of public undertakings should be laid down by Government. In this connection they had noted that in U.K. certain broad principles had been laid down\* by Government on the basis of which the financial objects to be attained by each nationalised industry were determined.

14. In reply, Government have stated that generally it is well recognised that public undertakings should meet all their financial obligations over and above current expenditure, like payment of interest on loans, giving an adequate return on capital employed, generating internal resources, etc. The undertakings should also keep in view social obligations like proper wage-structures and charging reasonable prices. They have, however, considered it difficult to lay down any specific standards.

15. *This Committee are not convinced with the reply of Government. At present, there are over 60 public undertakings, operating in industrial, commercial and financial/developmental fields with some of them in existence for a fairly long time. The number of these undertakings has been increasing. They have been set up in pursuance of economic and social objectives. They are, however, not absolved from following sound business principles. Certain financial obligations towards the State have been set for them in the Industrial Policy Resolution and the Five Year Plans. So far, the attempt to set out those principles and obligations has at best been only piecemeal and they have not been spelt out in clear terms.*

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\*Vide White Paper (Comnd. 1337) on the Financial & Economic obligations of the Nationalised Industries, published by H.M. Government in April, 1961.

For instance, although it is recognised that public undertakings should give a reasonable return on capital, it is not clearly defined what that return ought to be. Further, there do not seem to be any precise policies regarding the creation of various kinds of reserves by public undertakings, their wage-structure or pricing. As admitted in the Government's reply, the financial obligations seem to be generally well recognised and as such there should be no difficulty in setting forth the same. This Committee, therefore, consider that the time has now come that Government should clearly enunciate the economic, financial and social responsibilities of public undertakings so that they are well understood by the managements of these undertakings.

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY  
GOVERNMENT**Recommendation (Serial No. 4)**

To achieve the 'rate of production' of 13.5 million tons, the Corporation stepped up its production during the last quarter of 1960-61. While production in the first three quarters of that year was 4.62 million tons, i.e., an average of 1.54 million tons per quarter, the production in the last quarter was 3.43 million tons. The result of this stepping up of production by the Corporation was a sharp rise in the pithead stocks from 8 lakhs tons at the end of January, 1961 to 16.76 lakhs tons at the end of March, 1961. The decision to go all out in achieving the target of production during the last quarter of the year 1960-61 was taken by the Corporation in consultation with and approval of the Ministry. The Committee consider it unfortunate that a decision to show a steep increase in the output in the last year of the Second Plan was deliberately taken by Government despite the advice of the Planning Commission to the contrary and with the prior knowledge that it would result in heavy losses which ultimately amounted to Rs. 16.70 lakhs. That it was done for what has been termed as vindicating the position of the Corporation or boosting the morale of the staff could hardly be a justification. It is also doubtful whether the demonstration of the capacity of the organisation to attain the rate of targetted production served any useful purpose, particularly when actual production in the next year had to be restricted to less than fifty per cent of the capacity stated to have been achieved (i.e., 13.7 million tons) and that at a time when the production could easily be doubled from the highly mechanised open cast mines. In the circumstances it was neither proper nor prudent to have resorted to accelerated production in the last quarter of 1960-61. The Committee trust that such decisions which serve no useful purpose and lead to considerable loss in earnings and to 'national waste' would be avoided in future. (Paragraphs 18-23).

**REPLY OF THE GOVERNMENT**

The views of the National Coal Development Corporation and the Ministry have already been furnished. The observations of the Estimates Committee have been noted.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 6)**

While the Committee recognise that circumstances can arise which may require adjustments in production programme, they consider that for planned development it is essential that year-wise

and field-wise targets of production are framed realistically. Frequent major changes in them not only upset the transport arrangements but also result in loss of work-flow and efficient use of manpower and machines. The Committee would, therefore, recommend that the annual as well as field-wise targets of production for the Third Plan may be refixed finally to see that the actuals would not violently depart from the targets. It might also be desirable if quarterly targets are fixed for each colliery so that the Corporation could watch the progress. (Paragraph 31).

#### REPLY OF THE GOVERNMENT

Government agree in principle that annual, as well as field-wise, targets of production for the Third Plan should be fixed to the extent possible and that efforts should be made so that the actuals do not violently depart from such targets. However, such targets have necessarily to be based on certain assumptions, the fulfilment of which is extraneous to and beyond the control of the Corporation and of this Ministry. Some of these extraneous factors are the completion of transmission lines by the State Electricity Boards, Construction of railways, and availability of foreign exchange. To the extent that these assumptions materialise, it would be fair to expect that the Corporation should in its turn undertake that there should be no violent deviation from its programme of construction or from its phased target of production.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

#### Further information called for by the Committee

It may be stated whether any year-wise and field-wise targets of production for the Third Plan have been refixed in accordance with the recommendation.

[L.S.S. O.M. No. 18-PU/64, dated 13th August, 1964.]

#### REPLY OF THE GOVERNMENT

It is confirmed that the year-wise and field-wise targets of production for the Third Plan from the various collieries of the NCDC Ltd. were refixed in November, 1963. However, these targets, at present, are being further reviewed because of the present trend of demand for coal and are, therefore, subject to further revision.

[*Ministry of Steel and Mines O.M. No. C2—10(9)/63, dated 10th Sept., 1964.*]

#### Recommendation (Serial No. 8)

(a) Of the 11 new mines developed during the Second Plan period, 7 are in Bihar and only 4 in the outlying fields. Thus the Second Plan objective of developing new mines in the outlying fields has not been fulfilled by the Corporation to any appreciable extent.

(b) The Committee hope that the programme of development of new mines in outlying fields would be vigorously pursued and fully

implemented during the Third Plan period at least. The importance of developing outlying areas cannot be over-emphasised as this would not only reduce haulage of coal over long distances but would also result in regional self-sufficiency to a certain extent. (Paragraphs 37 & 39).

#### REPLY OF THE GOVERNMENT

The programme of development of new mines in outlying fields is being pursued in the III Plan.

[Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 11)

The Committee consider that the preparation of detailed time schedule of completion of various stages of development of a project is necessary to achieve plan targets and the progress actually made can be watched against such schedules and delays or difficulties, if any, remedied in time. They, therefore, recommend that detailed schedules should be prepared immediately for completion of various stages of development of the new projects in the Third Plan and the progress watched with reference thereto. (Paragraph 43).

#### REPLY OF THE GOVERNMENT

This recommendation is accepted. In fact, a progress control chart indicating the programme of various development works connected with the projects is invariably included as a part of project reports drawn up for various projects by the National Coal Development Corporation. This control chart gives a detailed time schedule for completion of various stages of development and this enables the management to supervise the actual progress against it.

[Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 12)

The Committee are surprised that such an important suggestion made in the Plan regarding the preparation of a completion report, which is aimed at economy and efficiency in working, has been overlooked both by the Corporation and the Ministry. They expect that the valuable suggestions contained in the Plans are taken due note of and implemented. The Secretary of the Ministry undertook to issue necessary instructions in the matter. (Paragraph 45).

#### REPLY OF THE GOVERNMENT

Necessary instructions have been issued to the Corporation to act on this suggestion for preparation of a completion report and the other suggestions contained in the Plans.

[Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.]

**Recommendation (Serial No. 13)**

The Committee appreciate the decision of the Corporation to take over ultimately the detailed drilling work from the Indian Bureau of Mines. They would urge that close co-ordination between the two organisations, should be maintained till the entire drilling work is taken over by the Corporation. (Paragraph 46).

## REPLY OF THE GOVERNMENT

There is now close co-ordination between the Indian Bureau of Mines and the National Coal Development Corporation and periodical co-ordination meetings are held for this purpose.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 14)**

The Committee consider that there is an urgent need to increase the tempo of detailed prospecting to expedite commissioning of new mines and to keep pace with the requirement of coal programme during the Third and subsequent Plans. They trust that the Corporation will take necessary steps to strengthen its Drilling Organisation and take over the entire drilling work within a stipulated time. (Paragraph 49).

## REPLY OF THE GOVERNMENT

Noted. This is being done.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 15)**

The Kargali washery was scheduled to be commissioned by 1st January, 1958, but it actually went into operation in November, 1958 i.e., after a lapse of ten months. The Committee feel that with proper planning, it should have been possible to get the washery completed in time. They hope that there would be no recurrence of such delays in future. (Paragraph 51).

## REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 18)**

Against the Contractor's estimate of 231 persons, the actual staff employed in the washery in 1961-62 was 503. The Committee note that in foreign countries the coal preparation plants which have 50 per cent higher output than the Kargali washery, employ about 80 men in three shifts. The Managing Director admitted that the present staff strength of the washery was high and undertook to reduce it to the minimum. The Committee can see no justification what-

ever for over-staffing the washery to such a large extent and hope that it would be reduced to reasonable proportion early. (Paragraphs 59-60).

**REPLY OF THE GOVERNMENT**

The recommendation of the Estimates Committee has been noted.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 19)**

The Committee consider that the standard cost should have been worked out from the very beginning. The system of payment at cost is not conducive to economy and efficiency. They hope that there would not be any further delay in arriving at the standard cost and that such arrangements would be made in similar cases in the future. (Paragraph 63).

**REPLY OF THE GOVERNMENT**

Noted. The standard cost in respect of the Kargali washery has already been worked out.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 22)**

The Committee regret that the economics of the Korba washery project were not fully gone into by the Corporation before entering into contract for the project report. Apart from the expenditure entailed on carrying 500 tons of coal to Leningrad for washability tests and on the deputation of Russian experts etc., a wasteful expenditure of Rs. 5.95 lakhs was incurred on the preparation of the project report alone. They urge that the management should exercise proper care in such matters to avoid waste. (Paragraph 67).

**REPLY OF THE GOVERNMENT**

Noted.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 26)**

The existing practice under which the entire work relating to a project, including the preparation of project reports, working drawings, designs, etc. is done by the foreign collaborators, even though the Corporation has the necessary technical know-how to do it, has many draw-backs. First, our own engineers would not be trained in these complex and difficult tasks, and gain the necessary confidence which comes from practical experience. Secondly it entails considerable avoidable expenditure of foreign exchange on the preparation of project reports, etc. as well as on deputation of technicians from and to the collaborating countries to settle details of specifications. The cost of project reports and working drawings of in-



cline/open cast mines, workshop and washeries contracted to the Polish and Russian Collaborators which could have been prepared by the Corporation works out to about Rs. 1.30 crores. The Committee also feel that at present no attempt is made to take advantage of the technical knowledge and experience which may be available within the country in the development of similar projects. They, therefore, recommend that the Corporation should first prepare project reports, etc. in respect of all its projects for which it has requisite technical competence and thereafter seek necessary technical foreign collaboration in respect of only those specialised and specific items for which there is lack of technical know-how in the country. They are confident that the foreign collaborators, who are interested in the all round progress of the country, would encourage this process. (Paragraph 78).

#### REPLY OF THE GOVERNMENT

Government agree that, as far as possible Indian experts should prepare Project Reports and also the design drawings in respect of Projects undertaken with foreign collaboration. The N.C.D.C. has always endeavoured to persuade foreign collaborators to allow them to take greater share of the work of preparation of Project Reports and design drawings. However, these attempts have met only with limited success. The difficulty is that our Project Reports may not be acceptable to foreign collaborators.

This position cannot altogether be avoided as long as we are dependent on foreign credit to meet our foreign exchange requirements. In agreeing to advance foreign credit, the foreign parties wish to satisfy themselves by some sort of active participation that the Projects are economically sound and would be efficiently managed. From their point of view this safe-guard cannot be regarded as unreasonable though with greater contact and more mutual confidence we expect that the foreign parties would leave larger shares of responsibilities to us.

[Ministry of Steel and Mines O.M. No. C2—10(9)/63, dated 20th July, 1964.]

#### Recommendation (Serial No. 27)

As various other public undertakings have also sought foreign collaboration, the Committee feel that certain principles which should govern the nature and extent of foreign collaboration in a project should be laid down by Government for observance by all concerned. This is necessary to foster indigenous talent and to discourage the tendency to go in for projects on turnkey basis. In this connection

they would also invite attention to para 266\* of their 35th Report. (Tihrd Lok Sabha) on Heavy Electricals Ltd. (Paragraph 79).

#### REPLY OF THE GOVERNMENT

The general principles underlying the recommendation will be followed to the extent feasible. The Ministries are being requested to issue necessary instructions to the Public Undertakings under their administrative control.

[Ministry of Finance O.M. No. F. 3(5)—PC/63, dated 22nd Oct., 1963.]

#### Recommendation (Serial No. 28)

The Committee hope that the number of Polish technicians will be reduced considerably for sinking the second shaft at Sudamdih. It is also desirable if the number of foreign technicians is kept to the minimum and a ceiling on the expenditure relating to them is fixed and incorporated in the Agreements. (Paragraph 81).

#### REPLY OF THE GOVERNMENT

Noted. The number of Polish man-months in the Sudamdih Deep Shaft mine has been worked out at 1820. Polish Engineers are under an obligation to train Indian Engineers in the course of work so that as further new deep shaft mines are taken up, the number of Polish Engineers is gradually reduced and ultimately Indian Engineers take up this work without any assistance or aid from Polish Engineers. With this in view the number of Polish man-months in the second deep shaft mine has been reduced from 1820 to 1486 resulting in a saving of Rs. 8.22 lakhs. In the third mine, there will be further reduction in Polish man-months and thus further saving. It may be mentioned here that it is for the first time in India that sinking of shafts by modern mechanised method is being done. This is a very specialised type of work and hence we depend upon the assistance from foreign experts. Our objective is to reduce this gradually as Indian engineers get trained. The Committee's recommendation is thus already being kept in view.

As regards the fixing of a ceiling on the expenditure, it may be pointed out that the Agreements provide for the maximum number of Polish experts to be engaged, the period of their engagement and their salaries. Thus, the ceiling is automatically fixed.

[Ministry of Mines and Fuel O.M. No. CZ—10(9)/63, dated 18th Nov., 1963.]

\*“The Committee do not appreciate how foreign consultants would do any work which is not expected of them or for which they are not paid. If HEL itself had prepared and furnished to the Consultants the outlines and designs of the auxiliary shops etc. together with the data on which they were based, they do not see what objection they could have taken to it. The initiative should have been taken by HEL. That apparently was not done. The Committee consider that the assistance of foreign collaborators should be sought only for planning and designing the main sections of the projects for which ‘know-how’ is not available in the country. For the rest the consultants may be asked to indicate their requirements on the basis of which the planning, designing and construction of auxiliary shops etc. could be undertaken by Indians. Besides effecting considerable economy, this would reduce the dependence on foreign collaborators and instil the necessary confidence in our men. The Committee hope that Government would issue suitable instructions in this matter for compliance by all undertakings in the public sector. In this connection, a reference is also invited to paras 76—78 of their 32nd Report (3rd Lok Sabha) on NCDC”. (Para 266 of 35th Report on Heavy Electricals Ltd.).

**Recommendation (Serial No. 30)**

There was no penalty clause in the agreements concluded by the Corporation with various foreign collaborators. The representative of the Ministry admitted the need for such a clause. The Committee recommended that the matter may be examined and suitable penalty clause included in all the agreements to ensure timely supply of machinery and its proper performance, etc. (Paragraph 83).

**REPLY OF THE GOVERNMENT**

The question of including a penalty clause in such agreements is invariably considered, but often times the foreign parties are not prepared to accept such a clause. However, the recommendation of the Committee is being brought to the notice of all concerned.

[*Ministry of Steel and Mines O.M. No. C2—10 (9) /63, dated 10th Sept., 1964.*]

**Recommendation (Serial No. 32)**

The Committee would recommend that immediate steps should be taken by the Corporation to strengthen its Planning and Design Organisation. They also feel that the preparation of a Master Plan for an area, followed up by detailed plan and design for each colliery, as is done in Poland, would be a scientific and economic method of dealing with the exploitation of coal in this country. (Paragraph 90).

**REPLY OF THE GOVERNMENT**

This recommendation is accepted and steps are being taken to strengthen the planning organisation of the Corporation suitably.

[*Ministry of Mines and Fuel O.M. No. C2-10 (9) /63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 33)**

As it is stated to take generally from five to eight years from the stage of planning a coal mine to its attaining full production, the Committee cannot over-emphasise the need for a long term perspective plan for coal. The Committee therefore recommend that the work of the Planning Group on coal should be expedited and a comprehensive blueprint of the requirements of coal for the next 10 to 15 years together with the share of the public and private sector in its production, the development of various coalfields, washeries and of the requirements of machinery and man-power drawn up. They would also suggest that the annual production targets aimed at should be related to the investment, as is the practice in U.K.—a suggestion with which the representative of the Ministry seemed to agree. (Paragraph 92).

**REPLY OF THE GOVERNMENT**

The Planning Group on Coal is at present dealing with the coal production programme during the IV Plan period. This exercise

may be completed shortly. The Group will then take up the work of framing a comprehensive blueprint of the requirements of coal for the next 10 to 15 years together with the respective shares of the public and private sectors in production. Such an exercise will entail a survey of the region-wise demand for coal and this, in its turn, will involve a realistic estimate of coal requirements by major consumers like steel, Railways and power houses. The work is, therefore, quite complex and it may take time to complete it.

An attempt will no doubt be made to relate the production targets with the investment within the limitations involved viz. that development of a coal mine takes several years, and in the first few years after it starts production, the output may bear no relationship with the level of investment. It is only when the production has got stabilised that the targets can be related to the investment.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 34)

Out of total production of 8·05 million tons in 1960-61, production from old mines which mostly produce coking coal, was 4·79 million tons. This is expected to go up to about 7 million tons during the Third Plan. The Committee feel that there is need to modernise old mines also. They are unable to accept the plea of labour displacement or redundancy as a valid one for not resorting to their modernisation. Even after mechanisation, the Corporation's target of coal production in the Third Plan and thereafter, would surely need the present labour force though it might call for some displacement and training of workers in the use of new machinery. The Committee would therefore recommend that the question of mechanisation of old mines to the extent possible may be examined at an early date. (Paragraph 94).

#### REPLY OF THE GOVERNMENT

Government of India agree that modernisation of old mines, to the extent possible, should be effected. However, the scope is considerably limited because mechanisation of coal mines would involve a larger displacement of labour than is envisaged by the Estimates Committee. It may be pointed out that re-employment of displaced persons from old mines in new mechanised mines would involve—

- (a) movement to distant places of work; and
- (b) entirely new types of training.

With regard to the former, Indian labour is generally opposed to shifting and it is difficult to envisage large-scale movement from place to place. As regards the latter, the demand in new mechanised mines would be for fitters, operators and maintenance men, whereas the displaced persons would be un-skilled manual workers, many of whom are women. However, to the extent possible, the Corporation will try and modernise old mines.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

**Recommendation (Serial No. 35)**

The Committee would also like to point out that mechanisation is not an unmixed blessing and that it loses much of its advantages if large outputs are not consistently maintained. In the past, especially in 1961-62, there have been cases, when on account of transport or other factors, production was deliberately restricted to about half of the capacity—thereby not only losing much of the benefits of mechanisation, but incurring extra expenditure on idle machinery and manpower. They would, therefore caution the Corporation that it should ensure complete and proper co-ordination between the production in the mechanised mines and other relevant factors like transport, power etc. so that the output is sustained and the equipment and manpower are used to the maximum and the best possible advantage. (Paragraphs 95—97).

**REPLY OF THE GOVERNMENT**

Government agree with this conclusion in principle. As a matter of fact, study of the nature referred to by the Estimates Committee engages the attention of the Corporation every month.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 40)**

The Committee feel that the present O.M.S. in the Corporation's collieries is low considering the capacity of the very expensive equipment installed. They hope that every effort will be made by Corporation to improve the O.M.S. to approximate to the standards obtaining in foreign countries. (Paragraph 111).

**REPLY OF THE GOVERNMENT**

This is being attempted. In fact the O.M.S. in the new mechanised mines of the N.C.D.C. is well above the National average.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 41)**

The Committee hope that suitable wage incentive schemes would be introduced by the Corporation not only in the Karanpura area but also in other collieries of the Corporation which would naturally lead to an increase in output per man shift and reduction in costs. (Paragraph 113).

**REPLY OF THE GOVERNMENT**

Accepted.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 45)**

The Committee hope that the proposed review of Coke Oven Plant will be undertaken without any delay and working of the plant will be placed on a sound economic footing. (Paragraph 123).

**REPLY OF THE GOVERNMENT**

Action in connection with the renovation of the Plant has already been initiated.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 47)**

The Committee are of the view that the transport bottleneck in the Second Plan arose primarily due to lack of co-ordination at different levels. The Corporation did not plan its programme of coal production having regard to the capacity of the Railways to lift it. It was possible for collieries to produce more coal at short notice but unless it could be moved speedily from the pitheads, the problem of accumulation of stocks, resulting in locking up of capital, possibilities of fires, pilferage etc. was apparent. The Committee hope that there would be no lack of co-ordination in regard to transport in the Third Plan and sustained efforts would be made by all concerned to remove in time difficulties, if any. (Paragraph 129).

**REPLY OF THE GOVERNMENT**

The Committee's observations have been noted.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 48)**

The Committee feel that the detention of wagons may have aggravated the transport difficulties and accumulations at pitheads in the past. It is essential that quick turnover of wagons be ensured. They recommend that immediate steps may be taken by the Corporation to secure quick loading of wagons at the collieries. (Paragraph 130).

**REPLY OF THE GOVERNMENT**

The recommendation of the Committee has been noted. Such efforts are in fact being made and the field officers of the Corporation have been instructed to ensure quick turn round of wagons at the NCDC's collieries and to avoid detention thereof by having a close liaison with the zonal Railways.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 49)**

The Committee consider that it should be possible to reduce the present time-lag in providing siding facilities to the new collieries to the minimum, if not altogether eliminate it, by expediting prospecting work and the preparation of project reports. They hope that the Corporation would take suitable steps to this end. (Paragraph 132).

**REPLY OF THE GOVERNMENT**

Necessary steps to expedite the provision of railway sidings are being taken.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 50)**

The Committee trust that the Ministry would take steps to ensure that the work of laying transmission lines by the State Electricity Boards especially the Madhya Pradesh Electricity Board to the projects of the Corporation is completed in time and that there would be no hold up in their progress for want of power supply. (Paragraph 135).

**REPLY OF THE GOVERNMENT**

The Committee's observation has been noted. At present, the programme of the M.P. Electricity Board is in accordance with the requirements of the N.C.D.C., and no hold up is apprehended on this account.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 51)**

The Committee consider that there are no special advantages in having a part-time chairman. During evidence the Managing Director as well as the Secretary of the Ministry agreed that the posts of the Chairman and the Managing Director could be combined. In fact, in the case of another mining enterprise viz., Neyveli Lignite Corporation and the Indian Oil Company under the same Ministry the two Offices once separate have been combined. The Committee would therefore recommend that the posts of the Chairman and the Managing Director of the Corporation should be combined and the Chairman should be the Chief Executive. (Paragraph 139).

**REPLY OF THE GOVERNMENT**

The offices of the Chairman and of the Managing Director have been combined in one person since 7th March, 1963.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 63)**

The Committee deplore the delays in according Government approval to the projects reports submitted by the Corporation. They consider that once the project reports and other proposals had been thoroughly sifted and scrutinised by the Board, it should not entail any delay at the Ministry's end. They recommend that immediate steps should be taken to streamline the procedure with a view to expedite such matters. (Paragraph 182).

**REPLY OF THE GOVERNMENT**

The procedure has been streamlined. The Board of Directors of the National Coal Development Corporation has now appointed a Sub-Committee including the Government of India's representatives, amongst others. All projects are gone into in detail, by this Committee, before they are sent to Government. Thus, when the project reports come to Government, scrutiny of most of the aspects has already been completed. Thereafter Government's approval is accorded speedily.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 65)**

The Committee are glad to note that the Secretary of the Ministry agreed to have a small cell which could devise a suitable proforma of returns and process the information received from the undertakings. (Paragraph 187).

**REPLY OF THE GOVERNMENT**

Accepted in principle.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 66)**

The Financial Controller's report for a quarter has been submitted after over two months. The Committee are not happy over the long time taken in the submission of quarterly reports by the Financial Controller. They recommend that a suitable time limit as also an appropriate form for these reports should be laid down by Government. (Paragraph 189).

**REPLY OF THE GOVERNMENT**

The Corporation has been advised that the Financial Controller's quarterly report should be submitted to the Board of Directors in the very first meeting following the quarter covered in the report. A suitable proforma too has been prescribed. (*Vide Ministry of Finance O.M. No. 7(1)-PC/63, dated 29th August, 1963—at appendix I.*)

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 72)**

The Committee regret that the Corporation had not maintained records of employment of scheduled castes/scheduled tribes, and local personnel. They hope that necessary records would be maintained at least now. (Paragraph 212).

**REPLY OF THE GOVERNMENT**

The Corporation have already started maintaining such records.  
[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]



### Recommendation (Serial No. 73)

Since coal mining is highly technical and the working is in shifts, the absenteeism of regular workers at the present high rate is likely to cause considerable loss in production. The provision of attendance bonus does not appear to have had the desired effect. The Committee would recommend that more effective steps should be taken by the Corporation to reduce the present incidence of absenteeism among the workers, at any rate to see that it does not go above the all India average. (Paragraph 214).

### REPLY OF THE GOVERNMENT

Every attempt is being made to ensure that absenteeism in National Coal Development Corporation's collieries is kept to the minimum. In fact, even now in most of National Coal Development Corporation collieries the incidence of absenteeism is not more than the all India average.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

### Recommendation (Serial No. 74)

The Committee are of the opinion that the increase of 66 per cent. in the estimates from Rs. 101 to Rs. 166 crores is unusually high and that the preliminary estimates should be more realistically framed. (Paragraph 215—217).

### REPLY OF THE GOVERNMENT

The remarks have been noted. It has to be pointed out, however, that the original estimate of Rs. 101 crores was framed at a time when adequate information was not available about the geological conditions of the proposed mines. When the estimates were originally prepared, it was known that these were very approximate in nature; as the capital required for a project depends not only on the depth of the seam, but also on the nature of the intervening strata and a number of other factors. It may also be mentioned that the original estimate did not contain a provision of Rs. 25.32 crores for washeries. This was another factor for increase in the overall cost. However, Government agree that even the preliminary estimates should be as realistic as possible and this has been brought to the notice of the National Coal Development Corporation.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

### Recommendation (Serial No. 76)

The Committee regret to observe that in spite of a written enquiry from them, neither the Ministry nor the Corporation could furnish any information regarding the normal turnover of such concerns in other countries. In this connection they would invite attention

to para 38 of their 157th Report (Second Lok Sabha) on NEPA Mills Limited, wherein they had stressed the need for collection of such norms by all public undertakings to enable their performance to be properly assessed. (Paragraph 222).

#### REPLY OF THE GOVERNMENT

As the conditions both geological as well as relating to manpower are different in the coal mining industry of India as compared to other countries, a comparison between the normal turn-over statistics of India with those of foreign countries would not be justified. A comparison between the performance of the National Coal Development Corporation with that of the private sector would, however, be a more useful guide. Steps will, however, be taken to collect the necessary data to the extent possible.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 77)

(a) The maximum rate of profitability reached by the Corporation during the last four years was in 1960-61 when the percentage of gross profits to total capital stood at 2.8. Likewise the percentage of gross profits to capital employed on collieries under commercial production was 4 and of gross profits to sales was 11.3. The percentage of net profits to net worth too was only 4.2. The profitability of the Corporation is even less than 50 per cent. of that in the private sector and is about 36 per cent. of what was envisaged by the Coal Price Revision Committee.

(b) The Committee consider that the present return on the capital and net worth of the Corporation is very low. In their various reports the Committee have emphasised the need for the public undertakings securing a reasonable return on the capital invested in them. They hope that the Corporation would make an all out effort to improve its profitability by increasing efficiency and effecting economy. The Managing Director agreed during evidence that the percentage of net profits to capital employed should normally be 10 and assured that this rate would be attained by the Corporation when it reached full production. The Committee expect that the performance of the Corporation should compare favourably with that of the private sector. (Paragraphs 223, 224 & 226).

#### REPLY OF THE GOVERNMENT

Noted. When the mines of the Corporation reach full production, it is expected that the return on capital would be compatible with what was envisaged by the Coal Prices Revision Committee.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 78)

The Committee hope that the Corporation will take suitable measures to reclaim the Sawang and Jarangdih collieries urgently. (Paragraph 228).

**REPLY OF THE GOVERNMENT**

Noted. Steps are being taken accordingly by the National Coal Development Corporation.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 79)**

The major factor responsible for losses in Giridih collieries was the redundancy of staff. Apart from the fact that surplus staff casts a heavy financial burden on the collieries, their existence also tends to effect the general efficiency of the organisation. The Committee, therefore, recommend that the problem of surplus staff should be resolutely tackled by the Corporation. (Paragraph 230).

**REPLY OF THE GOVERNMENT**

This has been noted by the Corporation. The major factor for the loss in Giridih is, however, not surplus staff. This is certainly an important factor but there are other equally important factors, viz., the fact that the mines are nearing exhaustion, with the result that long haulages of coal become necessary, and also that large quantities of water have to be pumped from considerable depth.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 80)**

The Committee regret that the Corporation should have proceeded with the Bachra project in haste without collecting full data which resulted in a loss of over Rs. 25 lakhs in two years. They hope that immediate steps would be taken by the management to improve the working of the colliery. (Paragraph 231).

**REPLY OF THE GOVERNMENT**

Noted. In view of the heavy target assigned to the Corporation, a certain amount of risk had to be taken and projects started without complete geological data. While in most other cases this risk has been fully justified, difficulties did undoubtedly arise at Bachra. Steps are, however, being taken to overcome these difficulties and there is every reason to hope that Bachra will be a profitable project.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 81)**

The Committee consider that since the share capital of public undertakings is financed from borrowing on which Government pays an interest ranging between 4 and 4½ per cent. it is reasonable to expect that they should declare some dividend which should cover not only the interest charges on its share capital but much more. (Paragraph 234).

## REPLY OF THE GOVERNMENT

This has been noted by the Corporation.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

## Recommendation (Serial No. 84)

A total capital investment of Rs. 133·67 crores is estimated to be made by the Corporation during the Third Plan period. Thus the internal surplus of Rs. 26·96 crores would be adequate to meet only 20 per cent of the capital requirements of the Corporation. Further the percentage of net profit to share capital on collieries under revenue which is only 0·57 per cent in 1961-62 would be 5·33 per cent in 1965-66. The Committee feel that the term 'surplus' need to be defined clearly and have referred to it in para 245. They hope that the estimated surplus would not only be realised by the Corporation but efforts made to increase the same. (Paragraph 243-244).

## REPLY OF THE GOVERNMENT

This has been noted by the Corporation.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

## Recommendation (Serial No. 87)

In 1961-62, the book debts constituted about 55 per cent of the sales which amounted to Rs. 1,331 lakhs in that year. The Committee do not feel happy that a commercial undertaking like the N.C.D.C. should have allowed such outstandings to accumulate especially from customers like the Railways whose representative functions on its Board of Directors. They consider the accumulation of these heavy outstandings as unbusiness-like particularly when the Corporation had to borrow large amounts of money from the Government for working capital. The Committee recommend that special measures should be taken immediately by the Corporation to recover its outstandings and to prevent their accumulation in future. (Paragraph 252).

## REPLY OF THE GOVERNMENT

This has been noted by the Corporation. They are taking steps to keep the outstanding debts to the minimum.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

## Recommendation (Serial No. 88)

The present total value of inventories which work out to about 4 to 6 years requirements at the present rate of consumption is apparently very excessive. Further the bulk of these stores and spare parts are imported entailing heavy foreign exchange expenditure. The import of 15 per cent of spare parts along with the machinery hardly explains the present high stocks. The Committee regret that the management should have allowed the inventories to

accumulate to such an extent. The Ministry also do not appear to have exercised proper checks before sanctioning foreign exchange. Apart from locking up of capital involved in excessive accumulation of stocks there is the danger of deterioration, wastage and pilferage. It also necessitates construction of extra storage godowns and employment of staff for their care and custody. The Committee recommend that immediate steps should be taken by the Corporation to reduce the present inventories as also to obviate any unnecessary accumulation of stores in future by changing the procurement procedure suitably. (Paragraph 257).

#### REPLY OF THE GOVERNMENT

Noted.

[Ministry of Mines and Fuel O.M. No. C2—10(9)/63. dated 18th Nov., 1963.]

#### Recommendation (Serial No. 89)

The Committee consider that under the present practice of valuation of closings stocks, the financial position of the working of a year is not truly reflected. In this connection they find that in the National Coal Board, U.K., though the stocks are valued at selling prices they are accounted for in the accounts of the year concerned after making specific provisions for loss, degradation, lifting and marketing expenses etc. assessed in the light of all the circumstances. They would, therefore, recommend that the existing procedure in regard to the valuation of stocks may be reviewed. (Paragraph 259).

#### REPLY OF THE GOVERNMENT

The present practice is in accordance with the recommendation. The valuation of closing stocks is accounted for in the accounts of the year concerned after making suitable provisions for loss, degradation and rehandling etc., which practice is similar to that followed by the National Coal Board in the U.K. This revised practice was introduced in the accounts for the year 1961-62 and is being continued.

baf

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov. 1963.]

#### Recommendation (Serial No. 90)

The Committee expect that steps to draw up a programme for examination of cost accounting systems of the various public undertakings by the Cost Accounts Branch would be taken according to the Government decision and recommend that the adequacy or otherwise of the existing cost accounting system followed by the Corporation should be examined by the Cost Accounts Branch of the Finance Ministry at an early date. (Paragraph 260).

#### REPLY OF THE GOVERNMENT

A programme for examination of cost accounting systems in the various public undertakings has been laid down and the Cost

Accounts Branch of the Ministry of Finance has already inspected 29 Government undertakings.

The National Coal Development Corporation was also examined. The costing system in the N.C.D.C. was found to be generally satisfactory but certain modifications have been suggested.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### **Recommendation (Serial No. 91)**

The Committee recommend that Government should prescribe forms of management accountancy, and it should be enjoined on each public undertaking to introduce the same from the very beginning. (Paragraph 262).

#### **REPLY OF THE GOVERNMENT**

The Department of Company Law Administration (now Deptt. of Revenue Company Law Board) had already advised all big-sized Government undertakings that steps might be taken by them to adopt the technique of Management Accounting. That Deptt. had also organised a seminar on Management Accounting in 1960 in which representatives of public undertakings had also participated. These undertakings had also been informed that the Honorary Management Accounting Adviser attached to the Department would be available for any advice or guidance required by them in introducing management accounting technique and procedure. That Department have also under consideration the question of compiling a manual of accounting forms and procedure containing standard procedures and forms relating to budgeting, costing, accounting, and reporting to management which might be suitable for adoption after some modifications according to the special requirements of each industrial undertaking as recommended by the Management Accounting Committee set up by them. The matter is, however, in a very preliminary stage.

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[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 10th September, 1964.]

#### **Recommendation (Serial No. 93)**

The Committee recommend that the Corporation should include summarised Profit and Loss Accounts of collieries area-wise in the Annual Reports. Further these reports should be made more informative regarding the various activities of the Corporation and among other things include a map indicating the location of various collieries directive, if any, issued by Government, etc. (Paragraph 264).

#### **REPLY OF THE GOVERNMENT**

This has been noted by the Corporation.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

**Recommendation (Serial No. 96)**

The Committee consider that there could have been a better selection of subjects for foreign training having regard to the requirements of the Corporation. They feel that officers should be sent abroad for training in carefully selected specialised subjects only like designing, sinking of deep shafts, construction of washeries, underground transport system etc. for which the requisite know-how is not available in the country. The period of training should be such as would enable the person concerned to really benefit from the training. The Managing Director admitted that the present short period training in subjects like repairs and maintenance was not sufficient. The Committee would, therefore, recommend that a suitable programme of training abroad may be evolved by the Corporation in the light of the observations made above. (Paragraph 274).

**REPLY OF THE GOVERNMENT**

Noted. The training facilities that become available both abroad and in India are utilised to the best advantage of the Corporation. Longer periods of training abroad may be of benefit, but in view of the shortage of technical staff, it is not always possible for the National Coal Development Corporation to spare technicians for longer terms of training abroad. u

[Ministry of Mines and Fuel O.M. No. C2—10(9)/63. dated 18th Nov., 1963.]

**Recommendation (Serial No. 97)**

The Committee trust that Government would arrange to include a clause regarding training of Indian personnel in designing and other specialised processes wherever necessary in the agreements entered into by public undertakings with foreign countries. (Paragraph 275).

**REPLY OF THE GOVERNMENT**

Noted.

[Ministry of Finance O.M. No. F. 3(5)-PC/63, dated 22nd October, 1963.]

**Recommendation (Serial No. 99)**

Out of 1019 quarters constructed at the Barakana Township, about 500 were not put to use immediately. The Committee regret that the Corporation should have constructed a large number of quarters in excess of its immediate requirements which had to be kept vacant. It may be noted that the staff in the workshop is on the high side as stated in para 120. Thus there has been lack of planning in phasing the construction programme. The Committee hope that the management would avoid such situation in future. (Paragraph 279).

## REPLY OF THE GOVERNMENT

This has been noted by the Corporation.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 101)**

The Committee consider that the progress in associating labour with management in the Corporation's collieries has so far been slow and its results are also not encouraging. They hope that the Corporation will take all steps to make the scheme a success and introduce it in all the collieries as early as possible. (*Paragraph 284*).

## REPLY OF THE GOVERNMENT •

Noted. Necessary steps are being taken by National Coal Development Corporation.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 102)**

The Committee understand that in certain other countries, schemes for filtered water supply are taken up along with a project. They would suggest that the desirability of taking up schemes for filtered and protected water supply simultaneously with a project may be examined. (*Paragraph 287*).

## REPLY OF THE GOVERNMENT

This has been noted by the Corporation.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 103)**

It is well known that there are great health hazards in working in mines and its environments. The Committee, therefore, recommend that the desirability of prescribing suitable periodical health checks for the employees of the collieries may be examined by Government. (*Paragraph 291*).

## REPLY OF THE GOVERNMENT

Noted.

[*Ministry of Mines and Fuel O.M. No. C2—10(9)/63, dated 18th Nov., 1963.*]

**Recommendation (Serial No. 104)**

The Committee would commend for adoption in at least the bigger Projects of the Corporation, the pattern of the Employees' Co-operatives of the Neyveli Lignite Corporation which are stated



to meet practically the entire domestic needs of the employees. (Paragraph 292).

**REPLY OF THE GOVERNMENT**

Such co-operatives are being introduced in the National Coal Development Corporation.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

**Recommendation (Serial No. 105)**

The Committee consider that there is room for improvement in the safety standards of the Corporation and that the present rate of accidents could be brought to the level of U.K. Coal Board. They feel that efforts should be made by the Corporation to bring home to every employee the need for maximum attention to safety through exhibitions, competitions, training courses, films, booklets and in other ways. (Paragraph 295).

**REPLY OF THE GOVERNMENT**

Government agree that efforts must continue to be made to effect progressive improvement in safety standards in the mines of the Corporation. The Corporation has been advised accordingly. It may be mentioned, however, that the safety record of the Corporation is better than the general average in the coal industry in this country.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

## CHAPTER III

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

#### Recommendation (Serial No. 1)

The Committee note that in the Second Five Year Plan, it had been specifically stated that "in future the policy of retaining all new undertakings in coal in the public sector should be more strictly followed . . . . The expansion of production by the establishment of new collieries will be undertaken wholly in the public sector". The Committee feel that the present policy of Government in allowing the development of non-contiguous areas to the private sector is strictly not in consonance with the Industrial Policy Resolution and the decision contained in the Second Five Year Plan. The rather liberal interpretation of the Industrial Policy Resolution tends to create a certain amount of uncertainty in this respect and is not conducive to the proper development of the industry. It is necessary that any relaxation or re-orientation in the working of the policy should be given due publicity. The Committee deem it necessary that there should be more definiteness and clarity in the matter of enunciation of policy as also stricter adherence to the policy in actual implementation of it. Heavy regard to the actual working of the policy on expansion of coal production from the pragmatic angle, which has permitted private sector to go into some new areas also, the Committee consider it appropriate for Government to re-examine its policy and re-enunciate it with any change it may choose. (Paragraph 7).

#### REPLY OF THE GOVERNMENT

In the overall planning for production of coal, the main objective is to ensure that output is commensurate with the consumer requirement for coal. Both the public and private sectors have to contribute their share in achieving this objective. But the allocation of their respective shares cannot be on the basis of a pre-determined target for each. The proper course is to make an assessment in regard to the capacity of each sector to give additional production, and then to decide what contribution it should be called upon to make in order to achieve the total production needed.

2. Accordingly, when the III Plan for coal was being finalised, a Working Group, which included representatives of the private sector, was set up to obtain all necessary information from the industry. This Working Group was aware that offers of additional production from non-contiguous and new areas will also be considered on merits. The individual offers made by various units were scrutinised by the said Working Group from the point of view of feasibility and thus an assessment of the total capacity of the

private sector was made. A similar exercise was undertaken by Government in respect of the public sector, keeping in view the resources available to it. Once such an assessment in respect of each sector had been made, shares were allocated to both.

3. The Industrial Policy Resolution of 1956 lays down that all new units in the coal industry have to be set up in the State. It also says that this does not, however, preclude the expansion of the privately-owned units or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. A realistic assessment having been made of the optimum production that could come from existing mines, and areas immediately contiguous to these mines in the private sector, permission to work new or non-contiguous areas was given on the merits of each case, where the raising of coal from such areas was found necessary to make up the total production required.

4. The Industrial Policy Resolution itself, while explaining the classification of industries into those that will be reserved for the public sector and those in which the private sector also will continue to operate, has specifically mentioned that categories will overlap to some extent, and too great rigidity might defeat the purpose in view viz., to accelerate the rate of economic growth and to speed up industrialisation. It would, therefore, be seen that the policy followed by this Ministry in granting new areas to the private sector is not inconsistent with the Industrial Policy Resolution. The position was also explained by the Minister for Mines & Fuel in the Lok Sabha on November 17, 1960.

5. The criteria that have been generally applied while dealing with proposals for the grant of new areas from the private sector are one or more of the following, depending on the type of each case:—

- (i) Whether the area applied for is essential for the private sector to achieve the plan target set for it;
- (ii) Whether the area applied for is contiguous to the Working colliery;
- (iii) Whether the area in question is comparatively small;
- (iv) Whether the area is an isolated pocket in which the public sector will not be interested; and
- (v) Whether the coal deposits in the area are of a poor quality or the coal is required for local consumption.

6. The fact that the private sector will have to take recourse to developing new and virgin areas in order to make its due contribution to the fulfilment of the target has been brought out in the III Plan in the following words:—

“During the Second Plan the contribution of the private sector towards additional production came from existing mines, whereas the major portion of the additional

production in the public sector was from new areas. The increase required during the Third Plan is of such a magnitude that it will necessitate the opening of a large number of new mines, particularly in the public sector, both in areas which are already developed and in entirely virgin areas”.

7. However, it is intended that, in the IV Plan, the above approach regarding the development of new and virgin areas by the private sector, where this is considered essential, will be indicated in clear terms to remove all doubts in the matter.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

### Recommendation (Serial No. 3)

(a) No year-wise production target was formulated by the Corporation or the Ministry. Against the production target of 13.5 million tons, the Corporation produced only 8.05 million tons of coal in 1960-61 i.e. 5.45 million tons less than that target.

(b) The Committee are surprised at the strained and novel interpretation put forward by the Ministry on the target of production for the Second Plan. To interpret the target of production as the rate to be achieved during the last quarter of the year, as was done by the Ministry, does not appear to have any rationale behind it, as quite apart from other considerations, such an interpretation itself can be stretched further even to mean rate of production during the last month or last week. Further, it is well known that targets of production of coal laid down in the Plans are estimated on the basis of the annual requirements of the various industries. It would appear that when it became clear to the Ministry that the Corporation could not fulfil the target of production of coal set for it during the Second Plan, the concept of a rate of production was introduced and a new interpretation was given to the term target of production. What is more surprising is that the Ministry and the Corporation not only persisted in this erroneous interpretation but claimed that the target rate of 13.5 million tons was not only achieved but was in fact slightly exceeded. (Paragraphs 13 to 17).

### REPLY OF THE GOVERNMENT

(a) and (b). Copies of the correspondence exchanged between this Ministry and the Planning Commission during May/June, 1961 have been made available to the Estimates Committee and, therefore, Government consider that the view expressed by the Committee is really a matter of opinion. It is not correct to say that the interpretation of the target as a rate of production was not a *bona-fide* one but was intended merely to cover up a deficiency. However, Government have already agreed that the target to be achieved by the end of the Third Five Year Plan shall be the production target in the last year of the Third Five Year Plan and not the rate of production during the last quarter of the last year.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

### Recommendation (Serial No. 7)

During the Second Plan period while the production of non-coking coal of grades I and below increased by 643 per cent. from 0·585 to 4·348 million tons, the production of selected non-coking coal rose by 69 per cent from 0·199 to 0·336 million tons and that of coking coal increased by 45 per cent. only from 2·323 to 3·366 million tons. Since the Third Plan requires the public sector to take a more active part than hitherto in the production of superior grades of coal, the Committee hope that the Corporation would take active measures to produce more of coking and superior grades of non-coking coals. (Paragraphs 33—35).

### REPLY OF THE GOVERNMENT

The future programme of the Corporation is in fact based on the recommendation that it should produce more of coking and superior grades of non-coking coals. However, in view of the fact that the Corporation has been entrusted with an extensive development programme in the outlying coalfields, where coking and superior grades of non-coking coals are not available, it is not possible for the Corporation to increase the production of various grades of coal in equal proportions. Besides, coking coal in the Jharia region can now be found only at comparatively greater depths, ranging from 1500 ft. to 2500 ft., and for developing deep shaft mines it takes about 7 to 9 years. The Corporation has already taken action to develop such deep mines during the Fourth Plan period. To the extent possible, therefore, the Corporation is giving attention to the production of superior grades of coking and non-coking coals.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 9)

It is not clear why the quality of coal in the Chordhara and Sayal 'A' mines, which were given up was not known to the Corporation during prospecting. The Committee consider that the time and money spent on the preparation of project reports was thereby rendered infructuous and could have been avoided. . . . (Paragraph 40).

### REPLY OF THE GOVERNMENT

No Project Report was prepared for Sayal-A. As regards Chordhara, a Project Report was prepared, but in view of comparatively large production already planned for Karanpura and the apprehension that the transport capacity might not be sufficient for this output, the Board of Directors took the view that no new mines should be opened in Karanpura for Grade II coal. The expenditure on the Project Report need not, however, be considered as infructuous. It is quite possible that with further expansion of Patratu Thermal Power Station, Chordhara coal would be required for power generation. The Project may then have to be taken up.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 10)

It will be seen that most of the new mines are still either at the project report stage or at the exploratory stage and that about fifty per cent of them are expected to go into production in the last two years of the Plan. The Third Plan envisaged that all the new mines would be established by the third year of the Plan period. Thus it would appear that there is again a time lag in the commissioning of new mines in the Third Plan. (Paragraph 42).

#### REPLY OF THE GOVERNMENT

Project reports have already been formulated and approved to cover the entire target of production for the Third Plan, i.e., 30.5 million tons. Implementation of these projects has also commenced in most cases. There is difficulty only in a few cases where large scale implementation of the Projects could not be commenced because satisfactory credit or other arrangements for providing the necessary foreign exchange were not available.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 16)

Even allowing for the low output of 27.2 per cent of the rated capacity in the first year of commissioning, i.e., 1958-59, the performance of the washery has not risen beyond 60 per cent in the three years thereafter and thus has been far below the rated capacity. (Paragraph 53).

#### REPLY OF THE GOVERNMENT

The output of washed coal at the washery has since increased to 1 lakh tons per month from the month of December, 1962. In fact, except for occasional shortfalls, the production of clean coal at the washery has been stabilised at a level of about 1 lakh tons per month. It is also hoped that with the improvements and modifications that have since been made it will be possible to further increase production of clean coal at the washery. The average production during the last six months is about 73 per cent. of the rated capacity.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 17)

It is evident that proper care and caution was not observed at the time of inviting tenders for this project as in the absence of project report complete data was not made available to the tenderers. The Contract entered into with Japanese firm was also defective as it did not provide for the performance guarantee of the integrated plant and hence they could not be held responsible for ensuring the rated throughput. Repairs and maintenance costing as much as Rs. 1.19 crores during the two years had to be carried out at the cost of the Corporation. It is significant to note that the total cost

of the washery itself was Rs. 1.72 crores only. In addition, a period of over three years was spent in getting the defects and deficiencies removed, resulting in loss of production and earnings. Even after this the annual production is expected to be 3 lakh tons less than the original rated capacity of 16.20 lakhs tons as admitted by the Managing Director.

The Committee cannot help feeling that the acts of commission and omission in this case have proved to be quite costly. They hope that there will be no repetition of such mistakes in future. In this connection they were assured by the Managing Director that they had learnt a good lesson and that they had better facilities for testing the coal characteristics and that their own engineers had also better experience. (Paragraph 57).

#### REPLY OF THE GOVERNMENT

It may be stated that the Kargali washery was the first washery in the public sector and it also happened to be the first composite type of washery in India. Some initial teething troubles were inevitable. Nevertheless, as a result of the modifications and improvements carried out, the washery is steadily producing washed coal at a level of about 1 lakh tons per month since December, 1962. Efforts to bring about further improvements continue.

As regards the figure Rs. 1.19 crores reported to have been spent on repairs and maintenance during the two years 1959-60 and 1960-61, the correct figures have been published in the accounts for the years in question as follows:—

1959-60	..	..	Rs. 75,752
1960-61	..	..	Rs. 43,136
			Rs. 1,18,888 i.e.
			about 1.19 lakhs

The Estimates Committee have perhaps mistaken lakhs for crores. [Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### Recommendation (Serial No. 20)

During the two years viz., 1959-60 and 1960-61 the cost of coal issued free to employees numbering about 50,000 of the Corporation amounted to Rs. 53.67 lakhs representing nearly 2.68 lakhs tons of coal. The Committee feel that by issuing middlings in lieu of coal to staff, it would not only improve the earnings of the Corporation but would also release substantial quantity of good quality coal for industrial and other purposes. They, therefore, suggest that the feasibility of issuing middlings to the staff may be examined by the Corporation. (Paragraph 65).

### REPLY OF THE GOVERNMENT

The suggestion has been examined and it is felt that it is not practicable for the following reasons:

- (i) Middlings can be and should be profitably utilised in Thermal Power Stations. In fact future planning is based on such utilisation and this is the practice in other countries too.
- (ii) At present the Corporation has only one Washery, and during the Third Plan it may have 3 or 4 more. The majority of the coal mines will for quite some time have no washeries attached to them, and in fact will be at considerable distances from the Washeries. It is not practicable, nor economic to transport the middlings to distant coal mines for free distribution to the employees.
- (iii) The most serious objection against the proposal is that it would be completely unacceptable to the Miners and will be strongly resented by the Unions.

Again in terms of the direction contained in para 351 (i) of the Labour Appellate Tribunal's decision, all existing privileges and amenities, including fuel supply of coal are to be continued. The issue of middlings in lieu of coal might necessitate giving notice under section 9A of the Industrial Disputes Act, 1947 (read with entry 8 under the Fourth Schedule of the Act.) If such a notice is given, it is likely that workers may raise disputes which may have to be taken up for conciliation/arbitration etc. In other words, giving of such a notice is likely to disturb industrial peace.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 23)

(a) Against the targeted capacity of 9.5 million tons of coking coal, the Corporation expects to achieve a capacity for 8.84 million tons only by the end of the Third Plan.

(b) There is no definite programme for setting up washeries for non-coking coal by the Corporation with the result that the tentative Third Plan target of washing capacity of 7 to 8 million tons therefor is not likely to be achieved. The setting up of washeries for non-coking coal has not been taken up as yet on account of some differences between the Corporation and the Railways. Why such differences could not be resolved by Government so far is not clear. The Committee recommend that Government should take decisive steps in the matter and ensure that the programme envisaged tentatively in the Plan becomes a reality. (Paragraphs 70 and 71).

### REPLY OF THE GOVERNMENT •

(a) *Noted.* The shortfall referred to arises from the fact that no Washery is possible in Central Jharia during the Third Plan. All



new coking mines in Central Jharia have to be deep shaft mines, and no deep mine can be developed in less than 7 to 8 years.

(b) It is erroneous to assume that the setting up of washeries for non-coking coal has not been taken up on account of differences between the Corporation and the Railways. In fact, one washery at Gidi (Karanpura) with an annual input capacity of 2.8 million tonnes has already been sanctioned and this is expected to be commissioned in October 1965. This washery will supply washed slack coal to the steel plants and steam coal to the Railways. The setting up of other washeries for non-coking coal depends on the washability characteristics of the coals proposed to be washed and economics of such washing. The question of utilisation of middlings is also involved, for the economics are seriously upset if an adequate outlet for such middlings is not found. No non-coking coal washery can, therefore be set up unless, after an examination of all the factors involved, the economics of washing such coals are definitely established. In fact, there are cases in which, after preliminary investigations, the idea of putting up non-coking coal washeries had to be abandoned, as the economics turned out to be unfavourable.

It will thus be seen that there is no question of any difference with the Railways standing in the way of setting up of non-coking coal washeries. The Railways as a consumer of washed non-coking coal are certainly interested in the price that they will have to pay for such coals. This is, however, a separate question and is under the consideration of the Government.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### **Recommendation (Serial No. 24)**

The Committee consider that the setting up of washeries apart from conservation of scarce coking coal resources, would also help in reducing the load on the railways. They consider that the equipping of all new mines in the public sector with suitable washeries would be a step in the right direction and that the matter may be examined without delay. (Paragraph 72).

#### **REPLY OF THE GOVERNMENT**

It is accepted that most of the coking coals and blendable non-coking coals required for use in steel plants and other metallurgical industries require washing and future planning is being done on that basis. Regarding other coals except where such washing becomes inescapable, as, for example, on account of the Railways, need for selected grades of coal, it is considered that washeries are unnecessary and will involve avoidable additional cost.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### **Recommendation (Serial No. 25)**

At present coal washeries in the public sector are being managed by two agencies viz., Hindustan Steel Led. (Durgapur, Dugda,

Bhojudih and Patherdih washeries) and the Corporation (Kargali and all other new washeries). The Committee feel that from the point of view of greater efficiency and economy, technical know-how, research etc. it would be advantageous if all the washeries were run by one organisation. They, therefore, recommend that the Ministries concerned may examine the matter whether all the washeries in the public sector may be put under one organisation. (Paragraph 73-74).

#### REPLY OF THE GOVERNMENT

This question has already been considered in consultation with the Deptt. of Iron and Steel and it had been decided as follows:—

1. The HSL will continue to be in charge of the washeries which it is already constructing viz., those at Durgapur (which is an integral part of Durgapur Steel Plant) Dugda, Bhojudih and Patherdih. The HSL will also be responsible for executing the expansion programme of these washeries in the Third Plan.
2. Any new central washery based on coals from private sector collieries but washing coal for the steel plants would also be the responsibility of the HSL.
3. The Kargali washery will continue to be with the N.C.D.C.
4. Any new washeries either based wholly on coals produced by the N.C.D.C.'s collieries or on coals partly from the N.C.D.C.'s collieries and partly from private sector collieries will be set up by the N.C.D.C.

The above decision was dictated by practical considerations such as early execution of the washeries' expansion programme, economic and effective utilisation of the existing capacity etc. Government feels that for sometime to come at least, the existing set up should continue. The Committee's observation, has been noted and will be considered again if, after some years of working it is felt that there is need for a change of the type suggested. It may, however, be noted that according to present indications, the bulk, if not all, of the additional production of coking coal in the Fourth Plan will be from the public sector, and therefore most of the future washeries are likely to be with the N.C.D.C. even on the basis of the present arrangement.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### Recommendations (Serial Nos. 29 and 31)

The Committee suggest that the whole procedure regarding agreements with foreign countries should be examined with a view to simplifying it. (Paragraph 82).

The Committee are convinced that the setting up of a central section by the Government to deal with all foreign agreements is very essential not only to bring about a broad uniformity in their

terms and conditions but also to provide a repository of experience for handling the complex and intricate problems in regard to foreign agreements. It would also help to obviate many mistakes and misunderstandings which generally arise in the drafting of such agreements and lead to delays. They, therefore, recommend that Government should set up a special cell for the purpose without any delay. (Paragraph 86).

#### REPLY OF THE GOVERNMENT

Government have since decided that a Committee consisting of Cabinet Secretary, Secretary of the Ministry concerned, a representative of the Ministry of Finance and such representatives of other Ministries as the Cabinet Secretary may consider in each particular case, will guide negotiations relating to all projects costing more than Rs. 5 crores involving foreign collaborations.

[Ministry of Steel and Mines O.M. No. C2-10(9)/63, dated 10th September, 1964].

#### Further information called for by the Committee

It is not clear, whether the arrangement now made is different from the one originally made by Government i.e., scrutiny of important proposals regarding negotiations or execution of agreements with foreign firms by a Committee of Economic Secretaries to Govt. (referred to in para 85 of the Report). This may please be clarified and a copy of the terms of reference of the present Committee furnished to this section. It may also be indicated as to what extent the present arrangement meets the recommendation of the Committee.

[L.S.S. O.M. No. 18-PU/63, dated 1st October, 1964.]

#### REPLY OF THE GOVERNMENT

A copy of O.M. No. 47/37/CF/63 dated 19th February, 1963 (not appended) of Cabinet Secretariat regarding the appointment of a Committee for guiding negotiations relating to major projects, is enclosed which clarifies the position.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov., 1963.]

#### Recommendation (Serial No. 36)

The Committee are greatly concerned at the magnitude of the idle capacity of the machinery and men in the Corporation. It is vital especially in the present emergency, that the entire resources of labour and material be urgently brought into full use. They would recommend that an expert study into the causes of idle capacity both of men and machines be immediately undertaken and effective measures taken to secure optimum utilisation of the installed capacity. The Managing Director admitted the need for a detailed study with regard to machines and methods of work so as to improve the utilisation of machines, maintenance, etc. (Paragraph 100).

### REPLY OF THE GOVERNMENT

The idle capacity referred to arises from two sets of causes. One is related to such extraneous factors as transport capacity or the level of demand. There is not much the Corporation can do directly about these factors. The other is idle capacity arising out of inadequate utilisation of machinery. This is a matter constantly under review by the Corporation and detailed studies, particularly about the methods of work, have in fact been undertaken by the Industrial Engineering Department of the Corporation.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 37)

A large quantity of plant and machinery which was imported for Second Plan projects had not been put to use immediately. Most of it is now earmarked for Third Plan projects which are expected to go into production by the end of the Plan period. The Committee feel that adequate caution had not been exercised in indenting for the machinery. They hope that no time would be lost in commissioning all the plant and machinery. (Paragraph 102).

### REPLY OF THE GOVERNMENT

The fact that a certain quantity of plant and machinery imported for the 2nd Plan Project proved surplus to the immediate requirements does not necessarily mean that adequate caution had not been exercised in the matter of indenting to avoid any surplus. Machinery is normally ordered after detailed consideration of the project report. However, during the 2nd Plan some orders had to be placed in anticipation of the project reports. This has to be done as on account of paucity of adequate geological data preparation of the detailed project reports was delayed.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 38)

To reduce dependence on imports and save the much needed foreign exchange, there is an urgent need to establish expeditiously indigenous production of mining machinery, including machinery for washeries. In this connection it is noteworthy that foreign countries have made great strides in building up this industry. For instance, in Poland the production of mining machinery during 1961 was about 1,50,000 tons, out of which machinery worth 60 million dollars was exported. The Committee hope that decision to set up the second machinery manufacturing plant will be expedited and effective steps taken to commission both the plants as early as possible. They would also suggest that Government might conduct a survey of the existing capacity for manufacture of engineering equipment in the country so that machinery, equipment and spare parts which could be indigenously produced may not be imported from abroad. (Paragraph 106).

### REPLY OF THE GOVERNMENT

The Heavy Engineering Corporation are making endeavours to commission their Coal Mining Machinery Plant at Durgapur as early as possible. According to present indications, this Plant is expected to commence pilot production towards the end of this year and the production will be stepped upto 45,000 tons per year in subsequent years. When in full production, this Plant will manufacture diverse items of coal mining machinery worth Rs. 25 to 27 crores per year.

As regards the setting up of the second Coal Mining Machinery Plant, with Polish assistance, the Heavy Engineering Corporation have appointed a Study Group which has already finalised its findings about the pattern of production and has drawn up a provisional production programme. This production programme has been handed over to the Polish Experts, who are now expected to submit their preliminary cost estimates shortly. The location of the *Second plant* near Singareni Coalfields in Andhra Pradesh has already been decided. Two or three sites in that area have been suggested by the Andhra Pradesh Government, and one of these will be finally selected by Government in consultation with the Polish Experts who are expected to be here shortly. The proposed pattern of production at this plant has been drawn up after taking into consideration the capacity already licensed in the private sector and the production programme of the Durgapur Coal Mining Machinery Plant.

The Private Sector is already manufacturing items like shortwall coal cutters, haulages upto 100 H.P., conveyors etc. But these are small units and production is on a very limited scale. Licenses have also been issued to three firms in the private sector for the manufacture of coal washeries for a total capacity of 4½ plants per annum with foreign collaboration.

The Heavy Machine Building Plant at Ranchi too will manufacture coal washery plants, coal preparation plants, and ore and mineral beneficiation plants.

It would thus be seen that necessary steps are being taken to set up, as expeditiously as circumstances would permit, indigenous capacity for mining machinery and beneficiation plants for coal and some other minerals.

[*Ministry of Steel, Mines and Heavy Engineering O.M. No. C2-10(9)/63, dated 7th December, 1963.*]

#### Recommendation (Serial No. 39)

The Committee suggest that in view of the obvious advantages to be gained from the point of view of maintenance and spare parts, efforts should continue to be made to achieve standardisation of mining equipment to the maximum extent possible. (Paragraph 108).

### REPLY OF THE GOVERNMENT

Most of the mining machinery items proposed to be manufactured at Durgapur and in the second Coal Mining Machinery Plant

will be according to Soviet and Polish designs respectively, but suitable to Indian conditions. This will bring about a certain measure of standardisation and such standardisation will progressively increase as the indigenous capacity for production of mining machinery develops in the country.

[Ministry of Steel, Mines and Heavy Engineering O.M. No. C2-10(9)/63, dated 7th December, 1963.]

#### Recommendation (Serial No. 43)

The Committee consider that the output of the workshop which was 50 per cent. of the estimate in 1961-62 was very low. Compared to investment the turnover was not even one-fourth as against the norm of 1.1. Considering that the imports of spare parts by the Corporation in 1961-62 alone amounted to Rs. 81.40 lakhs, it is very necessary that the output of the workshop should be stepped up considerably so as to reduce dependence on imports. The Committee recommended that urgent steps should be taken in this direction. (Paragraph 117).

#### REPLY OF THE GOVERNMENT

The Government agree that the output of the Central Workshop should be stepped up to the extent possible to reduce dependence on imports. It is also possible that the present rate of output is not only fully what it should be. For an institution like the Central Workshop, however, which caters to the various mines of the Corporation, the criterion adopted by the Estimates Committee to come to the conclusion that the output is low, we feel, is not correct one. The value of the output in this case has been based by the Estimates Committee on the value of the raw materials plus the direct and indirect cost incurred by the Workshop. For the same value of work done, it is quite possible to show a much higher value if more expensive raw materials or larger labour force are used. By using expensive raw materials or by using a larger labour force the criterion of turnover of 1:1 may well be satisfied without any appreciable increase in the actual output. We feel that the proper criterion in a case like this is to fix standards output per shift and see to it that these standards are adhered to. This is being done.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### Recommendation (Serial No. 46)

The Committee consider that it would be economical and profitable to pool the printing requirements of various public undertakings located at Ranchi and to set up a common press for all of them. They recommend that the matter may be examined by Government which the representative of the Ministry undertook to do. (Paragraph 125).

#### REPLY OF THE GOVERNMENT

The N.C.D.C. press is itself an economic unit and its capacity is fully utilised by the printing work done for the Corporation.

No substantial saving is expected by having a larger Press to be shared by three public sector undertakings. On the other hand the Press run by three undertakings jointly will have the disadvantages of being under divided control.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 52)

While there may be some justification for having representatives of the Administrative and Finance Ministries on the Boards of public undertakings, the present practice of appointing representatives of other Ministries thereon is not sound. Such representatives very often have neither the requisite experience nor the time necessary to direct the affairs of the undertakings. For instance, the Committee observed that the representative of the Railways attended only 17 out of 33 meetings held during the last 3 years. During the year 1959-60 he attended only 4 out of 13 meetings. The Committee, therefore, recommend that the Board of Directors of the Corporation may be broad-based by appointing suitable technically qualified persons. In this connection the Secretary of the Ministry agreed that the Director of Central Fuel Research Institute could usefully be appointed on the Board of the Corporation. (Paragraph 144).

### REPLY OF THE GOVERNMENT

In addition to the appointment of the Technical Adviser to the Hindustan Steel Ltd., on the NCDC Board of Directors, the Board has been further broad-based by appointing the Coal Mining Adviser to the Government of India and the Director, Central Fuel Research Institute as director. The continuance of a representative of the Railway Board is considered necessary as the transport of coal by rail is of vital importance to the N.C.D.C.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### Recommendation (Serial No. 56)

(a) It is seen that the Sixth Annual General Meeting of the Corporation was held at New Delhi on the 28th September, 1962. Thus the provisions of the Companies Act and the Articles of Association in this regard were not complied with.

(b) Evidently most of the ordinary meetings were held at New Delhi for the convenience of the official Directors, as admitted by the representative of the Ministry. This supports the view of the Committee expressed in para 144 that the official part-time Directors do not have adequate time to devote to the affairs of the Corporation.

Even though the articles of association are silent on the matter of venue for ordinary meetings, the Committee consider it desirable that normally they should be held at the Registered Office itself where the full assistance of the Secretariat of the undertaking will be readily available. Meetings at places outside the Registered Office should be held only in exceptional circumstances. Otherwise if the meetings are held in Delhi not only will such secretarial assistance not be available but there will be other engagements for the members of the Board which may not make for calm and undivided attention being paid for the subjects under discussion. (Paragraphs 153 & 155).

#### REPLY OF THE GOVERNMENT

(a) The Fifth and not the Sixth Annual General meeting of the Corporation was held at New Delhi. This did not involve any violation of the provisions of the Companies Act, as the Corporation had obtained exemption from the Central Government *vide* Ministry of Commerce and Industry's (Department of Company Law Administration) letter No. 4(25)-CL/61, dated 12th September, 1961 in terms of sub-section (2) of Section 166 read with notification No. S.R.O. 355, dated 17th January, 1957. It is however, true that provision for such exemption does not find place in the Articles of Association. This is, however, under the examination of the Corporation for suitable amendments.

(b) While we note the views expressed by the Estimates Committee, we would like to point out that it is not correct to say that "most of the ordinary meetings were held at Delhi for the convenience of the official Directors". It has been our experience that the Managing Director and his senior officers of the Corporation have in any case to visit Delhi occasionally to have consultations with various Ministries and Departments of Government. In view of these visits which have to be made in any case, it is felt that some of the meetings of the Board of Directors be held in Delhi to avoid waste of time of Directors resident in Delhi.

[*Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.*]

#### Recommendation (Serial No. 59)

The Committee feel that it would be useful to set up Consultative Committees similar to that in Korba in other areas also and they should be charged with some specific responsibilities—a suggestion with which the representative of the Ministry readily agreed. They would, therefore recommend that suitable Consultative Committees may be appointed in all the areas to assist and advise the Area General Managers in their tasks. (Paragraph 168).



## REPLY OF THE GOVERNMENT

The suggestion that suitable Consultative Committee similar to that in Korba in other areas to assist and advise the Area General Managers in their tasks be appointed has been considered by Government. The Korba Consultative Committee is in fact a joint Committee of the State Government on the one hand, and the Central Government and the Corporation, on the other. Government have on several occasions offered to other State Governments the same pattern of collaboration as at Korba. There could therefore be no objection to similar committees being set up in other areas should the State Governments concerned agree to do so. Government do not, however, consider it necessary that such committees should be charged with certain specific responsibilities not at present allotted to the Korba Consultative Committee. The Korba Consultative Committee was set up for consultation between the Madhya Pradesh Government and the National Coal Development Corporation, the two partners in the Korba venture. Other State Governments are not partner in any of the projects of the N.C.D.C. and, therefore, Government do not consider it necessary to form consultative committees with representatives of State Governments on them to assist and advise the Area General Managers in their task.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

## Recommendation (Serial No. 61)

The Committee are not convinced of the need for Liaison Office of the Corporation at Calcutta which seems to be meant mainly for ensuring wagons and sidings facilities. These matters could as well be attended to by the Headquarters at Ranchi. They recommend that the matter may be reviewed. (Paragraph 174).

## REPLY OF THE GOVERNMENT

The Office of the Railway Liaison Officer in Calcutta owes its existence to the fact that in regard to the numerous new Projects which are being undertaken by the Corporation, close liaison and co-ordination with the Railways are required to ensure that the Railways part in building up these Projects, such as opening of branch lines and railway sidings do not lag behind the progress of the mines. In fact, in para 121 the Estimates Committee have themselves emphasized the need for co-ordination with Railways at different levels, and have expressed the hope that there will be no lack of co-ordination in regard to transport in the Third Plan. Since the two important Railway systems, namely the Eastern Railway and the South Eastern Railway have their Headquarters at Calcutta, co-ordination at the Railway Headquarters is best done by keeping a whole time senior officer of the Corporation at Calcutta.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

**Recommendation (Serial No. 67)**

Different procedures have been followed by the Government of India in the case of Madhya Pradesh and West Bengal Governments in the matter of participation of States in exploitation of coal resources. While in the former case a partnership agreement in respect of Korba mines has been entered into, in the latter case, the State Government has been allowed to develop its own mines and produce coal for the States projects. Evidently the decision of the Central Government to permit the West Bengal Government to develop new mines on their own was not strictly in consonance with their policy of not allowing the States to have their own captive mines. The Committee feel that the policy of Government in this matter needs clarification. They, therefore, recommend that the policy of the Government regarding participation of States in the exploitation of coal may be laid down definitely. (Paragraph 193).

**REPLY OF THE GOVERNMENT**

In general, the policy of the Government of India is to exercise control over the production and distribution of coal. Individual agreements with the Madhya Pradesh Government and with the State Government of West Bengal, though they may differ in details are governed by this overall policy. Whenever any State Government wishes to participate with the Centre in the production of coal, each case is considered on merits and suitable terms settled in keeping with the general policy referred to above.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th Nov. 1963.]

**Recommendation (Serial No. 71)**

It is seen that higher initial salaries were given to technical personnel in the Corporation. The Committee consider that higher initial salaries should not be given as a matter of course but to really competent persons. (Paragraph 210).

**REPLY OF THE GOVERNMENT**

In view of the paucity of technical personnel, it is necessary in order to attract suitable technical talent either to offer higher scales of pay or to give advance increments to persons who, on the basis of their qualifications and experience, are considered suitable for such advance increments. The Corporation have adopted the latter course. Advance increments are however, being granted only to persons who deserve them by virtue of their experience and competence.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

**Recommendation (Serial No. 82)**

The Committee are of the opinion that since plant and machinery in the coal industry are prone to rapid wear and tear, the normal rate of depreciation at historic value is not likely to prove adequate. They, therefore, recommend that the policy regarding provision of depreciation may be reviewed by the Management.

They would also suggest that the question of providing depreciation on replacement cost basis, as in U.K., by all the public undertakings may be examined by Government. (Paragraph 238).

**REPLY OF THE GOVERNMENT**

The Management have stated that the system of depreciation followed by the Corporation is based on the provisions of the Companies Act and the Income-tax Act.

According to the U.K. practice referred to by the Committee, in addition to depreciation on historic cost being charged to revenue, provision is also made from revenue for such an amount as may be necessary to cover the excess of depreciation calculated on replacement cost basis over depreciation calculated on historic cost. This is, no doubt, a salutary practice, but the limiting factor in its adoption in Government undertakings is the paucity of revenue surpluses which would accommodate extra provision. Instructions are being issued to public undertakings to make such provisions to the extent revenue position permits.

[Ministry of Steel and Mines O.M. No. C2-10(9)/63, dated 10th September, 1964.]

**Further information called for by the Committee**

A copy of the instructions issued to public undertakings in regard to making provisions for depreciation to the extent revenue position permits may be furnished.

[L.S.S. O.M. No. 18-PU/63, dated 1st October, 1964.]

**REPLY OF THE GOVERNMENT**

A copy of the instructions issued under this Ministry's O.M. No. 3(5)-PC/63, dated 26th September, 1964 is enclosed (Appendix II).

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

**Recommendation (Serial No. 83)**

Out of a total capital expenditure of Rs. 42.43 crores incurred during the Second Plan period, the expenditure on expansion programme alone was Rs. 38.11 crores, the balance being on maintenance of existing production capacity. Thus only about 5 per cent of the expenditure could be met from internal resources for financing the expansion programmes. The Committee consider that there is a general need for public undertakings to build up adequate reserves. It is necessary in the national interest for these undertakings in the long run to make a substantial contribution towards

the cost of their capital development out of their own earnings. In normal circumstances the desirable level of reserves should be related to the amount of paid-up capital. In this connection the Committee would also draw attention to para 58 of their 157th Report (Second Lok Sabha) on NEPA Mills Ltd., wherein they have recommended that Government should lay down a policy for the creation of various kinds of Reserves by Public Undertakings. (Paragraph 240).

#### REPLY OF THE GOVERNMENT

A reply has already been furnished to the Estimates Committee's recommendation in para 58 of their 157th Report under late Ministry of Commerce and Industry's O.M. No. CH(I)-18(6)/62 dated 12th June, 1963.\* The necessity of augmenting resources by Public Undertakings has been stressed time and again.

[Ministry of Steel and Mines O.M. No. C2-10(9)/63 dated 10th September, 1964.]

#### Further information called for by the Committee

A copy of the Government instructions wherein they have stressed the necessity of augmenting resources by Public Undertakings may be furnished.

[L.S.S. O.M. No. 18-PU/63, dated 1st October, 1964]

#### REPLY OF THE GOVERNMENT

In paras 18 and 59 of Chapter VI of the Third Plan it was emphasised that substantial investments have been made in the public sector and every effort must be made to increase the resources of the public sector undertakings. Every year before deciding upon capital funds to be made available for the central Budget, this aspect is taken into account.

[Ministry of Finance O.M. No. 3(5)-PC/63, dated 20th November, 1964.]

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\*In para 58 of the 157th Report referred to above the Estimates Committee, made the following recommendation and the reply sent by the late Ministry of Commerce and Industry is reproduced below:—

"Since the company has now started making profits, the Committee trust that the need for building adequate reserves would be borne in mind with a view to strengthening the financial position of the concern. They would also suggest that in the case of public undertakings Govt. should lay down a policy for the creation of the various kinds of Reserves which are considered essential in consultation with Company Law Administration.

According to normal commercial practice which is being followed by all undertakings, reserves have been created by them wherever possible to the extent their financial position permits."

### Recommendation (Serial No. 85)

The Committee consider that the net profits for the purpose of surplus should be arrived at after deducting taxation. In this connection, they would invite attention to para 26 of their 120th Report (Second Lok Sabha) on Sindhri Fertilizers Corporation Ltd, (now Fertilizers Corporation of India) wherein it had been suggested that the term net profits should be used to mean only disposable profits which remain for dividend distribution and for reserves. They would therefore, recommend that the matter may be examined by Government in consultation with the Comptroller & Auditor General and the precise meaning of the term 'surplus' defined.

They would also suggest that the surplus expected of the various public undertakings during the Third Plan period may be laid down so that they may make efforts to realise the same. (Paragraph 245).

#### REPLY OF THE GOVERNMENT

Instructions regarding the exhibition of tax provisions etc. in the Profit & Loss Accounts of Public Undertakings have already been issued to all Ministries etc. in this Ministry's O.M. No. F. 3(1)-PC/62 dated 3rd August, 1963. (Copy at Appendix III).

It is difficult to lay down the surpluses expected of the various public enterprises as it would depend on several factors governing the progress of projects, costs of production, sale prices etc. The estimate included in the Third Plan was tentative, as the data on which it was based was not sufficiently firm. However, as a part of Fourth Plan exercises, efforts to work out surpluses for each undertaking are being made.

[Ministry of Steel and Mines O.M. No. C2-10(9)/63 dated 10th September, 1964.]

### Recommendation (Serial No. 92)

The Corporation has not so far prepared programme-cum-performance budget. During evidence, the Managing Director hoped that such a budget would be included in the Annual Report for 1962-63. The Committee trust that this would be done. (Paragraph 263).

#### REPLY OF THE GOVERNMENT

It has not been possible to prepare a programme-cum-performance budget for inclusion in the Annual Report for 1962-63. The Corporation have undertaken to prepare the programme-cum-performance budget for the year 1963-64.

[Ministry of Mines and Fuel, O.M. No. C2-10(9)/63, dated 18th November, 1963]

### Recommendation (Serial No. 94)

The Committee are not happy that the Corporation's sales to private parties should be confined to a few big dealers. They feel that the tendency for dealership to get into the hands of monopolists

should be discouraged by public undertakings as far as possible. They therefore, recommend that the present sale policy of the Corporation and the rules governing it should be reviewed with this end in view. The sale policy and the conditions should also be given the widest publicity as was agreed to by the Managing Director. (Paragraph 267).

#### REPLY OF THE GOVERNMENT

The Corporation agree that the widest publicity should be given to the terms and conditions of sales, but they feel that nothing more could be done except to see that its sales are not confined to a few dealers. It was explained to the Estimates Committee by Corporation's representative that the choice of dealers rests more with the consumers than with the Corporation, being the producers. The Corporation cannot refuse orders booked by middlemen on the grounds that they would like their orders to be executed by certain other middlemen.

As regards the terms and conditions of sales, in the interest of security of public funds, the Corporation has to insist on certain minimum financial cover. This cannot be substantially relaxed without giving rise to the danger of defaults by middlemen.

[Ministry of Mines and Fuel, O.M. No. C2—10(9)/63, dated 18th November, 1963]

#### Recommendation (Serial No. 95)

The Committee are concerned at the existence of such a large unutilised capacity in the training schools of the Corporation. They recommend that early steps be taken to utilise the full capacity of the training facilities if need be by making this available for use by the private sector on suitable terms. (Paragraph 271).

#### REPLY OF THE GOVERNMENT

Noted. It has to be mentioned, however, that the unutilised capacity referred to is merely in the shape of certain surplus hostel accommodation. The staff and the equipment have been restricted to the present requirements of the National Coal Development Corporation and will be expanded only with the expansion of the training programme.

It is, however, not possible for the National Coal Development Corporation to impart training to the technical personnel in the private sector of the coal industry as it would involve additional expenditure in the shape of equipment and teaching staff. It is primarily the responsibility of the private sector to create adequate facilities for the training of its own personnel and this is being impressed on the industry from time to time.

[Ministry of Mines and Fuel, O.M. No. C2—10(9)/63, dated 18th November, 1963]

#### Recommendation (Serial No. 100)

The Committee consider that Government should lay down standards in matters like industrial housing etc. in the very beginning so as to avoid anomalies at a later stage. Since the standards

now laid down by Government are intended to secure maximum economy in the construction cost and uniformity in all public undertakings, it should be ensured that they are strictly followed by them. (Paragraph 281).

#### REPLY OF THE GOVERNMENT

The proposals of individual undertakings for the construction of quarters for their employees are scrutinised even now keeping in view the standard/principles laid down for Industrial Housing by the Ministry of Finance O.M. No. 1068-SF/60, dated the 23rd March, 1960 as amended from time to time.

[Ministry of Industry and Supply, O.M. No. Pr. C-16(3)/63, dated 24th September, 1964]

## CHAPTER IV

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

#### Recommendation (Serial No. 2)

The Committee consider that the existing activities of the Corporation which are mainly limited to the production of coal, may not prove to be very profitable. They, therefore, feel that to make the Corporation a permanently viable unit, it is necessary that it should not remain a 'hewer' of coal merely but should also undertake low temperature carbonisation, and other ancillary activities like coking of coal, gasification of coal, production of smokeless fuel, manufacture of bricks, etc. They recommend that the whole matter may be examined by an expert Committee which may suggest suitable lines of ancillary activities such as indicated above to be undertaken by the Corporation after a consideration of all relevant factors. (Paragraph 11).

#### REPLY OF THE GOVERNMENT

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

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

[Ministry of Mines and Fuel, O.M. No. C2—10 (9)/63, dated 18th November, 1963.]

#### COMMENTS OF THE COMMITTEE

Please see paras 1 to 3 of Chapter I.



### Recommendation (Serial No. 5)

The Committee are well aware of the magnitude of the tasks facing the Corporation in achieving the Third Plan target. The attainment of this target would involve an increase in production from 8 million tons in 1960-61 to 33 million tons in 1965-66, i.e., an additional output of 25 million tons over a period of five years. That the production even in the second year of the Third Plan is likely to fall short of the revised target of 12.60 million tons by over 3 million tons indicates that the programme is lagging behind. In fact the Corporation has not so far produced even 13.5 million tons in a year for which capacity was stated to have been created by 1960-61. The revised annual targets of production set by the Corporation envisages an additional output of about 15 million tons in the last year of the Plan compared to that of the previous year. Considering the rate of increase in production which would amount to about 11 million tons from 8 million tons in 1960-61 to 18.6 million tons in 1964-65 in the first four years, the Committee doubt whether an additional production of 15 million tons would be possible in the last year. Such a high production in one year even if achieved, may create transport difficulties as was the case in 1960-61. Therefore, sounding a note of caution against accumulation of any abnormal pithead stocks apart, the Committee would urge that the Corporation should not only make an all out effort to achieve the target, which has assumed an added importance in the context of the present emergency, but should also see that adequate transport facilities are made available by that time. (Paragraph 28).

### REPLY OF THE GOVERNMENT

It is agreed that the NCDC should make an all-out effort to achieve the target of coal production. However, due to factors beyond the control of the Corporation such as the non-availability of foreign exchange, it is likely that the target may not be actually attained. Another factor which may prevent the attainment of targets is the delay in the execution of coal consuming projects with which the NCDC projects are linked. Taking all these factors into account a realistic estimate made in connection with Mid-Plan Appraisal reveals that the actual production from the NCDC's collieries in 1965-66 will be about 24 million tonnes as against the target of about 31 million tonnes. Adequate transport facilities for moving this quantity of coal are expected to be available in due time.

[Ministry of Mines and Fuel, O.M. No. C2-10(9)/63, dated 18th November, 1963.]

### COMMENTS OF THE COMMITTEE

Please see paras 4 to 6 of Chapter I.

### Recommendation (Serial No. 21)

The Committee would draw attention to para 11 of the Report in which they have suggested an expansion of scope of the activities of the Corporation. They hope that the Corporation would put the rejects to proper use and thereby avoid the national waste. (Paragraph 66).

### REPLY OF THE GOVERNMENT

The rejects of the Kargali washery have ash content which averages about 55 to 60%. There is little that can be done in this case. The N.C.D.C.'s repeated efforts to sell them to private parties have finally resulted in their being able to sell the rejects at Re. 1|-per ton.

It is worthwhile mentioning, however, that the same problem is not likely to arise in the other washeries of the N.C.D.C. In the case of the Kargali washery, the N.C.D.C. have to supply the middlings to the Bokaro Thermal Power Station which accepts these middlings provided the ash content does not exceed 31%. The result is that a comparatively high proportion of the raw in-put is rejected. The new washeries which the N.C.D.C. are now planning will, however, cater to Thermal Power Stations, the boilers of which will be designed to take 45 to 55% ash. In these washeries, therefore, the proportion of rejects would be comparatively small and in fact negligible.

Besides, N.C.D.C. has plans for using these rejects for stowing purposes mixed with sand.

[Ministry of Mines and Fuel, O.M. No. C2—10(9)/63, dated 18th November, 1963.]

### COMMENTS OF THE COMMITTEE

Please see paras 1 to 3 of Chapter I.

#### Recommendation (Serial No. 54)

Generally the Board has endorsed the proposals made or the decisions taken by the Managing Director. In fact, it transpired during evidence that mainly project reports prepared by the technical officers of the Corporation were discussed at the Board Meetings and in rare cases changes were made therein at the Board level. The Committee have already commented on certain features regarding planning, production, transport arrangements etc. of the Corporation. They consider that the constant exercise of leadership at the highest level is of prime importance for the success of any undertaking. In their opinion the tasks of the Boards of public undertakings should include:

- (a) Formulating policy;
- (b) Co-ordinating and progressing effectively its execution;
- (c) evaluating the performance of management;
- (d) stimulating developments;
- (e) raising the standards of management;
- (f) collecting, introducing and disseminating information and new ideas;
- (g) establishing common executive and administrative practices; and

- (h) ensuring proper accounting and efficient utilisation of finances.

They would, therefore, recommend that the desirability and necessity of laying down specifically the tasks of the Board of Directors of public undertakings on somewhat the above lines may be examined by Government. (*Paragraphs 146 and 149*).

#### REPLY OF THE GOVERNMENT

The recommendation is being brought to the notice of the administrative Ministries concerned. It may, however, be mentioned that the responsibility of the Board of Directors is defined under the Law and their general powers indicated in the Articles of Association of the undertakings.

[*Ministry of Industry and Supply O.M. No. Pr. C. 16(3)/63 dated 24th September, 1964.*]

#### Further information called for by the Committee

The Law under which the responsibility of the Board of Directors is defined may be indicated. The specification taken or proposed to be taken on the recommendation in so far as N.C.D.C. is concerned may also be intimated.

[*L.S.S. O.M. No. 18-PU/63, dated 13th October, 1964.*]

#### REPLY OF THE GOVERNMENT

Under the Companies Act, 1956 the Board of Directors of a Company is its governing body and is ordinarily entitled to exercise all the powers of the Company as are contained in its Memorandum of Association except to the extent where express provision is made in the Act that the powers of the Company in respect of any particular matter are to be exercised by the Company itself in general meeting. Apart from this general authority and the specific powers vested in the Board in certain sections of the Act such as those contained in Sections 292 to 298, the articles of association of the Company also usually provide the source and authority for the powers and duties of the Board and will have to be referred to if a complete picture of the Board's powers/responsibilities in relation to any particular company is to be obtained. The Company Law Board also had prepared sometime ago, for the benefit of Government nominated directors on Boards of Government companies and other companies, a statement indicating the duties and obligations of such directors as laid down under the Companies Act, 1956. A copy of that Department's Office Memorandum No. 2/54/56-PR dated the 30th January, 1959 forwarding the statement to all Government Companies and Ministries administratively, concerned with such companies is also enclosed. (not appended). As such, the question of specifically defining the duties of the Board of Directors of N.C.D.C. is not considered necessary.

[*Ministry of Industry and Supply O.M. No. Pr. C. 16(3)/63 dated 2nd and 19th Dec. 1964.*]

### COMMENTS OF THE COMMITTEE

*This Committee are not satisfied with the reply of the Government. They would, however, like to express their opinion on this matter in greater detail in a subsequent report.*

#### Recommendation (Serial No. 55)

The Committee consider that the size of the organisation and the volume of work in the Corporation are expanding rapidly. In the Third Plan it is required to raise about 32 million tons of coal and in the subsequent plans its operations are bound to become large and manifold. It has to exploit virgin areas in various States for which vast preparations and advance planning are essential. It is, therefore, desirable that in such a large organisation one or a group of allied activities are made the particular concern of a member of the Board with specified duties, care being taken to avoid duplication and overlapping. Such a functional Board would not only provide collective leadership for the Corporation but would also make the fulfilment of its tasks easier. The Committee, therefore, recommend that the question of appointing more full-time Members on the Board of Directors of Corporation may now be examined. (Paragraph 152).

#### REPLY OF THE GOVERNMENT

The Estimates Committee's suggestions have been carefully examined and Government feel that the present volume of work in the N.C.D.C. is not such as to call for the appointment of full-time Functional Directors.

[Ministry of Mines and Fuel, O.M. No. C2—10 (9)/63, dated 18th November, 1963.]

### COMMENTS OF THE COMMITTEE

*This Committee are not satisfied with the reply of the Government. They would, however, like to defer their opinion to a subsequent opportunity.*

#### Recommendation (Serial No. 57)

The Committee consider that after the Board is reconstituted as already suggested, it might be advisable to have Committees to deal with matters like personnel, organisation, finance, safety and health etc. to assist the Board in its tasks. The Committee, therefore, recommend that the desirability of setting up such Committees may be examined. (Paragraph 158).

#### REPLY OF THE GOVERNMENT

Since it is not considered necessary at present to have more full-time Directors, it would not be necessary to set up a number of Committees of the Board of Directors.

[Ministry of Mines and Fuel, O.M. No. C2—10 (9)/63, dated 18th November, 1963.]

### COMMENTS OF THE COMMITTEE

*This Committee are not satisfied with the reply of the Government. They would, however, like to defer their opinion to a subsequent opportunity.*

#### Recommendation (Serial No. 58)

(a) Evidently there is no uniformity of thinking as to the appropriate organisational pattern for the Corporation. Currently there are two views—one to continue the existing pattern and the other to form subsidiary companies region-wise or State-wise, leaving the central body i.e., the Corporation to concentrate on policy making, planning, direction and overall supervision, etc. The Committee are of the view that the devising of a suitable organisational structure for the Corporation is of the highest importance. They consider that the recently formed areas should be the main and vital management units. In that case the Corporation would be left free to concentrate on planning, direction, co-ordination and the providing of common services. It would also be worthwhile to examine whether a decentralised and quasi-federal structure on the lines of the French Coal Industry or the British Gas and Electricity Industries would be suitable for the Corporation.

(b) In view of the divergent views on the organisation pattern for the Corporation expressed by the Managing Director and the Indian Productivity Team in their report, the Committee consider that it is desirable to have the organisational structure and procedures reviewed by a Committee. The Report of this Committee may be laid on the Table of the House. The Managing Director agreed that it would certainly be good idea if the Government undertook a review of the existing procedure and organisation. (*Paragraphs 165 and 167*).

### REPLY OF THE GOVERNMENT

(a) and (b).—It was after considerable deliberation and study of a few foreign patterns that a decentralised system of organisation was adopted for the Corporation with management units set up in six different areas with enhanced administrative and financial powers. This new decentralised system should be given a fair trial before any further proposals can be framed or considered. Therefore, the appropriate occasion to undertake a further review will be when the working of the newly introduced pattern has been watched for some time.

[*Ministry of Mines and Fuel, O.M. No. C2—10(9)/63, dated 18th November, 1963.*]

### COMMENTS OF THE COMMITTEE

*Please see paras 7 to 9 of Chapter I.*

#### Recommendation (Serial No. 64)

The Committee consider that the Ministry should not remain content with just approving the project reports and leaving the undertaking itself to do the rest of it. They feel that there should

be a constant review of progress of the projects and an evaluation of their performance. This should be possible by prescribing suitable periodical reports so as to enable the Ministry to watch the progress and performance with reference to the approved schedules and project reports. The Committee would therefore recommend that the desirability of laying down suitable proforma in this regard may be examined by Government. (Paragraph 185).

#### REPLY OF THE GOVERNMENT

The progress of the approved projects is watched through the monthly reports furnished by the Managing Director of the Corporation. Apart from this a quarterly return, showing the position of projects, is also being obtained from the Corporation. From these returns and reports Government keep watch over the progress of projects. It is not considered desirable to prescribe any other returns.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### COMMENTS OF THE COMMITTEE

*This Committee are not convinced with the reply of the Government. They consider that unless a suitable proforma for watching the progress and performance of projects is prescribed by the Ministry, they would not be able to have a clear picture and assess performance with reference to plans. They would, therefore, reiterate the recommendation.*

#### Recommendation (Serial No. 68)

The Committee have discussed in the report the high staff strength in the Kargali washery, Barkakana workshop and Giridih Mines. They consider that the staff in all the collieries and at Headquarters is on the high side. It is also observed that the staff strength in the project reports of collieries with the same production targets differ from each other. For instance, while target of production for Sayal 'D' and Bachra collieries (both underground) by 1965-66 is 0.50 million tons each, the staff strength envisaged in their project reports is 263 and 199 respectively. They would, therefore, recommend that a review of the present staff strength of the Corporation may be undertaken immediately with a view to reducing the same. It is also necessary that the present methods for determination of staff strength are rationalised. (Paragraph 199).

#### REPLY OF THE GOVERNMENT

In respect of new projects undertaken by the Corporation, the project reports follow a uniform pattern which is subject to variation only in the light of the differing conditions. This is however not the case in respect of the Kargali Washery, or the old projects which have no project reports. For these projects the Cost Accounts Department of the Corporation has since been asked to work out standards of cost. In this process the standards of employment would also be determined.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

**COMMENTS OF THE COMMITTEE**

*Please see paras 10 to 12 of Chapter I.*

**Recommendation (Serial No. 75)**

The ratio of total capital to sales has been fluctuating from year to year and has ranged round 1 : 0·22 to 1 : 0·30 during the last four years. Even if the capital employed on collieries under commercial production is taken into account, the ratio of total capital to sales works out to 1:0·35 in 1960-61 and 1:0·30 in 1961-62.

The Committee consider that the capital output ratio of the Corporation is very low. They are unable to accept the plea of high capital investment on mechanised mines as a valid one for the unduly low turn-over of the Corporation. They feel that the turn-over of capital in mechanised mines should be more than that in the non-mechanised mines. While the Committee were not informed about the normal ratio in this regard in foreign countries they feel that the ratio of capital employed on the collieries under commercial production to sales should be at least 1:1. It is thus evident that efforts will have to be made by the Corporation to improve the utilisation of the capital by increasing the production in the collieries to the optimum capacity. (Paragraphs 219—221).

**REPLY OF THE GOVERNMENT**

The figures cited by the Estimates Committee in paragraph 220 of their 32nd Report with regard to 42 selected coal companies in the private sector of the Industry cannot apply to the National Coal Development Corporation as there is comparatively very little mechanisation in the private sector mines.

It is regretted that no precise information about the capital to out-turn ratio in countries abroad could be furnished. It may however, be pointed out that what is more relevant for the purpose of the Corporation would be the norm not in foreign countries, but under Indian conditions. The Corporation has at present four projects for which foreign collaboration has been sought and in respect of which project reports have been prepared by the foreigners in question. The capital outlay, the anticipated sale receipts and the ratio of capital to out-turn are indicated in the following table:—

Projects	Capital outlay	Anticipated sale receipts	Ratio
Sudamdih (Polish Project)	17.57 crores	4.77 crores	1:0.27
Ramgarh (American Project)	6.47 crores	3.01 crores	1:0.47
Banki and Surakachhar (Russian Project)	10.29 crores	3.83 crores	1:0.37
Manikpur (Russian Project)	3.93 crores	1.7 crores	1:0.43

The Corporation will endeavour to maintain these ratios during the normal conditions of working the mines. Efforts to improve the ratio, where possible, will continue.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63, dated 18th November, 1963.]

#### COMMENTS OF THE COMMITTEE

*This Committee are not convinced with the reply of the Government. Evidently the turnover of the Corporation is low and it needs to be improved. They hope that this aspect would receive greater attention of the management not only in regard to present projects but also while planning future projects.*

#### Recommendation (Serial No. 86)

The Committee are of the opinion that the public undertakings in the country are working for quite sometime and sufficient experience is available now which would enable suitable standards to be laid down. They, therefore, recommend that broad principles regarding the financial and economic obligations of the public undertakings in the country should be laid down by the Government as early as possible, and a copy thereof laid on the Table of the House. (Paragraph 248).

#### REPLY OF THE GOVERNMENT

Generally it is well recognised that public undertakings should meet all their financial obligations over and above current expenditure like payment of interest on loans, repayment of loans and also be able to pay an adequate return on capital employed after providing for depreciation. They must also be able to generate internal resources in the form of reserves etc. for future expansion as Plan resources. The undertakings should also keep in view social obligations like proper wage structures and charge reasonable prices to their customers. It will be appreciated that it may be difficult to lay down any more specific standards.

[Ministry of Steel and Mines O.M. No. C2-10(9)/63, dated 10th September, 1964.]

#### COMMENTS OF THE COMMITTEE

*Please see paras 13 to 15 of Chapter I.*



## CHAPTER V

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

#### Recommendation (Serial No. 42)

The Committee feel that it would be desirable if arrangements are made for providing some refreshments, beverages etc. during certain fixed periods to the miners working underground. They would, therefore, recommend that the matter may be examined by the management. In this connection the Committee would also invite attention to para 4 of their 26th Report (Third Lok Sabha) on action taken by Government on the 8th and 90th Reports on Ministry of Labour and Employment. (Paragraph 114).

#### REPLY OF THE GOVERNMENT

The N.C.D.C. is examining the feasibility of this proposal.

[Ministry of Mines and Fuel O.M. No. C2-10(9)/63 dated 18th November, 1963.]

#### Further information called for by the Committee

The result of examination may kindly be intimated.

[L.S.S. endorsement No. 18-PU/63, dt. 30th June, 1964.]

#### Recommendation (Serial No. 44)

The Committee consider the system of providing helpers to the skilled workers as an antiquated one and not at all suited to the present day industrialised society. They regret that such a system was at all allowed to grow in public undertakings and recommend that immediate steps should be taken to do away with it. The Managing Director admitted that this malady had to be remedied. (Paragraph 120).

#### REPLY OF THE GOVERNMENT

The matter is under consideration.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

#### Further Information called for by the Committee

This Committee may be informed of the decision when arrived at.

**Recommendation (Serial No. 53).**

No decision appears to have been taken so far on the earlier recommendation of the Committee to define in broad terms the qualifications of the Chairman and Members of the Board of Directors of industrial undertakings in the public sector on lines similar to those prescribed in the statutes of nationalised industries in U.K. The Committee consider that a decision in the matter is long overdue. They reiterate the recommendation and trust that Government would soon define the qualifications of the Chairman and Members of the Boards of Public Undertakings keeping in view the tasks to be performed and the requirements therefor. (Paragraph 145).

**REPLY OF THE GOVERNMENT**

The question of laying down broadly the qualifications of the Chairman and Members of the Board of Directors is still under examination.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

**Further information called for by the Committee**

This Committee may be informed of the result of examination.

**Recommendation (Serial No. 60)**

The Committee are surprised to note that the public undertakings have to set up their Liaison Officers in Delhi to chase references made to the Ministries/Departments as private parties may be prone to and have to spend considerable amounts on their establishments. It is not too happy a reflection on the working of the Ministries and Government Departments. It would be necessary to streamline Government procedures which delay matters and hamper speedy disposal of work and thus necessitate the setting up of the Liaison Offices. The Committee recommend that Government may review the need for various Liaison Offices of the Public Undertakings in Delhi. The setting up of these various separate offices necessarily involves considerable expenditure. In case it is still found necessary to have such offices, the feasibility of having a common building to accommodate the offices of the undertakings as well as the pooling of guest quarters, staff cars etc. may be examined. (Paragraph 173).

**REPLY OF THE GOVERNMENT**

The position is being reviewed in the context of the recommendations of the E.C. contained in their 50th Report (IIIrd Lok Sabha).

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63 dated 24th September, 1964.]

**Further Information called for by the Committee**

This Committee may be advised of the outcome of the review.

### Recommendation (Serial No. 62)

The Committee would recommend that the desirability of setting up a Separate Agency for dealing with work relating to customs clearance, transportation etc. of all the public undertakings at Calcutta may be examined by Government—a suggestion which the representative of the Ministry felt was worthy of consideration. (Paragraph 176).

#### REPLY OF THE GOVERNMENT

The feasibility of this recommendation is being examined in consultation with the undertakings concerned.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

#### Further information called for by the Committee

This Committee may be informed of the decision reached in the matter.

### Recommendation (Serial No. 69)

There has been very quick promotional jumps especially in mining engineering service in the Corporation. The Committee are surprised to note that the Corporation should have resorted to such accelerated promotions without having regard to even the minimum length of service required to be rendered by an officer in the lower grades. While it is important that the senior posts in public undertakings should reasonably be filled from within the undertaking, the rapidity with which such promotions are made should broadly correspond to the opportunities available to similarly qualified persons in other public undertakings and Government service. Apart from other considerations, this is necessary to avoid the drift of technical persons from one undertaking to another. It is also essential that senior officers acquire the requisite training and experience before they are promoted. Too early a promotion may tend to create stagnation of the higher places and give rise to discontent among them. The Committee recommend that the matter may be examined by Government in a comprehensive manner. It is desirable to bring about some rationale and uniformity in the present mode of promotions in various public undertakings. The Managing Director agreed that there should be some rationale as also uniformity in this matter among various public undertakings. (Paragraph 204).

#### REPLY OF THE GOVERNMENT

A comprehensive study is being undertaken with a view to evolving a rational procedure for promotions.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

#### Further information called for by the Committee

This Committee may be informed of the outcome of the study.

### Recommendation (Serial No. 70)

No decision seems to have so far been taken by Government on the earlier recommendation of the Committee regarding the setting up of a separate Public Service Commission for recruitment to posts in the public undertakings. The Committee consider that the problem is one of reconciling the requirements for public responsibility and regularity on the one hand and adequate business and commercial freedom to the greatest possible extent on the other. They feel that the solution lay in establishing a Personnel Commission, similar to U.P.S.C. for public enterprises, staffed by people with business experience who understand the personnel needs of the public sector. The functions of such a Commission should *inter alia* be to examine and approve the terms and conditions of service, recruitment, promotion and other personnel policies devised by various public undertakings and prescribe model rules. The Commission can also provide members for being co-opted on departmental recruitment and promotion committees of public undertakings. While, therefore, reiterating their earlier recommendations, the Committee would urge that Government's decision may be taken at an early date in the light of the above observations. (Paragraphs 206—209).

#### REPLY OF THE GOVERNMENT

Shri M. L. Dwivedi had moved a Resolution in 1955 recommending the establishment of an Industrial Public Service Commission. The Resolution was, however, not accepted by the Lok Sabha. Since then consultations with the Public Sector Undertakings have revealed a number of practical difficulties in setting up a common commission. The matter is, however, under further examination.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

#### Further information called for by the Committee

This Committee may be advised of the decision arrived at.

### Recommendation (Serial No. 98)

The Committee feel that there is scope for reduction in the costs of construction in the various townships. It is vital that maximum economy should be effected in these matters especially in the present emergency and efforts should be made to provide housing at cheaper cost. Further, it would be desirable if standard specifications and designs of each class of quarters are laid down by Government on a regional basis. They recommend that suitable steps should be taken towards this end. (Paragraph 278).

#### REPLY OF THE GOVERNMENT

The Building Projects Team of the Committee on Plan Projects has prepared a Report on Industrial Townships. The Report has been brought to the notice of the Project Authorities for their guidance.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 24th September, 1964.]

**Further information called for by the Committee**

A copy of the Government letter under which the Committee on Plan Projects' report on industrial townships has been brought to the notice of public undertakings may be furnished. Follow-up action, if any, taken by Government regarding the implementation of recommendations contained in this report may also please be indicated.

[L.S.S. O.M. No. 18-PU/63, dated 13th October, 1964.]

**REPLY OF THE GOVERNMENT**

The COPP's Report on Industrial Townships was circulated to the Undertakings of this Ministry *vide* letter No. Pr.C. 37(2)/63, dated the 12th June, 1963 (copy enclosed—Appendix IV). However, no follow-up action regarding the implementation of the recommendations in the said Report has been taken by this Ministry.

The other Ministries concerned with public sector undertakings were requested to bring the Report in question to the notice of the public sector undertakings and presumably they have done so.

[Ministry of Industry and Supply O.M. No. Pr.C. 16(3)/63, dated 27th October, 1964.]

**Further information called for by the Committee**

It may please be stated whether the Committee on Plan Projects Report on Industrial Townships has been brought to the notice of other public undertakings also by the concerned Ministries and if so, when was it done.

[L.S.S. O.M. No. 18-PU/64, dated 9th November, 1964.]

**REPLY OF THE GOVERNMENT**

The reference number and date under which the various Ministries circulated the COPP's Report on Industrial Townships to the undertakings under their charge, is being ascertained and as soon as the same is known it will be communicated to the Lok Sabha Secretariat. This is, however, likely to take some time.

[Ministry of Industry & Supply No. Pr.C. 16(3)/63, dated 19th December, 1964.]

NEW DELHI;  
April 12, 1965  
Chaitra 22, 1887 (S).

PANAMPILLI GOVINDA MENON,  
Chairman,  
Committee on Public Undertakings.

**APPENDIX I**

(Vide Chapter II Sl. No. 66)

No. 7(1)-PC/63

**GOVERNMENT OF INDIA**

**MINISTRY OF FINANCE**

(Department of Expenditure)

New Delhi, the 29th August, 1963

**OFFICE MEMORANDUM**

**SUBJECT:** *Review of financial and accounting arrangements in the public sector undertakings—Form of Report to be submitted to Government.*

The undersigned is directed to invite a reference to this Department Office Memorandum No. F.5(20)-E(Coord)/58, dated the 10th December, 1958, on the above subject and to state that the revision of the form of Quarterly Financial Report prepared by the Financial Adviser/Controller of public undertakings has been under consideration having regard, *inter alia*, to the recommendations of the Estimates Committee.

2. A revised form is attached (Annexure I) which should be used with effect from the report for quarter ending 31st December, 1963. It may please be ensured that the report pertaining to each quarter reaches the Government by the end of the month following the close of the quarter, after being placed before the Board of Directors (if there is no Board meeting, the report could be placed before the Board after submission to Government).

3. The Ministry of Industry etc. are requested to issue suitable instructions to public undertakings with which they are concerned to furnish the report in the revised form (attached herewith).

**V. T. DEHEJIA,**

*Secy. to the Government of India.*

To All Ministries/Depts. of the Govt. of India, Cabinet Sectt. and Planning Commission.

No. 7(1)-PC/63

Copy forwarded for information to:—

- (i) Department of Economic Affairs.
- (ii) Department of Revenue.
- (iii) All Heads of Divisions and other officers and Branches in the Deptt. of Expenditure.

**E. R. K. MENON,**

*Under Secretary to the Govt. of India.*

Copy forwarded for information to:—

- (i) P.S. to D.M. (I).
- (ii) P.S. to D.M. (II).
- (iii) P.S. to Secy. (R&E).

**E. R. K. MENON,**

*Under Secretary to the Govt. of India.*

**ANNEXURE I**  
**QUARTERLY FINANCIAL REPORT OF——**  
**FOR THE QUARTER ENDING——**

**PART A—NARRATIVE**

This part should briefly set out the progress, achievement and financial results of the working of the project during the quarter (preferably for each unit separately if there are several units) dealing particularly with the following aspects :—

- |                                 |   |
|---------------------------------|---|
| I. <i>Progress</i>              | Progress in the achievement of physical targets—Construction or production—and difficulties experienced, if any.  |
| II. <i>Project Estimate.</i>    | The progress of expenditure and commitments against sanctioned estimates of the project or major expansion indicating likely excesses, substantial modifications in scope or time schedule etc. |
| III. <i>Budgetary Review.</i>   | Progress against budgetary forecasts relating to capital and revenue (production, sales income, expenditure, working capital, outstanding dues), ways & means and stores purchases.             |
| IV. <i>Inventories</i>          | Inventories of finished goods, work-in-progress, raw materials and other stores in relation to respective requirements.   |
| V. <i>Cost of production</i>    | Cost of production as compared to standard cost estimates (whether based on Project Report anticipation or otherwise determined) and selling price of main items of production.                 |
| VI. <i>Major purchases</i>      | Major purchases and negotiations during the quarter.  |
| VII. <i>Important decisions</i> | Important decisions of the Board of Directors and Government.   |
| VIII. <i>Outside criticisms</i> | Important criticisms/comments by Audit Department/ Public Accounts Committee/any other body.  |

**PART B—STATEMENTS (FORMS ATTACHED)**

- ANNEXURE IA: Operating and other results.
- ANNEXURE II: Cost of production of main items.
- ANNEXURE III: Capital expenditure and commitments.

QUARTERLY FINANCIAL REPORT OF \_\_\_\_\_  
FOR THE QUARTER ENDING \_\_\_\_\_

ANNEXURE IA—OPERATING AND OTHER RESULTS

(Rs. in lakhs)

	Pre- vious year	Budget for the current year	Actuals		Remarks
			For the quarter	Upto the end of the quarter	
<b>I. Income:</b>					
(a) Sales realisation					
(b) Other receipts					
<b>TOTAL</b>					
<b>II. Expenses:</b>					
(a) Raw materials					
(b) Stores and spares					
(c) Salaries & Wages					
(d) Workmen and staff Welfare expenses					
(e) Utilities (water, power, fuel etc.)					
(f) Rent, rates and taxes					
(g) Repairs to buildings					
(h) Repairs to machi- nery					
(i) Contribution to provident and other staff funds					
(j) Insurance					
(k) Misc. expenses					
(l) Interest					
<b>TOTAL</b>					



	Pre- vious year	Budget for the current year	Actuals		Re- marks
			For the quarter	Upto the end of the quarter	
<b>III.</b> <i>Depreciation</i>					
<b>IV.</b> <i>Revenue Surplus (+)/ Deficit (-)</i>					
<b>V.</b> <i>Ways &amp; means (as at the end of):</i>					
<i>(a) paid up capital</i>					
<i>(b) Reserves &amp; surplus</i>					
<i>(c) Capital loans</i>					
<i>(d) Cash credit</i>					
<i>(e) Depreciation pro- vision.</i>					
<b>TOTAL</b>					
<b>VI.</b> <i>Gross Block</i>					
<b>VII.</b> <i>Deferred Revenue Expenditure</i>					
<b>VIII.</b> <i>Working Capital</i>					
<b>IX.</b> <i>Cash &amp; Bank Balances</i>					
<b>X.</b> <i>Sundry Debtors</i>					
<b>XI.</b> <i>Inventory:</i>					
<i>(a) Raw materials</i>					
<i>(b) Spare parts</i>					
<i>(c) Finished goods</i>					
<i>(d) Work-in-Progress</i>					
<i>(e) Stores etc.</i>					
<b>TOTAL</b>					
<b>XII.</b> <i>Employees:</i>					
<i>Industrial</i>					
<i>Non-industrial</i>					

**QUARTERLY FINANCIAL REPORT OF \_\_\_\_\_**  
**FOR THE QUARTER ENDING \_\_\_\_\_**

**ANNEXURE II—COST OF PRODUCTION PER UNIT**

Item :

Installed Capacity (units)

	Standard cost.	For the quarter		
		1st month	2nd month	3rd month
Actual production (units)	..	..	..	..
	Rs.	Rs.	Rs.	Rs.
1. Raw materials				
2. Wages				
3. Repairs & maintenance				
4. Factory overheads				
5. Depreciation				
6. Administrative overheads				
7. Selling and distribution expenses.				
8. Interest				
9. Other items				
10. Total cost				
11. Selling price				
12. Gross margin				

N.B. 1. This annexure deals with unit cost of main items produced in the factory.

2. Standard cost means the estimate of cost given in the Project report or otherwise determined.

3. Schedule of raw material requirements and consumption for the last month of the quarter should be given on the reverse.

## SCHEDULE OF RAW MATERIALS

Main items of raw materials	Unit	Standard consump- tion per unit of output	Actual consump- tion for the last month of the quar- ter per unit of output
		(units)	(units)
(a)			
(b)			
(c)			
(d)			
..			
..			
..			
..			
..			
..			
etc.			

**QUARTERLY FINANCIAL REPORT OF \_\_\_\_\_  
FOR THE QUARTER ENDING \_\_\_\_\_**

**ANNEXURE III—CAPITAL EXPENDITURE AND COMMITMENTS**

1. Name of the Project \_\_\_\_\_ )
  2. Date of commencement \_\_\_\_\_ )
  3. Target date of completion \_\_\_\_\_ )
  4. Revised date of completion, if any. \_\_\_\_\_ )
  5. Total estimated cost (Date \_\_\_\_\_ )
  6. First Revised estimate, if any (Date \_\_\_\_\_ )
  7. Second Revised estimate, if any (Date \_\_\_\_\_ )
  8. Total sales value at full capacity \_\_\_\_\_ )  
(as per Project Report)
- (Figures in Lakhs of Rupees)

Main components of the Project estimate	Project Estimate	Expenditure till the end of the last year	All commitments made till the end of the quarter	Further expenditure to complete the project	Revised estimated cost (5+6)	Variation Remarks between 7 & 2		
							1	2
1.								
2.								
3.								
..								
..								
..								
etc.								
<b>TOTAL</b>								

**NOTE :—** (1) This statement covers projects under construction or major expansion of an existing project;  
(2) The components should be those included in the sanctioned estimate.

## APPENDIX II

[*Vide* Chapter III, Sl. No. 82]

No. F. 3(5)-PC/63

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(Department of Expenditure)

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New Delhi, the 26th September, 1964.

### OFFICE MEMORANDUM

**SUBJECT** :—*Thirty Second Report of the Estimates Committee 1962-63 (Third Lok Sabha)—National Coal Development Corporation Ltd.*

] The undersigned is directed to enclose a copy of the replies given to Serial Nos. 30, 82, 85 and 86 of the Thirty Second Report of the Estimates Committee 1962-63 (Third Lok Sabha) and to request that the recommendations may please be brought to the notice of the various Public Undertakings for information and necessary action.

(E.R.K. MENON)

*Under Secretary to the Government of India.*

To

All Ministries/Departments of the Government of India.

No. F. 3(5)-PC/63.

Copy with enclosures, forwarded to :—

1. All Heads of Divisions in the Department of Expenditure and Finance Representatives on Public Undertakings.
2. Cabinet Secretariat.

(E. R. K. MENON)

*Under Secretary to the Government of India.*

### APPENDIX III

[*Vide* Chapter III, 'Sl. No. 85]

No. F. 3(1)-PC/62

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Expenditure)

New Delhi—2, the 3rd August, 1963

OFFICE MEMORANDUM

**SUBJECT :—** *Uniformity in the exhibition of tax provisions etc. in the Profit and Loss Account of Public undertakings—120th Report of the Estimates Committee 1960-61 (Second Lok Sabha) on the Sindri Fertilizers and Chemicals Ltd.)*

The undersigned is directed to refer to paras 25 and 26 of the 120th Report of the Estimates Committee 1960-61 (Second Lok Sabha) on the Sindri Fertilizers & Chemicals Ltd. (copy enclosed)\* wherein they have pointed out that there is no uniformity as regards the exhibition of tax provisions, etc. in the

\*120th Report of the Estimates Committee 1960-61 (Second Lok Sabha) on the Sindri Fertilizers and Chemicals Ltd.

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Para No.	Summary of Recommendations
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- |    |  |
|----|--|
| 25 | “From the Annual Accounts of the Company for the year 1958-59 the Committee observe that while provision for Wealth-tax has been shown as a charge on the Profits, the provision for Income-tax has been shown as an appropriation from profits and treated as Reserve. It was explained that Wealth tax was charged to Profit and Loss Account as a provision because it was a definite liability whereas the Income-Tax Provision was for an unknown liability of the future and hence its exhibition as Reserve and as appropriation from profits was in order.   |
| 26 | The Committee find that there is no uniform practice followed in this regard by the public undertakings. While the Sindri Fertilizers and Chemicals Ltd. and the Travancore Minerals Ltd. are making appropriations for income-tax from profits, the State Trading Corporation of India Ltd. and the Hindustan Aircraft Ltd. are charging it off from their Profit and Loss Accounts. Further it is also doubtful whether the provision for income-tax can be held as a liability of which the amount cannot be determined with substantial accuracy in terms of para 7(1) of Part III, Schedule VI of Companies Act, 1956. The current practice in advanced countries is “to set aside out of profits sums required for taxation before arriving at figures of true or net profits. Net profits are always understood to mean disposable profit and the substantial charge on profits in regard to tax payment is normally deducted to give true measure of profits earned”. It would appear desirable that the term ‘net profits’ should be used to mean only disposable profits which remain for dividend distribution and for Reserves. The Committee suggest that the matter may be examined by Government in consultation with the Comptroller and Auditor General with a view to lay down a uniform procedure to be followed in all public undertakings in this regard. |

annual accounts of Public Undertakings. The Estimates Committee had stated that the net profits should mean only disposable profits which remain for dividend distributions and for reserves. Accordingly, provisions for obligatory taxes and charges like income tax, provision for doubtful debts etc. should rightly be a charge on profits, these items being shown as the last item in the Profit and Loss Account to facilitate checking of the net profit before taxation. On the other hand, all appropriations of profits e.g. transfer to Development Rebate Reserve, general or any other reserves and proposed dividends etc. should find a place in the Profit and Loss Appropriation Accounts. After consultation with the Comptroller and Auditor General and Department of Company Law Administration, it has been decided that a uniform procedure as recommended by the Estimates Committee should be followed by all Public Undertakings.

2. It is requested that the Ministry of Commerce and Industry/etc. may kindly issue necessary instructions to the Public Undertakings under their administrative control to implement this decision.

Sd/- (E. R. K. MENON)

*Under Secretary to the Government of India.*

To

All Ministries/Departments of the Government of India.

No. F. 3(1)-PC/62

Copy to all Expenditure Divisions/all Officers in the Department of Expenditure.

Copy to the Director of Commercial Audit, with reference to his u.o. No. 220-Rep. I/9 (28)/61-62 dated the 24 April, 1963.

Sd/- (E. R. K. MENON),

*Under Secretary to the Government of India.*

**APPENDIX IV**

(Vide Chapter V. Sl. No. 98)

No. Pr. C. 37(2)/63

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

New Delhi, the 12th June, 1963  
22nd Jyaishta, 1885 (S)

To

The Managing Directors/Chairmen/General Managers of the Industrial Undertakings of the Ministry of Commerce and Industry.

**SUBJECT :—***Report on Industrial Townships prepared by the Buildings Projects Team of Committee on Plan Projects.*

SIR,

I am directed to forward herewith for your information and guidance a copy of the "Report on Industrial Townships" prepared by the Buildings Projects Team of the Committee on Plan Projects. For convenience a brief resume of the report is also enclosed.

2. I am to request that the conclusions as to the method of planning industrial Townships as outlined in the said report may please be kept in view while planning your industrial Townships in future.

Yours faithfully,

(K. RAJA RAM)

*Under Secretary to the Govt. of India.*

No. Pr. C. 37(2)/63

1. Copy with enclosure for information to N.I.D.C. (Technological Consultancy Bureau, New Delhi.)
2. Copy without enclosures for information to Planning Commission (Committee on Plan Projects, Yojana Bhavan, New Delhi).

(K. RAJA RAM)

*Under Secretary to the Govt. of India*



## APPENDIX V

(Vide Introduction)

*Analysis of the action taken by Government on the recommendations contained in the 32nd Report of the Estimates Committee (Third Lok Sabha)*

I. Total Number of Recommendations made . . . . .	105
II. Recommendations that have been accepted by Government (Vide Sl. Nos. 4, 6, 8, 11, 12, 13, 14, 15, 18, 19, 22, 26, 27, 28, 30, 32, 33, 34, 35, 40, 41, 45, 47, 48, 49, 50, 51, 63, 65, 66, 72, 73, 74, 76, 77, 78, 79, 80, 81, 84, 87, 88, 89, 90, 91, 93, 96, 97, 99, 101, 102, 103, 104, 105).	
Number . . . . .	5
Percentage to total . . . . .	51.4%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide Sl. Nos. 1, 3, 7, 9, 10, 16, 17, 20, 23, 24, 25, 29, 31, 36, 37, 38, 39, 43, 46, 52, 56, 59, 61, 67, 71, 82, 83, 85, 92, 94, 95, 100).	
Number . . . . .	32
Percentage to total . . . . .	30.5%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide Sl. Nos. 2, 5, 21, 54, 55, 57, 58, 64, 68, 75, 86)	
Number . . . . .	11
Percentage to total . . . . .	10.5%
V. Recommendations in respect of which final replies of the Government are still awaited (Vide Sl. Nos. 42, 44, 53, 60, 62, 69, 70, 98).	
Number . . . . .	8
Percentage to total . . . . .	7.6%