C.P.U. No. 376

COMMITTEE ON PUBLIC UNDERTAKINGS

(1978-79)

(SIXTH LOK SABHA)

FORTIETH REPORT

Action taken by Government on the recommendations contained in Seventy-fifth Report of the Committee on Public Undertakings (Fifth Lok Sabha)

ON

NATIONAL COAL DEVELOPMENT CORPORATION LTD.

(Ministry of Energy—Department of Coal)

Presented to Lok Sabha and 18 APR 1979

Laid in Rajya Sabha on 24 APR 1979

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Fortieth Report on Action Taken by Government on the recommendations contained in the Seventy-Fifth Report of Committee on Public Undertakings (5th Lok Sabha) on National Coal Development Corporation Limited.

2. The Seventy-Fifth Report of the Committee on Public Undertakings (1975-76) was presented to Lok Sabha on the 7th January, 1976. Replies to all the 68 recommendations contained in the Report were furnished by the Ministry in batches by 19th February, 1977. Further information was called for in respect of 19 recommendations on 31st January, 1977 and the same was furnished by the Ministry by 29th July, 1977. Upto-date position in regard to ten recommendations was given by the Ministry by 18th February, 1978 and revised replies in respect of 5 recommendations were furnished on 22nd December, 1978.

3. A statement showing the comments of Audit on Government replies to the Report of the Committee and action taken thereon (Appendix XVIII) was furnished by the Ministry on 29th December, 1978.

4. The replies of the Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 28th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on 31st March, 1979.

5. An analysis of the Action Taken by Government on the recommendations contained in the Seventy-Fifth Report of the Committee on Public Undertakings (1975-76) is given in Chapter I.

JYOTIRMOY BOSU,
Chiarman,
Committee on Public Undertakings.

March 31, 1979.
Chaitra 10, 1901 (*S*).

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Seventy-fifth Report (Fifth Lok Sabha) of the Committee on Public Undertakings on National Coal Development Corporation which was presented to Lok Sabha on 7 January, 1976.

Action Taken notes have been received from Government in respect of all the 68 recommendations contained in the Report. These have been categorised as follows:—

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

Serial Nos. 1 to 6, 8, 9, 12, 13, 16, 21 to 26, 32 to 40, 44, 47 to 53, 56, 57, 62 to 64, 66 and 68.

(ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:

Serial Nos. 7, 10, 11, 14, 15, 17, 18, 19, 27, 29, 30, 31, 41, 42; 43, 45, 46, 55, 60, 61 and 67.

(iii) Recommendations|observations in respect of which Government's replies have not been accepted by the Committee:

Serial Nos. 20, 28, 54, 58, 59 and 65.

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

A. *Sudamdih Project—Supply of Plant and Equipment by MAMC*

Recommendation at Serial No. 12, (Paragraph 3.73 to 3.79)

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

The Committee were surprised to find that there were items of essential plant and machinery which should have been supplied to NCDC by the Mining and Allied Machinery Corporation as early as 1967 and 1968 but had not been supplied by them till the date of presentation of the Report. The Corporation suffered a loss of Rs. 104.48 lakhs on account of delay in the supply of equipments in so far as Sudamdih Project is concerned.

The Committee recommended that the Ministry of Heavy Industry should thoroughly investigate all cases of delay on the part of MAMC in supplying essential items of plant and equipment to NCDC in order to fix responsibility for the lapses and take suitable remedial measures to avoid such costly delays in future. They also recommended that the question of compensation claimed by NCDC on account of such delays should be settled expeditiously.

In reply to the above recommendations, the Ministry *inter alia* stated as follows:—

> "As suggested by the Committee the Department of Heavy Industry is investigating the cases of delays on the part of MAMC in supplying essential items of plant and equipment to NCDC.
>
> * * * * *
>
> With a view to sort out the differences on factual matters expressed by the MAMC & NCDC, representatives of both the organisations have been asked to send jointly agreed comments for submission to the Committee on Public Undertakings."

The Committee are highly displeased at the unduly long time taken by the Ministry to finalise the matter with a view to fixing responsibility for the delays in supply of plant and machinery by MAMC to NCDC and taking remedial measures to avoid such costly delays in future. The Committee recommend that the matter should be pursued vigorously by the Ministry and result or the investigation intimated to the Committee without further delay.

The Committee also reiterate that all other cases of delays in the supply of essential items of plant and equipment to NCDC should be investigated and action taken in the light of investigations of all cases of delay brought to Committee's notice.

B. *Sudamdih Project-Profitability*

Recommendation at Serial No. 13 (Paragraphs 3.85 and 3.86)

The Committee noted that as against the original estimate of Rs. 17.57 crores the Sudamdih Project was expected to cost Rs. 37.93 crores out of which an expenditure of Rs. 33.83 crores had already been incurred upto the end of 1973-74. Out of the excess of Rs. 20 crores about Rs. 9 crores was on account of increase in interest, headquarters charges and salaries and wages, higher interest due to rise in capital cost and interest rate. The expenditure was due to delay in the completion of the Project.

The Committee expressed their unhappiness that the Management had not been able to correctly assess the profitability of the project but were mostly dependent on the high prices. The Committee, therefore, recommended that Government/Corporation should re-examine critically the profitability of the project, analyse the reasons for the loss and take suitable remedial action to reduce gestation period, improve production and effect economies in overheads so that the project might be in a position to break even soon.

In reply to this recommendation the Ministry *inter-alia* stated that the Sudamdih Project had come across extensive geological problems. As a result of geological disturbances and also as a result of MAMC failing to keep their commitment, in spite of constant pursuance by the Company, considerable slippages continued to take place in the project.

It was further stated that an Expert Committee headed by the Regional Director, CMPDI, had been appointed to examine this project in depth. This Committee was looking into the details of the project with a view to re-examining the critical profitability of the project by analysing the reasons for the loss. It was intended to take remedial action to reduce the gestation period, improve production and effect economies in overheads, so that the project might be in a position to break even soon.

It has been mentioned earlier that on account of delay in completion of the Sudamdih Project the estimated outlay on the project had risen by about Rs. 9 crores. The Committee desired to know as to what extent this expenditure could have been avoided by taking timely action for the procurement of iron and steel material, timely supply of equipment by MAMC, setting up of proper organisation with the help of Polish collaboration etc.

In reply the Ministry of Energy have stated as follows:—

"In addition to these three factors, considerable delay in the development of the project had occurred due to the adverse geological conditions encountered during the development work. It has been found very difficult to work out the financial impact due to each of those factors. However, rough assessment has been made by BCCL that if iron and steel material had been available in time there would have been a saving of about Rs. 2.46 crores. Similarly, if the equipment such as main fans, underground battery locomotives and sand gathering plant had been supplied by MAMC in time. A further saving of Rs. 1.23 crores would have been possible. It is not possible to assess the extent of an additional expenditure on account of the adverse geological conditions or the saving if a proper organisation with the help of Polish Collaboration had been set up. In this connection, it would be appreciated that the factors mentioned above were completely beyond the control of the company, as there was an overall shortage of steel material in the country at that time and MAMC had their own difficulties in adhering to the agreed time schedule.

A revised project report is under preparation by CMPDI in which measures to improve the production and pace of development and to effect economies in over-heads will be covered."

The Committee find that the estimated outlay on the Sudamdih Project has risen by about Rs. 9 crores on account of delay in completion of the project, out of which Rs. 2.46 crores is stated to be due to delay in the supply of iron and steel material and Rs. 1.23 crores due to delay in the supply of mining equipment by M.A.M.C. The Committee further note that an Expert Committee headed by the Regional Director, C.M.P.D.I. had been appointed to examine this Project in depth and a revised Project Report was under preparation. The Committee hope that the Undertaking would learn a lesson from the past experience and take all possible steps to see that the Project is not further delayed with consequential increase in the outlay.

C. *Silewara Project*

Recommendation at Serial No. 20 (Paragraphs 3.139 to 3.142)

The Committee noted that though the Silewara Project was taken up in March, 1964, the Project Report was approved by the Board after over a year and by Government after 6 years.

The Committee also found that as a result of delay in the completion of the Silewara Project, revenue expenditure to the extent of Rs. 2.72 crores was temporarily capitalised during 1967-68 to 1973-74. The total amount of capital invested upto 1973-74 was Rs. 4 97 crores as against the revised project estimates of Rs. 2.20 crores approved in April, 1970. Due to shortfall in production from this colliery, coal had to be supplied to the Maharashtra State Electricity Board as per agreement from the Umrer Colliery at an extra transportation charge of Rs. 4.29 lakhs.

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

In reply to the above recommendation, the Ministry have *inter-alia* stated as follows:—

"Silewara project is situated in the Nagpur District of Maharashtra. A Project Report for Silewara pilot mine was prepared in March, 1963, based upon the geological data available from the drilling operations carried out by the Indian Bureau of Mines upto that time. The main purpose of starting the pilot mine was to collect the representative technical data regarding the roof and floor conditions, the most suitable form of support and the make of water in the seams.

Subsequently, more data based on the drilling operations carried out by the NCDC became available. A demand for 0.4 million tonnes of coal per annum for the Khaperkhenda thermal power station of Maharashtra State Electricity Board located in the vicinity of the Silewara project was also received. A project report was, therefore, prepared merging the pilot mine, for a mine with a production target of 0.45 million tonnes per annum utilising the data gathered in the course of the pilot mine operations and other investigations.

The Board could not take a decision on the project until the pilot mine was developed and sufficient data became available to prepare the preliminary project report.

The preliminary project report for Government's sanction was received in September, 1965. This was examined in great detail in the Ministry, in consultation with the Ministry of Finance and NCDC. Clarifications were sought from the NCDC from time to time.

After a series of discussions with Ministry of Finance, it was decided in October, 1968 that a detailed project Report, in accordance with the revised instructions issued by the Ministry of Finance in August, 1967 should be got prepared. The Draft Project Report was received from the NCDC on 19-3-1969. This was again referred to the Ministry of Finance and a social detailed examination was undertaken, particularly with regard to the economics of the project. The financial concurrence was ultimately obtained on 3-4-1970 and Government's sanction was issued on 7-4-1970. In the mean-time, with the concurrence of the Ministry of Finance, necessary funds were being allocated for the Silewara project from year to year in the Annual Plan and capital Budget, so that the development of the project did not suffer for want of formal sanction.

The geological and working conditions in Silewara Project are extremely difficult and the time taken for its completion cannot be considered excessive in the light of actual working conditions enumerated above. The want of formal sanction was not responsible for the long gestation period, which was entirely due to the difficult mining conditions.

Silewara Project is one of the most difficult mines as far as mining conditions are concerned. Abnormal sub-soil strata with running sand saturated water, weak roof, steep inclination of mine (1 to 4.5) and geological disturbances resulted in the delay in starting and maintaining satisfactory Progress of the incline."

*   *   *   *   *

When the fault at the Sector-C was met, it was found practically impossible to cross the fault with the normal method of working. The Company compelled to try different methods one after another. These faults could be crossed successfully only during 1975. It is expected that this project will reach its rated capacity by 1979. Due to the difficulties enumerated above, the project could not be brought under Revenue Account until 1-4-1975, though the project was commenced in 1964. The losses incurred during the period of its development had to be capitalised under the circumstances explained above."

The Committee note that while the preliminary Project Report regarding the Silewara Project was received by the Ministry in September, 1965, it was only in October, 1968 i.e. after a lapse of about 3 years that a decision was taken that a detailed Project Report should be got prepared. They further note that although the Draft Project Report was received from NCDC in March, 1969, Government sanction to the Project was issued only in April, 1970 i.e. after a period of about one year. The Committee find that Government have taken too long a time in first taking a decision about the preparation of the project Report and then according the necessary approval.

The Committee need hardly point out that delay in the development of projects not only results in an upward revision of estimates but also postponement of benefits. They would, therefore, like to stress that Government should avoid such delays in future and ensure speedy development of the projects. In this case the responsibility should be fixed and action taken be intimated to the Committee within 3 months.

D. *Supply of Coal to Satpura Power House*

Recommendation at Serial No. 28 (Paragraphs 4.54 to 4.57)

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

The Committee were concerned to note that large amounts of public funds were invested on the setting up of the Satpura Power Station, but the Power Station was unable to operate to its full capacity for certain periods, when there was so much demand of power all around, due to short supply of coal to the Power Station by NCDC mines. What had pained the Committee more was that this happened due to lack of coordination and understanding between two public sector units and caused loss of production of power which was so badly needed at that time. The Committee felt that since a large number of collieries were linked with specific steel plants, power houses, railways etc. all of which were in public sector and since differences were not unnatural when they dealt with one another at commercial plane, there was a strong need for a broad based machinery which could take a rational and overall view of problems that might arise between the coal producing and coal consuming agencies. They recommended that the Government might consider setting up a standing machinery which should command the confidence of CMA| NCDC and the coal consuming units for sorting out the problems and difficulties faced by them in dealing with one another, as and when such difficulties might arise, so that production in essential fields like coal, steel, power etc. was not held up on this account.

In reply to the above recommendation, the Ministry have *inter alia* stated as follows:—

> "The other operative part of the Committee's recommendation is to set up a standing machinery which should command the confidence of the coal companies and the coal consuming units for sorting out the problems and difficulties faced by them in dealing with one another. In this connection, it may be stated that a similar recommendation was made by the Public Accounts Committee in their 154th Report (1974-75) in which the Committee had desired that the existing instructions for settlement of disputes between Government Departments and public Sector Undertakings should be reviewed thoroughly and a suitable machinery evolved for the resolution of Inter-Departmental and Inter-Governmental disputes. In pursuance of this recommendations, the Cabinet Secretariat after reviewing the earlier instructions regarding the settlement of disputes between Government Departments and public Enterprises and after obtaining the orders of the Cabinet have issued revised directions (Annexure to reply to Recommendation No. 28—Chapter IV) which cover various aspects of the difficulties that would be faced by Public Undertakings in dealing with one another."

The Committee feel that the directions issued by the Cabinet Secretariat in regard to the settlement of disputes between one Government Department and a public enterprise and between one public enterprise and another are of a general nature in as much as

they merely provide that "Regardless of the type of dispute, it has been decided that all disputes should be resolved amicably by mutual consultation or through the good offices of empowered agencies of the Government or through arbitration and recourse to litigation should be avoided." This procedure may not serve the purpose which the Committee have in view.

The Committee would therefore like to reiterate their earlier recommendation that Government may consider setting up a standing machinery which should command the confidence of coal producing and coal consuming agencies for sorting out the problems and difficulties faced by them in dealing with one another, as and when such difficulties arise, so that production in essential fields like coal, steel, power etc. is not held up on this account. The working of the standing machinery should be reviewed in the light of experience periodically and necessary improvements in its constitution and procedure made to make it more effective to achieve the desired results. This should be reflected in the Ministry's Administrative Report.

E. *Idle Machines in Korba Workshop*

Recommendation at Serial No. 54 (Paragraphs 8.35 & 8.36)

The Committee noted with regret that some valuable machines which were purchased and installed in 1967 in the Korba Workshop remained idle for several years for want of certain equipment. tools and spare parts. Overhead crane (5 tonnes) purchased from USSR at a cost of Rs. 2.52 lakhs had not been commissioned as one of the missing assemblies could not be provided and as its gearbox was lost in transit. The Committee recommended that the circumstances leading to the loss of gear box of overhead crane in transit should be thoroughly investigated in order to fix responsibility.

In reply to the above recommendation the Ministry *inter alia* stated "the Korba Workshop was set up to cater to the needs of Mines and Washery in the Korba Area. The Washery did not come up as anticipated and the load for certain types of special purpose machines like. Boraching Machines and Honing Machine, was not generated to full capacity. Coal India Limited is, therefore, trying to diversify the activities so as to fully utilise these machines. As such, there has been practically no loss in production during previous period."

In regard to the loss of the gear box in transit the Ministry stated the gear box shipped with other consignments from USSR appears to have been landed in India along with other consignments but the dock authorities did not make the delivery. The Company has been asked to investigate why a claim was not preferred on the dock authorities. The Company had deputed officers to visit the transport cell of Calcutta, but they were not able to locate any record relating to the period when the gear box was lost in transit. Foreign shipments during that period were being looked after by clearing agent and hence it appears that it might not be possible to locate any of the records relating the shipment in question."

The Committee are surprised to note that although the gearbox of the overhead crane from USSR is stated to have been landed in India alongwith other consignments, the dock authorities did not make the delivery. It is all the more surprising that NCDC did not prefer a claim on the dock authorities. The Committee regret to note that the Corporation has not been able to locate any record relating to the period when the gearbox was lost in transit. NCDC is therefore unable to say as to why a claim was not preferred on the dock authorities. The Committee deprecate the indifference shown by the undertaking in not taking any action either to recover the missing gearbox from dock authorities or to lodge a claim for compensation at the appropriate time. The Committee require that responsibility in the matter should be fixed on individual personnel in coordination with the CBI or Central Vigilance Commission and necessary action taken against them. The Committee should be informed about the action taken in this regard within 30 days.

Though some valuable machines which were purchased and installed in 1967 in the Korba Workshop remained idle for several years for want of certain equipment, tools and spares, the Committee are now informed that "there has been practically no loss in production". If non-use of all these machines for several years did not cause any loss as now stated by Government, the Committee cannot but conclude that the expenditure incurred on their purchase was infructuous and gives rise to serious misgivings. They expect that, as earlier recommended by the Committee, the Government/Undertaking should examine why then all these machines were at all purchased. They would also like to be informed about the outcome of the examination and the measures taken to avoid such infructuous expenditure in future.

F. *Financial Arrangements with Middlemen*

Recommendation at Serial Nos. 58 & 59 Paragraphs 9.28 to 9.32 & 9.43 to 9.44)

The Committee on Public Undertakings (1975-76) recommended that Government should investigate the cases where the outstandings against the middlemen had been allowed by the Management to exceed the limits set by the Corporation itself with a view to fixing the responsibility.

The Committee also recommended that the sale of coal through M|s. Kahanson & Co. and accumulation of outstandings amounting to Rs. 63.66 lakhs as on 31st March, 1974 from March, 1971 onwards should be thoroughly examined by Government in order to find out to what extent business through the firm was unavoidable and to what extent outstandings could have been avoided by taking suitable action at the appropriate time.

In reply to the above recommendation the Ministry have stated as follows:—

"The Committee set up by the Government has looked into the cases of outstandings against the middlemen of NCDC. The Committee has found that the consideration which weighed with the NCDC Management in continuing business with middlemen without adequate financial coverage was the apprehension of fall in the sale of slack coal if the agreements with them were terminated. It was not been possible after the lapse of so many years to state whether the sale of slack coal would have actually fallen or not. In the circumstances and in view of the fact that the Board of Directors was kept in the picture, the question of fixing the responsibility on any individual officer of the NCDC, does not arise.

As recommended by the Committee, the Board of Directors of Central Coalfields Limited is being advised to call for the relevant records relating to all the middlemen and take a decision about counter-claims if any and proceed to encash the bank guarantees which now cover the amounts directly owned by the middlemen (except Kahansons).

In regard to the extension of business through M|s. S. K. Kahansons & Co. the Ministry have stated that the Committee's findings show that—

(i) Business with Kahansons except on direct payment basis was terminated in December 1969 and that there was no addition to the amount outstanding from the middleman after that date.

(ii) As regards avoiding outstandings by taking suitable action at the appropriate time the Committee has found that the Board of Directors had approved the continuance of business with Kahansons on the consideration that there could be heavy fall in the off take of slack coal if the business with Kahansons was terminated. It has not been possible after the lapse of so many years to say what would have happened if the business with Kahansons was terminated.

It has not been possible after the lapse of so many years to say what would have happened if the management had decided to do away with the middlemen.

(iii) The decision was taken at the top management level including the Board of Directors and there is no evidence available to show that any individual officer could be held responsible for the accumulation of the outstandings.

It has been stated that the Department of Coal agrees with the Committee's findings and that the Central Coal field Ltd. has been advised to pursue the cases against Kahansons vigorously."

The Committee would require that the records relating to all the middlemen against whom huge amounts are reported to have been outstanding should be scrutinised without further delay and remedial measures taken to avoid accumulation of debts in future.

The Committee also desire that the outstandings dues from the middlemen should be recovered expeditiously.

The Committee also stress that the cases against M/s. Kahansons should be pursued vigorously and results thereof intimated to the Committee within 30 days. They also reiterate their earlier recommendation that outstandings claims (amounting of Rs. 63.66 lakhs as on 31st March, 1974) against this firm should be recovered forthwith.

The Committee further require that responsibility in this regard should be fixed and action taken against the persons responsible under advice to the Committee.

G. *Delay in adjustment of advances for local purchases*

Recommendation at Serial No. 65—Paragraphs 10.51 and 10.52

The Committee noted with regret that the advances given to staff and officers for making local purchases were not being adjusted promptly. They found that all the collieries of the Corporation had been divided into 10 areas and the information furnished in respect of 7 areas revealed that as on 31st March, 1974, a sum of Rs. 44.71 lakhs was outstanding for a long time. The Committee failed to understand as to why information regarding outstandings could not be collected from all the areas.

The Committee were distressed at the casual and indifferent attitude adopted by the Management towards the defaulters who were allowed to contravene the instructions issued in this regard in 1970 with impunity. They expressed their deep concern at the utter lack of financial discipline in the organisation resulting in huge amounts of public money remaining outstanding with the officers and staff of the Corporation for long periods. They also recommended that the officers and the staff concerned should be asked to give proper accounts of the advance given to them promptly and in the event of their failure to do so, the outstanding amounts should be deducted from their salaries forthwith. They recommended that the reasons for non-recovery|non-adjustment should be analysed and steps taken to improve the procedure to ensure that such things did not recur.

In their reply to the above recommendation, the Ministry have stated as follows:—

"Instructions already exist for clearance of local purchase advances within six weeks, with provision for recovery of the amounts of advances from the individuals concerned in case of failure to account for the same. The company has stated that these instructions could not be adhered to strictly due to various practical difficulties. However, as recommended by the Committee, this matter has been reviewed with a view to bringing about all round improvement. A special drive was also launched to bring down the local purchase advances to level so that there is no outstanding on this account beyond 15 days. These measures have yielded some results. The figures of outstanding advances as on 31-8-1976 is Rs. 37.91 lakhs as against Rs. 44.77 lakhs mentioned in the report. Further improvement is expected as concerted action is being taken by the Company to bring down the advances.

The Department has advised the company that the recovery of outstanding advances should be strictly enforced and to send a report of the progress attained after a month."

In their further reply (31-12-1977), the Ministry stated that "the position of outstanding local purchase advances as on 30-3-1977 was as under:—

(1) Less than 3 months old	Rs. 11.60 lakhs
(2) More than 3 months old but less then 6 months	Rs. 11.40 lakhs
(3) More than 6 months but less than one year	Rs. 3.11 lakhs
(4) More than 1 year	Rs. 1.83 lakhs

The Company has been advised again to take effective steps to recover the outstanding advances particularly those which are more than 3 months old."

The Committee are most surprised to note that although instructions already exist for clearance of local purchase advances within six weeks, with provision for recovery of the amounts of advances from the individuals concerned in case of failure to account for the same, a huge sum of Rs. 44.71 lakhs was allowed to accumulate as outstandings with officers of the Undertaking. The Committee are not at all convinced with the reply of the Government that "these instructions could not be adhered to strictly due to various practical difficulties" which have not been explained. This amounts to making efforts to shielding the offenders and abetment of crime which calls for penal action against such officials who are allowed to keep huge amounts of money and their controlling authorities. They regret to observe that even the special drive now launched has not produced the desired results and there was still an outstanding amount of Rs. 27.94 lakhs as on 30-3-1977 and the major portion is outstanding for more than 3 months. The Ministry, has, issued instructions in December, 1977 that immediate action should be taken to recover or settle the advances which are outstanding for more than three months and unless the account is rendered within 30 days, the amount should be recovered from the pay of the individuals concerned. The Committee reiterate their earlier recommendation and require that the officers and staff concerned should be asked to give proper accounts of the advances given to them without any further delay and in the event of their failure to do so, the outstanding amounts should be deducted from their salaries forthwith.

They would also want that the Government/Company should ensure that the instructions on the subject are strictly adhered to by all concerned and implemented in letter and spirit.

In any case severe penal action should be taken against persons concerned for the lapses in coordination with the Central Vigilance Commission and under advise to this Committee. The matter should be reflected in Ministry's Administrative Report.

H. *Implementation of Recommendations*

The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation No. 1.

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

The Committee heed hardly stress that keeping in view the increasing importance of coal due to energycrisis, which has posed new challenges to the public sector undertakings dealing with coal, Government should finalise the statement of objectives/obligations of CMA/NCDC without any further delay and bring them to the notice of the Parliament. The Committee would like to be informed about the action taken by Government in this regard.

(Paras No. 1.11 to 1.12).

Reply of the Government

The statement of objectives of Coal India Ltd. has since been finalised. A copy is enclosed. It is also being laid in Parliament during the Budget Session, 1978.

Statement of objects of Coal India Limited

Coal India Limited has set its broad objectives as follows:—

1. To promote the development and utilisation of the coal reserves in the country for meeting the present and likely future requirement of the national economy with due regard to the need for conservation of non-renewable resources, and safety of mine workers.

2. To raise the productivity of coal mining and related activities through introduction of improved technology, streamlining of organisation and management, and improving the skills and motivation of the work-force.

3. To generate surpluses by optimum utilisation of productive capacity, improving efficiency of operations, and adopting appropriate cost reduction and cost control methods.

4. To make efficient arrangements for marketing and supply of coal so that coal, coke and other similar derivatives are available to consumers throughout the country conveniently and at reasonable prices.

5. To promote research and development activities on a continuing basis in the areas of coal mining, beneficiation, development of new coal-based products or by-products, fuel technology or any other area having a bearing on conservation, development or utilisation of the coal reserves of the country.

6. To provide suitable facilities for training with a view to upgrading the knowledge and skills of employees in different categories and enabling them to make full use of their capabilities.

7. To look after the welfare of the employees and to promote the establishment and maintenance of healthy relations between management and workers, and foster a sense of fellowship and belonging to the company among personnel at all levels.

Recommendation S. No. 2 (Para No. 1.14)

The Committee note that the National Coal Development Corporation which was set up in 1956 to take over then existing 11

State collieries of the Railway and to open new mines, became a subsidiary of the Coal Mines Authority Limited which was set up in 1973 consequent upon the nationalisation of the coal Mines. They were informed by the Chairman, CMA, during evidence that "there is no need to retain NCDC as a subsidiary company of the CMA. It would be merged with CMA". The Secretary of the Ministry informed the Committee during evidence (February, 1975) that within the course of two months Government would be able to take a decision as to what could be the respective role of NCDC and CMA. It appears that no decision has been taken so far in this regard. They recommend that the Government should take an early decision about the future role of NCDC *vis-a-vis* the Coal-Mines Authority Ltd., so that they can concentrate their energies on achieving the objectives laid down for them. They would like to be informed of the decision taken by Government in regard to reorganisation of CMA/NCDC.

Reply of the Government

The Coal Industry in the Central Public Section was re-organised with effect from 1-11-1975, as a result of which the Coal Mines Authority Ltd., has been renamed Coal India Limited, which is now a Holding Company. The National Coal Development Corporation, redesignated as Central Coalfields Limited has become a subsidiary company of Coal India Limited. along with Bharat Coking Coal Ltd., Eastern Coalfields Ltd., Western Coalfields Ltd.; and Central Mine Planning and Design Institute Ltd.

The subsidiary companies are responsible for production of coal in their respective areas and connected functions. These companies have been delegated enhanced financial powers so that they are able to function with a considerable degree of independence. It is the responsibility of the holding company to establish policies regarding longterm planning, set targets and monitor them, approve budget, determine standard costs and retention prices and evaluate performance, coordinate among subsidiary companies and lay down guidelines for industrial relations and wage policies. The Govt. of India's letter No. 38011/1/74-CAF dated 27-9-75 setting for these objectives is enclosed. (Appendix I).

Recommendation No. 3 (Paras 1.27 to 1.32)

In their 32nd Report (3rd Lok Sabha—March, 1963) the Estimates Committee recommended that the activities of the National Coal Development Corporation which were mainly Limited to the production of coal might not prove to be very profitable. To make the

Corporation a permanently viable unit, it was necessary that it should not remain a however of coal merely but should also undertake low temperature carbonisation plants and other ancillary activities like gasification of coal, production of sameless fuel, etc. They recommended that the whole matter might be examined by an expert committee which might suggest suitable lines of ancillary activities to be undertaken by the Corporation. The recommendation of the Estimates Committee was reiterated by the Committee on Public Undertakings in their 7th Report (April, 1965).

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

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

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

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

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

Reply of the Governments

The recommendation of the Estimates Committee (1963) for the appointment of an Expert Committee was considered by the Board of Directors of NCDC. The Board agreed with the Estimates Committee that the Corporation should go in for ancillary activities. They did not, however, consider that an Expert Committee would be great help as, once a decision is taken on principle and resources are made available, the Corporation could, in consultation with their technical advisers like Central Fuel Research Institute, formulate concrete plans for the implementation of the decision. In fact NCDC had already started ancillary line of activities like workshops, geologv and drilling etc. This position was reported to the Estimates Committee but the Committee on Public Undertakings which had by then taken over this work, did not consider the reply of the Govt. convicing and urged that an Expert Committee should go into the matter and suggest suitable ancillary lines including coal tar distillation and underground gasification. This report was also examined in NCDC at the highest official level *viz.* Financial Controller and the Managing Director as well as in the then Department of Mines and Metals. As the recommendation of the Committee for taking up ancillary activities was acceptable to NCDC and ancillary activities in certain lines were already under consi-

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*Audit have stated: "Not vetted the finel reply of Govt. was not received in this office."

deration, it was felt that the appointment of an Expert Committee at that stage was not necessary. It is mentioned here that NCDC Board at that time, had all necessary experts in it like Director, CFRI, Managing Director, MAMC, Managing Director, Singareni Collieries etc. As the 7th Report of the Committee on Public Undertaking was in the nature of 'Action taken report,' there was no opportunity to place the views of the NCDC and the Govt. again before the Committee. It was also assertained from Lok Sabha Secretariat that in accordance with their O.M.No. 5-ECIII|59 dated 1-4-1959 no further reply was called for on this report.

2. Coming to the specific points made out by the Committee, it is submitted that it could not be the intention either of the NCDC management or of the Govt. not to give the regard and consideration which it deserved to a recommendation made by a Committee of Parliament. The need for taking up ancillary activities was in fact never disputed. When the matter was again raised before the Committee, the Govt. accepted the position and appointed an Expert Committee.

3. Since the recommendation of the earlier Parliamentary Committee for taking up ancillary activities had received due consideration and had been accepted in principle, it is submitted that there is no question of any individual being responsible for disregard of the Committee's recommendation. It is also not possible after the lapse of 11 years to make any investigation and fix responsibility. It may however be assured that all recommendations of the Committee on Public Undertakings as well as other Committees of Parliament have been receiving and will continue to receive the highest consideration.

The Committee have urged that all public undertakings should be advised that the recommendations made by Parliamentary Committees should be given the most serious and urgent consideration at the highest level and that if in any case, there are compelling reasons coming in the way of their implementation, the matter should be placed before the Committee for the latter's reconsideration. The Bureau of Public Enterprises have since brought these observations of the Committee to the notice of all public undertakings, for information and guidance in future, *vide* their O.M. No. BPE|GL-026|76|M&N|9|16|76-BPE (GM-1) dated the 5th July, 1976 (Appendix II). A careful watch will also be kept on the implementation of the Committee's recommendations and adequate follow-up measures will be taken in respect of every observation|recommendation of the Committee.

4. Expert Committee constituted in compliance with the recommendation No. 3 has submitted its report in two parts. Phase I report deals with the development of ancillaries for providing essential inputs to the mining industry and Govt. has accepted the recommendations of the Committee made in this part of the Report and has accordingly asked the coal companies to implement these recommendations. Statements showing the recommendations accepted by Government and follow-up action taken thereon by coal companies are enclosed (Appendix III)

Phase II report exclusively deals with industries concerning coal utilisation and processing which fell in the down stream sector after coal has been mined. The Committee has specified schemes for coal utilisation and processing of which could be started either by separate companies or by the coal mining companies themselves, depending upon natural policies, necessities and economies. For a view of such schemes a Standing Committee under the Chairmanship of Secretary coal has been set up *vide* Memo. No. 55018/1/77-CDT dated 13-6-1977. This Committee has held its first meeting on 15th July, 1977 and discussed many aspects of the problems.

3. The setting up of a Formed Coke Plant at Talcher and two Low Temperature Carbonisation Plants at Ramakrishnapur in Andhra Pradesh and at Dankhuni in West Bengal has been sanctioned. Work on these projects has started and it is expected that the Formed Coke Plant as well as the LTC plant at Ram krishnapur would go into production towards the end of the Fifth Plan. LTC Plant at Dankhuni is likely to start production early in 1979. The progress of these projects has been indicated in the Annual Report of the Department of Coal for 1975-76. Further progress will continue to be reported in the Annual Reports of future years. Progress of further development would be regulated in the light of experience gained in the setting up of these projects.

Recommendation No. 4 (Paras 2.16 to 2.19)

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

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

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

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

Reply of Government

The Committee have observed that there should be a scientific system of assessment and review of demand for coal in all major sectors of the economy. This suggestion is welcomed and steps in this direction have already been taken. This Department had already requested the Planning Commission to consider setting up a standing machinery for this purpose as the coal demand is derived from the programmes of the various consuming sectors. Further, as the committee themselves have observed, the Standing linkage Committee is assessing the demand of the power and cement industries as realistically as possible and co-relating the production programmes of the collieries with the requirement of these sectors. Similarly, for the steel plants, a committee has recently made a detailed review on long term coal plan for steel plants. Close Coordination is maintained with SAIL for making available the required quantities of coal for the steel plants in time. Every month coking coal supply and programme to steel plants are finalised by Coal Controller in consultation with all concerned. The Committee may be interested to know that as a result of the efforts made recently the stocks of coal at the steel plants have now reached a level of 21 days' requirements. Most of the power houses have than one month's stock and there is persistent demand from many of them for reduced quota of coal. A similar situation prevails in the cement industry where the average stock holding is about 23 days' requirement. Recently, the yearwise requirement of coal of fertilizer plants has been assessed and linkage with specific coalfields|collieries has been made. The loco coal demand is fairly constant for the Vth Plan period. Considerably larger supplies of steam coal have been made to the railways and at present there is no shortage of coal of any quality or size. The sectors mentioned above account for over 70 per cent of the expected coal demand. The remaining 30 per cent is consumed by a very large number of consumers whose individual requirement is small. There will always be a certain element of uncertainty with regard to actual off take of coal by these sectors. However, the commercial directorate of Coal

India has taken up the task of collecting and evaluating the demand data on a continuing basis and it is expected that discrepencies as had occurred in the past would not be there. It is possible that the demand estimates would vary from time to time but with the close watch being kept on the trend of demand, it should normally be possible to periodically adjust the production programme to the required extent. Since the fieldwise break-up of the coal demand of major consumers is known, the coal producing organisations can adjust their development programmes whenever substantial changes in the commissioning schedules of the consuming projects take place.

It may also be mentioned, that in connection with the midterm appraisal of the Fifth Five Year Plan, a detailed review of the coal demand of each consuming sector was made in consultation with the Planning Commission and the development of new projects is being regulated in line with the appraisal.

Recommendation (Sl. No. 5, Paras 2.31 to 2.36)

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

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

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

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

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

The Committee are perturbed to note that the requirements of domestic consumers and small scale sector of industry are not being met in full even after the nationalisation of coal mines. They strongly feel that in no circumstances the requirements of common man should be ignored or given low priority. The Committee recommend that Government/Corporation should make special efforts to meet the total requirements of domestic consumers at all times. They hope that with the reported improvement in the transport situation the needs of the small scale sector and the domestic consumers would be met in full. The Committee would like the CFA/NCDC to streamline the procedure with regard to sale of coal to domestic consumers who should be given all possible facilities and priorities that they do not face any hardship in getting coal for their domestic requirements. They would also like that CMA/NCDC should examine the possibility of opening their own depots at various coal consuming centres in the country in order to cater to the demands of domestic consumers. The Committee also recommend that loading of trucks should be done departmentally and transportation charges which are not levied on coal supplies to other consumers should be imposed on coal transported through trucks for domestic consumers.

Reply of the Government

Even though there was difficulty in meeting the full requirement of coal of certain sectors in the past, the position has improved substantially in the last two years. At present all demands are being met in full. The stocks of coal at the pithead and consumers' end have reached levels considerably higher than those in the previous years.

The lower availability of wagons during 1970-71 and 1973-74 was not due to any lack of coordination between the NCDC and the Railways. The reasons were mainly the disturbed law and order situation in the Eastern Region during those years, the recurring power shortage, disturbed industrial relations in the Railways, all factors beyond the Railways' control. Most of the difficulties have since been overcome and during 1974-75 and 1975-76 the wagons availability has been quite satisfactory. Problems relating to transport of coal by rail are being discussed regularly between the Railways and the CCL for resolving bottlenecks.

The Committee have referred to the recommendations of the Estimates Committee in paragraph 5.53 and 5.54 of their 68th

Report. These recommendations have already been noted and acted upon. Linkage of major consumers with coal-fields has been existing for the last 3 years. These linkages are reviewed periodically. The Fifth Plan production programme for coal had been intimated to the Railways along with the requirements of wagon and rail transporation facilities. The Railways had appointed two study teams, one for the Bengal-Bihar coal-fields and one for the out-lying coal fields to examine the rail transport requirements for coal and to make recommendations for the facilities to be set up. The reports of these study teams have discussed between the Railways and CIL and action is being taken in a coordinated manner. The Committee's observation that concerted action should be taken to ensure that the mining capacity and the rail transportation facilities are developed hand in hand, has been noted and action is being taken, as far as possible, to coordinate transport facilities.

4. The rail movement of coal for domestic users and small scale industries is done on the basis of assessment of demand made and sponsored by the State Governments. As regards road movement there is no restriction on the sale, distribution and transport of coal required by the small scale sector and by the domestic consumers.

5. Coal dumps have been opened by CIL at Lucknow, Agra, Saharanpur, Meerut, Varanasi and Gorakhpur in cooperation with the U.P. Cooperative Federation. CIL have opened a coal dump at Howrah to meet the requirements of domestic consumers. They are also considering the possibility of opening some dumps in the hill areas of U.P. More dumps can be opened only if the demand for coal justifies the same. If and when any party is interested in establishing and operating coal dumps CIL does not expect any difficulty in supplying coal.

6. The loading of domestic soft coke in trucks is now being done departmentally in the collieries. In some cases, however, large customers have arrangement for loading of trucks through their own labour. That is being continued and the customers are given suitable rebate in such cases.

Recommendation S. No. 6 (Paras 2.43 to 2.45)

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

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

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

Reply of the Government

The Committee are aware that the Fifth Five Year Plan has not yet been finalised. The coal production programme has been drawn up with the target of 135 million tonnes indicated in the Draft Fifth Plan. At the time of each Annual Plan, however, the demand is reviewed and the production programme for the next year fixed with reference to such demand estimates.

With reference to the Committee's suggestion for drawing up a comprehensive production programme by various coal companies it may be stated that a detailed Action Programme indicating the name of each mine and its year-wsie production programme had arleady been drawn up for the Fifth Plan period.

With reference to the Committee's recommendation that adequate steps should be taken right from now in order to ensure the implementation of various schemes for achieving coal production during the Fifth Five Year Plan it may be stated that such steps are already being taken. Project report have been prepared and sanctioned for the major part of the additional coal production needed in the Fifth Plan. A number of other project reports are ready and are likely to be sanctioned shortly. Advance action has been taken for the procurement of the machinery required. Manpower requirement has been assessed and recommendations have been made for increasing the intake in the concerned technical *training/educational institutions. The rail transport and power requirements have been assessed and indicated to the concerned authorities for providing these in time. With all these preparatory steps it is expected that the production of coal required in the Fifth Plan will be achieved.

Recommendation No. 8 (Paras 3.28 to 3.30)

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

The Committee fail to understand as to why the project was initially linked with Bokaro Steel Plant when the requirements of the Steel Plant could be met from the Kargali and Dudga-II washeries. The Committee are also surprised to note that the economic viability of the Coke Oven Project was not assessed initially when the Ramgarh I and II mines were proposed to be linked with this Project. The Project had to be deferred when it was noticed that Coke Oven Project would not be economically viable.

*Audit have stated: 'Copies of sanctions etc. called for have not been received".

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

Reply of the Government

It is no doubt true that the Ramgarh Project was considered for implementation on more than one occasion in the past and had to be deferred because the linked consuming project did not either come up or got deferred. The Committee is aware that there was considerably delay in the progress of the Bokaro Steel Plant itself and hence the requirements of medium coking coal of that steel plant, during the Third and Fourth Plan periods, were considerably less than what had been indicated earlier. There were also significant shortfalls in the requirements of medium coking coal by the other steel plants whose expansion projects did not materialised in full. Hence the need for the Ramgarh Mine and Washery was not felt so far. The requirement of coal for the steel plants during the Fifth and Sixth Plans has been studied in a comprehensive manner recently by a Committee under the Chairmanship of Secretary, Department of Coal. This Committee has estimated that medium coking coal from Ramgarh would be required early in the Sixth Plan. The development of Ramgarh Mine and Washery is being matched with the increasing requirements of the steel plants and care would be taken to ensure that there is maximum possible matching of the supply and demand of coking coal.

There is at present no proposal to set up a coke oven plant at Ramgarh as all the washed medium coking soal, therefrom is expected to be consumed by the steel plants.

Recommendation No. 9 (Paras 3.41 to 3.43)

The Committee find that development of the Pundi Project was taken up without initially checking up the coking characteristics of coal to be used in the steel mills and foundry forge plants. The Project had to be abandoned when the studies made by the Central Fuel Research Institute, Dhanbad indicated that the coking characteristics of coal were poor and its suitability for metallurgical purpose was doubtful. An expenditure of Rs. 33.76 lakhs had already been incurred when the work on the Project was suspended. Further capital expenditure of Rs. 24.15 lakhs was incurred upto 31st March, 1974. The representative of the CMA admitted during evidence that the characteristics of coal should be studied before undertaking the development of a project. The Committee feel that an expenditure of Rs. 57.31 lakhs incurred and development of the project besides Rs. 7.28 lakhs incurred on care and maintenance could have been avoided with a little foresight.

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

The Committee are informed that based on the increased demand for medium coking coal, it is now proposed to take up the underground portion of the Project. The Committee stress that the feasibility and the economics of the project including the possibility of developing open cast mine on which expenditure has already been incurred should be fully gone into and the possibility of using the coal from this project after benefication to meet the increasing demand of Coking/Medium Coking Coal may be critically examined in order to ensure that the proposed project is an economically viable unit.

Reply of the Government

(A) *Re: remedial measures to guard against inaccuracy of forecast with regard to quality and reserve and geological features etc.*

This subject has been discussed with reference to item 22 of the recommendation of the Committee on Public Undertakings (1975-76).

(B) *Re: the proposal for opening of new underground project in the Pundi Basin only after considering reopening of the suspended opencast project.*

Necessary detailed study and collection of additional data with regard to coking propensity of the coal in Pundi Basin are in hand and the Central Fuel Research Institute is already on the job for this. The feasibility and economics of Pundi Underground Project has been prepared but would be finalised only after adequate analysis data regarding quality of coal are obtained. The recommendation of Committee of Public Undertakings on the subject will be kept in view while taking final decision. However, benefication of coal of Pundi Opencast Project will only reduce the ash content of the raw coal and is not likely to improve the coking properties of the coal. The coal of this project would therefore, be non-coking and hence not suitable for metallurgical purposes. Therefore, this project could be worked only as and when demand comes up for the coal of this type. However, as indicated above, final decision would be taken only when fresh and complete analysis of the coal is available from the Central Fuel Research Institute.

Recommendation No. 12

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

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

The Committee would like to invite attention to their recommendation in para 3.43 of this Report and stress that Govt.|Corporation should seriously go into this aspect of depth so as to take suitable remedial measures in order to overcome the difficulties posed by such disturbed geological conditions and to avoid possibilities of such wide variations in geological structure.

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

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

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

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

Reply of the Government

The Committee's observation regarding remedial measures to overcome the difficulties posed by disturbed geological conditions and to avoid possibilities of wide variations in geological structure is noted. As mentioned in the replies to recommendations No. 9 and 22, the preparation of project reports is entrusted to the C.M.P.D.I. which is in touch with the latest development in geology and drilling technology and the project reports are being prepared after careful study of geological data and investigations utilising advanced technology.

2. As suggested by the Committee the Department of Heavy Industry is investigating the cases of delays on the part of MAMC in supplying essential items of plant and equipment to NCDC.

3. Government has been rendering all possible assistance to the coal companies in the procurement of iron and steel and at present the progress of the project is not hampered for want of these essential items.

4. The development of the Sudamdih Project has been reviewed from time to time. According to latest indications geological conditions much more difficult than envisaged earlier are being encountered. It is expected that a production of 3600 tonnes per day will be achieved by 1982-83. Another handicap, under the existing, Coal Mines Regulations, is the inadequacy of the designed ventilation to sustain a production level of 6000 tonnes per day. A reorganisation scheme is being considered at the second phase for augmenting the ventilation to sustain a production of 6000 tonnes per day.

5. With a view to sort out the differences on factual matters expressed by the MAMC and NCDC, representatives of both the organisations have been asked to send jointly agreed comments for submission to the Committee on Public Undertakings. In this context a copy of this Department's letter No. 54012|4|76-CAF|CPM dated 25.3.1977 is enclosed (Appendix IV). They are being continuously reminded to expedite the action taken on the report.

Recommendation No. 13 (Para No. 3.85 and 3.86)

The Committee note that as against the original estimate of Rs. 17.57 crores the Sudamdih Project is now expected to cost Rs. 37.98 crores out of which an expenditure of Rs. 33.83 crores has already been incurred upto the end of 1973-74. Out of the excess of Rs. 20 crores about Rs. 9 crores is on account of increases in interest, headquarters charges and salaries and wages., higher interest due to rise in capital cost and interest rate. This expenditure is due to delay in the completion of the Project. The Committee would like Government Corporation to find out as to what extent this extra expenditure could have been avoided by taking timely action for the procurement of iron and steel material, timely supply of equipment by MAMC, setting up of proper organisation with the help of Polish Collaboration etc.

The Committee also note that according to the revised Project Report the Project was expected to be a losing proposition. The Committee are now informed that according to the new system of pricing and in view of higher output per manshift obtaining in this mine the project might break—even although the Secretary of the Ministry has admitted during evidence that even if the loss is there it would not be much because of the prices.

The Committee are not happy that the Management have not been able to correctly assess the profitability of the project but are mostly dependent on the high prices. The Committee therefore recommend that Government/Corporation should re-examine critically the profitability of the project, analyse the reasons for the loss and take suitable remedial action to reduce gestation period, improve production and effect economies in overheads so that the project may be in a position to break-even soon.

Reply of the Government

The Sudamdih Project has come across extensive Geological problems. Needless to say, geological structure of a mine, being a natural phenomenon the Undertaking has no hand in reshaping it. However, intensive geological exploration according to international norms was carried out in the case of Sudamdih under the guidance of Polish experts as per Indian-Polish Norms. Inspite of this unforeseen geological disturbances, such as low angle faults, could not be accurately predicted. As a result of these disturbances and also as a result of MAMC failing to keeping their commitments, inspite of constant pursuance by the Company—considerable slippages continue to take place in the project as tabulated at Appendix V. As recommended by COPU, an attempt was made to segregate the avoidable expenditure attributed to the following different factors:

1. timely action for procurement of Iron and Steel materials;
2. timely supply of equipment by MAMC;
3. setting up of proper organisation with the help of Polish Collaborators; and
4. adverse geological conditions.

As these factors were closely inter-related and inter-dependent, it has not been possible to assess the expenditure incurred due to delay on account of each factor mentioned above. The total financial impact of the outlay is being worked out and as soon as the full data is available, the same would be submitted before the Committee.

In view of the delay in completion of the development work at Sudamdih Project, this matter was discussed in the successive meetings of the Indo-Polish Joint Commission held in November, 1973, February 70, January 75, November 75, and June 76. And Expert Committee, headed by the Regional Director, CMPDI, has also been appointed to examine this project in depth. This Committee is currently looking into the details of the project with a view to re-examining the critical profitability of the project by analysing the reasons for the loss. It is intended to take remedial action to reduce the gestation period, improve production and effect economics in overheads, so that the project may be in a position to break-even soon.

Further Reply of Government*

It had been mentioned earlier that on account of delay in completion of the Sudamdih Project the estimated outlay on the project has arisen by about Rs. 9 crores. The Committee had desired to find out as to what extent this expenditure could have been avoided by taking timely action for the procurement of iron and steel material, timely supply of equipment by MAMC, setting up of proper organisation with the help of Polish Collaboration etc. In addition to these three factors, considerable delay in the development of the project had occurred due to the adverse geological conditions encountered during the development work. It has been found very difficult to work out the financial impact due to each of those factors. However, rough assessment has been made by BCCL that if iron and steel material had been available in time there would have been a saving of about Rs. 2.46 crores. Similarly, if the equipment such as main fans, underground battery locomotives and sand gathering plant had been supplied by MAMC in time, a further saving of Rs. 1.23 crores would have been possible. It is not possible to assess the extent of an additional expenditure on account of the adverse geological conditions or the saving if a proper organisation with the help of Polish collaboration had been set up. In this connection, it would be appreciated that the factors mentioned above were completely beyond the control of the company as there was an overall shortage of steel material in the country at that time and MAMC had their own difficulties in adhering to the agreed time schedule.

*At the time of factual verification Audit have stated: "The latest reply was not received for Vetting".

A revised project report is under preparation by CMPDI in which measures to improve the production and pace of development and to effect economies in over-heads will be covered.

[Ministry of Energy (Deptt. of Commerce) O.M. No. 54012/1/76-DA, dt. 13-6-77.]

Recommendation No. 16 (Paragraphs 3.102 and 3.103)

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

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

Reply of the Government

An Expert Committee was appointed to go into the reasons for delay in the development of the Monidih project and the extent to which the delay could have been avoided. The Committee has submitted its report (Appendix VI) which has been examined both in Coal India Ltd. and in the Department of Coal.

2. The Committee has attributed the delay in development to two main factors, *viz.*—

(i) Heavy inflow of water during shaft sinking operations;

(ii) Delay in delivery of equipment by HAMC.

They have also concluded that if the DGMS had been consulted before the plans were made and if a permanent shaft collar had been installed in place of temporary one right from the beginning an estimated saving of $1\frac{1}{2}$ years time might have been possible. They have suggested improved geological investigations which would help in making a better estimate of the hydrological conditions. The CMPDI is already taking steps in this direction. The Department of Coal has emphasised to Coal India Ltd., and its subsidiaries the need to have proper geological investigations as per standard practice especially in long gestation projects, where unforeseen delays could add to the capital cost considerably. The companies have also been advised to consult DGMS on the safety aspects of the Project before the plans are finalised.

3. Regarding delays in supply of equipment it may be mentioned that it was the policy of the Government to encourage indigenous manufacture of mining equipment. MAMC had been established for this purpose but as they were manufacturing much of the equipment for the first time, considerable delays did take place. Unfortunately the financial impact of this fell upon NCDC also. A suggestion has been made that the loss in this regard should be borne from the R&D fund of the Government. This Department has not accepted this suggestion as the loss on this account cannot strictly fall within the definition of R&D even though it occurred because of the effort to establish in the public sector the capacity for manufacture of mining equipment in the country. Now that MAMC is firmly established, CIL is being advised to insist on penalties for delayed deliveries of equipment.

4. The Expert Committee has suggested the formation of separate companies for shaft sinking and tunnelling and for mine construction. CIL have prepared certain proposals in this regard but no decision on this issue has been taken so far. However, it has been agreed that the necessary expertise for such jobs as well as the equipment required for timely completion of these specialised jobs should be built up whether under a separate company or otherwise.

5. The Expert Committee has proposed that the monitoring of projects should be improved so that delays could be highlighted and centres of responsibility fixed. The subsidiary companies in CIL responsible for the development of projects have taken up the monitoring of the progress of construction of projects. The CMPDI is also carrying out overall monitoring of major projects. It is proposed that the Government should also monitor the progress of important projects so that slippages are noticed in time and remedial action taken to the extent possible.

6. In this connection, it may be pointed out again that Sudemdih and Monidih projects employed methods which were being tried out in India for the first time and in addition it was also decided to obtain as much of the equipment as possible through in indigenous, sources. In a way, these were pioneering projects and the delays and losses which have occurred in the development of these two projects should not be judged by strictly commercial or financial yard stricks, Due allowance has to be given for the inexperience in technology. The lessons learnt in the development of these projects can serve as a guide for future projects.

Recommendation No. 21 (Paras 3.144 and 3.145)

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

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

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

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

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

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

Reply of the Government

The Committee's observations have been noted. As has been reported in the replies to recommendations No. 4, 6 and 7, the demand assessment is being made in a more detailed manner and reviewed periodically. The Coal India Ltd. maintains touch with the linked consumers of new projects and adjustments in the development programme of new coal mines are made from time to time to the extent possible.

2. The preparation of project reports is now done by the specialists organisation established for the purpose, *viz.* the Central Mines Planning and Design Institute. Hence, it is hoped that the difference between the projected data and the mining conditions actually encountered will be much less than in the past.

3. The Committee's suggestion that firm agreements with penalty clause for failure to take the requisite quantity of coal should be entered into would be welcome to the Coal India Ltd. but it will not be possible or desirable to insist on such an agreement as a precondition to the development of a mine especially as the consumer in almost all cases happens to be another public sector undertakings. Further, it may be appreciated that in view of the long gestation periods, and other imponderables, both for the development and construction of coal mines and for the setting up of the projects to which coal is planned to be supplied, precise matching, in terms of time-factor and consumption pattern, is not always possible. It is felt that the Standing Linkage Committee in which the coal producers, large consumers and transporters as well as the Planning

Commission are represented will be able to effect the desired degree of coordination and help to avoid a situation in which a 'tied' coal mine remains unutilised for want of offtake or a power house remains idle for want of coal.

Recommendation No. 22, (Para 3.151 to 3.152)

The Committee note that in the case of 12 collieries out of 34 taken up for development, there were wide variations in the quantity of coal (in 2 collieries) quality of coal (in 9 collieries) and geological structure (in 2 collieries) as indicated in the Project Reports and as actually found. The Departmental Enquiry Committee constituted by the Management in October, 1968 attributed the wide variations in the geological conditions to: (a) Project reports having been based on a limited date; (b) Analysis having been done on dry basis instead of on equilibrated basis; (c) absence of prior tests for strength characteristics due to lack of adequate knowledge and (d) existence of certain faults un-known to Indian Coal fields. Due to these reasons the Management did not find any justification for fixing the responsibility for defects and deficiencies on any of the executing agencies.

The Committee are informed that the Management had already taken suitable remedial measures to avoid such possibilities in respect of future projects.

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

Reply of the Government

Based on the past experience with regard to deviation in the actual quality of coal and geological structure, compared with the deciphered by process of drilling and geological interpretations greater care is now taken in terms of control exercised during the process of drilling and geological interpretation while drawing up the geological reports. The Exploration wing of CMPDIL is in touch with the latest developments in geological and Drilling technology in other parts of the world. Steps are also being initiated to introduce advanced technology in our operations.

Geology is an interpretative science and in spite of detailed exploration, drilling and application of the latest technique of interpretations and precautions taken, by the very nature of things some amount of deviation in respect of quality of coal as well as geological structure cannot be ruled out especially when there is geological complexity. Moreover coal seems during their very formation, very in quality in different sections in the seems or in different areas of a deposit. Efforts would, however, be continuously made to attain maximum possible improvement in the techniques so that the pitfalls are avoided, as far as practicable.

Recommendation No. 23 (Paras 4.6 to 4.12)

The Committee find that the year-wise targets of production during the Fourth Five Year Plan were fixed lower than the built-up capacity on account of lack of demand for coal and transport difficulties. They also note that the actual production fell short of targets mainly on account of these very reasons. The shortfall in production during 1972-73 and 1973-74 was also due to frequent power interruptions. The production less during 1973-74 on account of lower availability of wagons and frequent power sheddings has been estimated at about a million tonnes. The Committee are informed that in order to bring about improvements in power availability, continuous coordination is being maintained with the power generating agencies such as DVC and State Electricity Boards. The requirements of power for the mines from each system are stated to have been assessed and on this basis the power generating authorities are being requested to augment their capacity. In the opinion of the Committee, it is not enough to assess only the present requirement of power for mines. They would like the NCDC to assess the power requirements of the mines (year-wise) for the next 5 to 10 years and give sufficient advance notice to the power generating authorities to augment their capacity. The NCDC should not also rest content with merely requesting the power generating authorities in this regard, but pursue the matter with the respective authorities regularly and if necessary take up the matter with them through the Coal Mines Authority and the Central Government to make sure that the required amount of power becomes available in time. The Committee feel that now when power and coal are under the same Ministry, it should not at all be difficult to bring about effective coordination between power generating authorities and the NCDC mines and the Ministry should play an active role to ensure that not only the existing coal mines are supplied power without interruption but the future development of mines is synchronised with the availability of power.

The Committee are also informed that a close coordination is also being maintained with the Railways in order to coordinate the day-today availability and utilisation of wagons. The detailed proposals for modifications of sidings and rationalisation of loading points are stated to be at various stages of formulation and implementation and the question of opening of new branch lines is also stated to have been taken up with the Government.

The Committee would like to draw attention to paragraphs 2.31 to 2.36 of this Report in which they have dealt with the question of transportation of coal in detail. The Committee have already noted that a high level Committee under the Chairmanship of the Deputy Minister of Mines has been set up to look into the problems relating to transportation and distribution of coal and have already reiterated that as recommended by the Estimates Committee in their 68th Report (5th Lok Sabha), concerted action should be taken to see that an analysis is made in depth of the transport and distribution arrangements and concrete measures taken to ensure that the mining capacity and the rail transport facilities are developed hand in hand in order to meet rationally and satisfactorily the requirements of the users.

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

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

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

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

The Committee strongly stress that the Govt./Corp. should spare no efforts to implement in letter and spirit the '12-Point Action Programme' in order to improve production, productivity and efficiency. They would like that the implementation of the programme should be regularly monitored, fully coordinated at various levels and results watched through periodical progress reports and reviewed. They would also like that senior officers at various levels should be assigned well-defined responsibilities and accountability for the successful implementation of the programme and Govt./Corp. should render all possible assistance to them in overcoming the various constraints that they might encounter in translating the programme into action. The Committee would like to be informed of the progress made in this regard.

Reply of the Government

Power Supply:—In the year 1973-74 there was a wide gap in the generation capacity and the demand of electrical energy specially in the eastern region of the country. All the industries including coal industry suffered due to frequent power shedding. The situation started looking up from middle of 1975. The situation at present has improved to a great extent.

Soon after the nationalisation of coal industry an assessment was made of the power requirement for the first five years of the Fifth Plan colliery-wise as well as supplying agency-wise, for the entire Central Coalfields Limited and perspective planning upto 1984-85 was also made. Our power forecast for the CCL mines was circulated to all the supplying agencies, generating agencies, Ministry and other concerned organisations. CIL is now drawing up a 10 years perspective plan for coal in which 10 years' requirement of power is also being included. In preparing the plan, participation of supplying agencies, generating agencies as well as Central Electricity Authority and the Planning Commission is being ensured.

The company (CCL) is in constant touch with the supplying agencies and with their help it is organising its whole power system with a view to have a rational and economical distribution. Discussion and meetings are held with State Electricity Board and Damodar Valley Corporation, frequently to sort out the problems of power supply to the Company's establishments.

As a result of coordination with the different power supply agencies, the progress made by these agencies in connection with power supply in course of the preceding three years has been as follows:—

Activity	BSEB	DVC	MPEB	OSEB	UPSEB
		(K.M.)			
1. Length of HT Trans-line drawn/Strengthened by the supply agencies for arranging power supply to the collys of CCL	39	2	18	6	8
2. New Sub-stations under construction . . .	2	1	..	..	1
3. Total additional KVA drawn from the source of supply	7000	3000	2000	2000	400
4. No. of new sub-station commissioned by CCL . .	16	..	1	1	1
5. Amalgamation of small receiving points to bulk receiving sub-station for better utilisation of electrical energy	10	1	..	1	..
6. Length of transmission line under construction by different supply agencies . .	26	75	..	..	10
7. Because of the efforts put in by the supply agencies, the loss of production due to power failures has been reduced considerably . .	..	..	..	..	..

Synchronisation of mining and transportation activities and early finalisation of proposals pending with the Railways.

With the object that mining and transportation activities go hand in hand, the Company (CCL) is having close coordination with the

Railways. Periodical meetings are held at different levels between the representatives of Railways and the Company. The decisions agreed to are implemented vigorously. As a result of close liaison with the Railways, steps for the following action programme have been taken:—

1. *Reduction in number of loading points.*—Several smaller sidings are proposed to be closed down progressively and selected loading points are to be developed to handle a larger volume of traffic. After close examination of the subject and discussions with the Railways, the Company has agreed to reduce the number of sidings from 68 to 35. Steps for necessary extension/modification of sidings are being taken by the Railways.

2. *Mechanisation and Modification of Loading points for rake loading and for speedier loadings.*—It has been agreed to have mechanised loading arrangements at 18 collieries and steps are under way. This will reduce the detention of wagons at the collieries.

3. *Installation of 100 tonnes Weigh-bridges.*—Additional weigh-bridges are being installed at two points (*viz.*, Gidi 'A' Washery and Bhurkunda Private Siding). Besides, installation of a 100 ton Weigh-bridge has been completed at Bachra colliery. Installation of 16 more weigh-bridges, 10 new Projects has been agreed to and steps are being taken to implement the decision.

4. *Modification of sidings.*—6 colliery sidings are being extended for block rake movement to improve the turn-round of wagons.

5. *Branch lines.*—Proposals have been submitted to the Railways for providing five branch lines for CCL collieries being developed in the Fifth Plan and early Sixth Plan and survey fees have been deposited where necessary. A Committee appointed by the Railways had recommended the modification/extension of 38 sidings. CCL has, after proper verification, accepted modification of 25 sidings. Action has already been initiated for modification of 19 sidings.

Fifth Plan Production Programme

The company is confident of achieving the year-wise targets fixed for the Fifth Five Year Plan. It has already exceeded the targets of 1974-75 and 1975-76 as will be seen below:—

Year	Target (M. Tonnes)	Actual Production (M. Tonnes)
1974-75 . . .	18·00	18·31
1975-76	20·35	20·69

Action has been taken for the procurement and supply of inputs, increase the production capacity be reorganisation schemes and construction of new projects in a phased manner and removal of the ordinary constraints to production to ensure that the Fifth Plan targets are achieved. There is better co-ordination now with the power generation, coal mining machinery manufacturing organisation and transport organisations as well as the major consumers like power, steel and railways due to which it has been possible to develop the requisite infra-structure and facilities to ensure the attainment of the Fifth Plan targets.

12 *Points Action Programme*

A monthly report is being received from the Coal India Limited, indicating action taken on each of the 12 Points by CIL and its subsidiary companies. These reports are being monitored in the department and necessary follow-up action taken. At the company level the Managing Directors/Chairman actively associate with the programme. At the Government level, the Programme is being reviewed by the Joint Secretary and the Secretary. The Minister is also apprised of the progress reported in the monthly reports.

The progress on some of the important items of the 12 Points Action Programme is mentioned below for the information of the Committee.

(a) Overtime allowance has been reduced considerably.

(b) Total ban on fresh recruitment except for technical hand has been imposed.

(c) 18,486 new houses for workers have been constructed after Nationalisation and about 16,000 houses are under construction.

(d) Population covered by water supply schemes rose from 2.27 lakhs at the time of nationalisation to 4.39 lakhs at present.

(e) Workers participation in management has been encouraged through bipartite Committees at the national level, company level, area level and colliery level.

(f) "Dead wood" among officers and staff have been weeded out.

Recommendation No. 24 (Paragraph 4.18)

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

Reply of the Government

The present situation is that the demand for coal by large consumers is being fully met. The steel plants, power houses, the Railways and other major consumers have larger stocks of coal with them as compared to there in the earlier years. As against stocks of 3,79,000 tonnes with North Indian Power houses on 1st April, 1976 the stocks on 1-8-1976 were around 7 lakhs tonnes. Similarly, the stocks with steel plants increased from 5,68,000 tonnes to 6,08,000 tonnes.

Since the demand for coal for certain types have not come up according to expectations, stocks of such coal have accumulated in some collieries in some areas. The building up of stocks in certain collieries have been due to the following reasons:—

(a) The absence of adequate/ appropriate transportation facilities.

(b) Inability of the linked consumers to lift the coal according to the requirement earlier indicated by them.

(c) Accumulation of slack fraction of coal due to reduction in offtake of such coal while the steam fraction is sold as such or after conversion to soft coke.

The following steps have been and are being taken to liquidate stocks wherever they have accumulated:—

(1) Schemes for providing drawn up transportation facilities were and are being implemented vigorously including extension modification of railway sidings, wherever necessary, establishing new railway lines and or railway sidings as necessary and building up new roads and repairing old ones. The absence of transportation facilities has been more pronounced in the collieries taken for over from the erstwhile private sector and it is mostly in such projects that the stocks have accumulated for want of adequate transportation arrangements.

(2) Constant efforts are being made to persuade the linked consumers to lift the coal according to the demands indicated by them originally.

(3) New consumers are being located for linkage with these stock holding collieries.

(4) Periodical exercises are being made to shift the resources including manpower from such collieries where offtake is difficult and stocks are mounting up, to such collieries where saleable coal is being produced. The effort is to produce less from these collieries or even to close some section of these collieries and to utilise the resources in other collieries where coal has market.

(5) In certain large opencast collieries where the stocks get built up towards the end of the last financial year, the coal production was restricted and the resources were deployed

on overburden removal. The consumers were supplied coal partly from the stocks and stock reduction has been achieved. The closing stock of 34.74 lakh tonnes at the end of March 76 has been brought down to 31.24 lakh tonnes at the end of August 76. Thus the stocks have been reduced by 3.5 lakh tonnes during the first five months of the year 1975-76.

(6) The matter of matching production with the offtake is being reviewed continously and efforts are being made by the management to adjust its steps with the changing conditions of the market from time to time.

(7) Steps are also being taken to enlarge the market for coal of different types by way of substitution of oil by coal and finding new markets for domestic coal in the rural sector.

Recommendation No. 25 (Paras 4.23 & 4.24)

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

The Committee were informed that till 1968-69 the transportation of rejects and fines was being done through contractor on payment of Rs. 3.16 per ton and subsequently this work was done departmentally at a cost of Rs. 4/- per tonne approximately, the annual expenditure being about Rs. 2 lakhs. The Committee note that it was only in September, 1974 that a coal handling plant at a cost of Rs. 9.43 lakhs, which was expected to result in an annual saving of Rs. 3.40 lakhs, has been installed. They would like the Corporation to inform the Committee as to whether the plant has actually resulted in an annual saving of Rs. 3.40 lakhs as expected and also ensure that the working of the plant is done economically so that it may not be an unnecessary burden on the cost of coal.

Reply of the Government

The coal handling plant at Kurasia Colliery with additional bunker capacity was completed in June, 1974. Since then, the production as well as despatches have increased from the leval of 60,000 tonnes per month. In 1975-76 the production was 8,29,000 tonnes which worked to about 69,100 tonnes per month and this was despathed.* Since the nationalisation of the surrounding mines of this area, the Railways have increased the Composition of the rake supply from 20 boxes to 30 boxes with facility for distribution under Group Loading System to different collieries served from Chrimiri Yard. The position has thus improved with the construction of the coal handling plant and the Group Loading System.

The installation of the Coal Handling Plant has saved 300 tonnes per month of fine coal which was being wasted earlier. The annual saving from the Coal Handling Plant on this quantity of coal is about Rs. 4.94 lakhs.

"The Coal produced and despatched in Kurasia Colliery during 1975-76 was 8,29,064 tonnes and 7,08,676 tonnes respectively. In addition 60,923 tonnes of coal was also transferred to other collieries."

Recommendation No. 26 (Paras 4.32 to 4.33)

The Committee regret to note that although commercial production in the Jhingurda Colliery started in October, 1968 the Coal handling plant was completed only in November, 1971 i.e. after a lapse of three years. Even then the plant did not function properly due to operational difficulties. Mannual handling of coal involved an expenditure of Rs. 72.37 lakhs during September, 1969 to December, 1973. 1 lakh tonnes of coal was manually handled and despatched by road from Jhingurdah project due to bottlenecks and constraints arising out of the transport capacity of the aerial ropeway. It has been admitted by Chairman CMAL that designing of this plant was to some extent defective partly because the Corporation did not have the expertise in designing such a coal handling plant at that point of time and partly because the equipment supplied had not come up to the specifications as originally assumed.

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*Audit have stated that the Ministry's reply has not been modified keeping in view the following remarks contained in their letter No. 1432-CAIII/143-74 Vol. II, dated 7-12-78.

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

Reply of the Government

Manual loading of wagons has been completely stopped at Jhingurdah since September, 1975. In fact, the Coal handling plant at Jhingurdah handled 2.072 M.T. during the year 1975-76 against the designed capacity of 1.8 million tonnes, thus exceeding the capacity by over 15 per cent.

Recommendation No. 32 (Paras 4.95 and 4.96)

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

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

Reply of the Government

The company is now taking all care to prevent increases in cost due to repeated tendering or delays in acceptance of tenders and award of work. The management has issued appropriate instructions to all concerned.

Recommendation No. 33 (Paras 4.100 & 4.102)

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

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

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

Reply of the Government

(a) *Systematic records indicating standard utilisation and actual utilisation of heavy earthmoving machinery*

Systematic records of performance of all heavy earthmoving machines are being maintained in the collieries. These records include:—

(i) log book of each machine;

(ii) daily production report.

(iii) shift allocation register.

2. The equipment utilisation is checked by the supervisory personnel daily and steps for preventive maintenances and prompt attendance to break-downs are taken. Forthingly reports are obtained by the Headquarters where the actual performance is compared with the standards laid down in respect of drag lines, shovels, dumpers, and dozers.

3. The Committee has observed that norms of utilisation have not been laid down for certain types of heavy earthmoving mechinery, namely, coal haulers, dozers, graders and cranes. In this connection, it may be mentioned that coal hauler, being a type of dumper, is included among dumpers for which norms and records of utilisation exist. As regards dozers, the maintenance of records of utilisation has been systematized from August, 1972. Cranes and graders are auxiliary machines rendering service in maintenance and operation of the primary earth-moving machinery as and when required and their utilisation is of an irregular nature. Hence an analysis—of their utilisation is not necessary for the purpose in view. However, basic records showing their working hours, break-down hours and idle hours are maintained to enable the management to know the position and to take suitable remedial measures when necessary.

(b) *Review of maintenance of records of utilisation and standard Procedure*

4. A committee had been formed by Coal India Ltd. on 4-12-75 to review the present system of computing availability and utilisation and to revise the norms, whenever necessary. This Committee has completed the basic studies and its report is under preparation.

(c) *Reasons for low utilisation and remedial Measures*

5. The main reasons for low availability and utilisation of HEMM have been investigated and have been found to be as follows. Remedial Measures taken are also indicated against each :

1. Inadequate availability of parts, especially imported.	Adequate provisioning of spares is now being done.
(i) 50 to 60% of the total requirements of spares were required to be imported while availability of foreign exchange was scarce.	Adequate foreign exchange has been arranged. Import of critical items of spares as required is also being arranged through foreign exchange imprest held by the Ministry

(*ii*) Inadequate development of indigenous technology ..	Apart from developing spares at Barkakana workshop where 4000 nos. of small and large important items have already been developed, entrepreneurs are being encouraged for indigenous development of a number items like oil seals, tooth-points, friction materials, filters, rubber goods etc.
2. Standardisation of HEMM could not be achieved because machines were to be purchased from different countries, keeping in view the availability of foreign exchange resulting in introduction of several models of machinery with a large number of items of spares to be imported and maintained.	Standardisation has made progress as machines like shovels. dumplers and dozers are available from indigenous sources like HEC and BEML.

6. Additional steps as enumerated below have been taken to improve operational and workshop and maintenance facilities in the field resulting in better availability and utilisation at various Opencast mines in CCL:

1. Strengthening of maintenance arrangement.
2. Introduction of three shift maintenance.
3. Modernisation of unit workshops.
4. Provision of snacks during tiffin hours at working site.
5. Provision of float assemblies and float engines.
6. Training of operators, Technicians, Supervisors and Managers.
7. Setting up of service stations by the suppliers of equipment.
8. Improvement of working conditions like provision of adequate lights and better haulroads.

Recommendation No. 34 (Paras 4.109 & 4.111)

The Committee find that out of the 41 dumpers imported from USSR in 1966 for use in Manikpur Colliery, only 3 dumpers are in use at present. Most of the dumpers have done only 4000 hours as against the normal span of 10,000 hours. The total written down value of these machines amounts to approximately Rs. 4-4½ lakhs after allowing for the scrap value. The Committee are informed that poor performance of the dumpers was noticed only after the warranty period was over and hence no claim could be raised on the suppliers. Even the spare parts are not now available as the dumpers have gone out of manufacture in USSR. The Committee feel that the matter regarding the poor performance of dumpers should have been taken up with the suppliers immediately after the defects were noticed even if the warranty period was over so as to seek their assistance for repare/modification of dumpers.

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

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

Reply of the Government

The Company has reported that the USSR manufacturers did not show any interest in repair/modification of the dumpers. They had also contaced several local firms to help them in repairing/modifying the dumpers but they have not been able to do so. A committee has since been appointed to study expenditure on repairs/modification for each dumper and to ascertain as to how many can be brought into use by cannibalisation.

With a view to avoiding any loss on account of non-availability of spare parts of dumpers imported from USSR, provision of warrantly spares is being made as to same time as placement of orders for the machinery. Contracts are also being entered into for covering the requirement of initial set of spares at the time of placement of orders. It has also been decided that orders for spare parts to the extent of 5 per cent of the value of the machinery would be placed with the indigenous suppliers like M/s. BEML at the time of placement of supply orders for the equipment.

The corporation is up-dating the knowledge of technical advancement in the field of mining machinery in advanced countries by taking the following action.

(a) Teams of technical persons are being sent to different countries to obtain advanced knowledge in the field of mining machinery.

(b) Training courses are being arranged with technical experts from abroad visiting this country.

(c) Technical literature is being obtained to keep pace with the advancement of technology in mining machinery.

Recommendation No. 35, (St. No. 4.125 to 4.130)

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

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

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

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

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

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

Reply of the Government

(a) *Development of norms for utilisation of underground machinery*

Norms for utilisation of all the machines working underground have since been developed. These take into account broadly the mining conditions prevailing in the mines in which these equipment are employed.

(b) *Investigation into purchase, under-utilisation, idleness and non-repairs of equipment.*

Investigation relating to the purchase/utilisation etc. of the equipment due to non-availability of imported/indigenous spares etc. was made by a Committee (Appendix VII) set up for this specific purpose, which consisted of the Controller of Accounts (Internal Audit), Central Coalfields Ltd. and the Additional Chief Mining Engineer CMPDIL. The Committee after examining the issue in depth have come to the conclusion that the management did not keep the imported machineries under-utilised, rather it judiciously sold some of them to other public undertakings to meet their requirements against replacements, while the other's were kept in the Central Workshops... The detailed conclusion of the Committee is at page 2 of their report. It will be seen therefrom that the continuous miners are now likely to be put to use again.

(c) *Examination of idle machinery with a view to rehabilitate and utilise them*

A committee of technical experts consisting of the Chief Engineer, (E&M), CCL and Senior Design Engineer, CMPDI was constituted to examine each such item carefully in order to identify those machines which could be used after repairs/replacement of defective parts etc. This committee came to the conclusion that except for 70 HP 550 V flameproof motors no other equipment or spares could be put to economic use and that, therefore, there was no other course left for the company but to dispose them of at the best value they could fetch. Instructions have been issued for utilisation of the 70 HP, 550 V Flameproof motors as recommended by the Committee and also for the disposal of the equipment|components through normal procedure of disposal. Under the normal procedure of disposal before putting such items, on list of inventories to be put to public-auction, a reference is made to other subsidiary companies of the Coal India Ltd. and also to the other Public Enterprises and Government Departments when no such organisation shows interest, they are put to auction and sold.

(d) *Standardisdtion of equipment*

The task of evolving standard specification for underground equipment as also standardisation of power motors for various types of haulages, conveyors and locomotives etc. has been entrusted to the CMPDI so that, with the participation of all the coal producing subsidiaries of Coal India Ltd., they may make a detailed exercise and draw up standards. The CMPDI has already taken up this exercise. This work requires detailed analysis with reference to each type of machines being use. As soon as the study has been completed, it is expected that it would be possible to standardise the equipment and machinery with a view to reducing the type of machines and also resolving the problem of pending spares for them.

Alongwith the detailed exercise of the CMPDI, standardisation of machines is being done by Coal India Ltd. and the subsidiary coal companies, while placing orders for different types of machines used underground and on the surface.

(e) *Improvement in design of equipment*

For the purpose of keeping a close liaison and coordination and also for manufacture of machinery after incorporating improvements in designs and with a view to achieving higher productivity at lesser costs, separate committees CMPDI and M/s HEC and CMPDI have since been formed. Improvement in design, based on experience, is a continuous process to be adopted by manufacturers, which the two committees are keeping in view during their deliberations.

Recommendation No. 36 (Sl. No. 5.12 to 5.19)

The Committee note that in some of the collieries under commercial production the number of men employed was more than the number indicated in the Project Reports or the assessment made by the Company's Planning Department although the actual production in these collieries was far less than that envisaged in the Project Reports. The Committee also note that a Committee of Senior Officers appointed by the Corporation in November, 1968 to review the manpower position in NCDC collieries examined only 11 out of 34 collieries which were being run by the Corporation at that time. They did not examine 21 old collieries on account of non-existence of Project Reports. Another 3 collieries were not examined as the Project Reports in respect of these collieries did not indicate the break-up of manpower for operation maintenance etc. nine more collieries were excluded from the purview of its study as these were either in the initial stage of development or had recently gone into commercial production. Only in respect of two collieries the Committee of Senior Officers felt that the excess staff was due to deviations from the working conditions and the method of working provided for in the Project Report and unsatisfactory level of productivity of workers etc. The Committee regret to observe that instead of making an assessment of the different types of jobs as required under the terms of reference, the Committee of Senior Officers merely recommended that scientific studies should be made to establish norms and bring about a saving in manpower. The Management also held the view that the task could be undertaken by a well-equipped industrial Engineering Department.

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

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

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

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

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

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

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

Reply of the Government

(a) *Regarding manpower in Sayal 'D' and Machra Collieries*

The strength of these two collieries has been observed by the Committee on Public Undertakings to be in excess of the Project Report provision. The reason for this has, according to the Manpower Committee of the erstwhile NCDC in their report (July, 1969), been deviations in the working conditions and the method of work from those provided for in the project reports and unsatisfactory level of productivity of piece-rated loaders etc. (*vide* para 5.6 of the COPU's Report under reference).

Position in Sayal 'D' Colliery:

2. Subsequent in-depth study into the manpower deployment position of Sayal 'D' colliery, with the object of ensuring their optimum utilisation under the conditions actually met with, was carried out by the Industrial Engineering Department in Coordination with the Production Department of C.C.L. in June, 1972. In their report, it has been brought out that for a production of 4.32 lakh tonnes per annum, the requirement of different categories of persons altogether was 2522, against which the actual strength of men was 2536. Manpower studies by a similar committee were again carried out in this colliery in July, 1974 and it was found that for a production of 5.40 lakh tonnes, the manpower requirement was 3058 while the actual strength was much less than this. And, in the year 1975-76 actual production of 5.70 lakh tonnes was attained while men on roll were around 3050.

3. At this colliery, an Industrial Engineering Cell has been operating on regular basis for carrying out studies with regard to manpower deployment so that adequate control in this regard is constantly ensured. As a result, there has been significant improvement in production and O.M.S. in this colliery during the preceding years, as may be seen from the statement below:—

Period	Prodn. in lakh tonnes	No. of employees	O.M.S
1972—73	4·45	2568	0·64
1973—74	4·48	2718	0·62
1974—75	5·06	3066	0·65
1975—76	5·70	30·39	0·72

Position in Bachra Colliery:

4. At Bachra Colliery, manpower studies were carried out by Manpower Committee, consisting of the officers from the Industrial Engineering and Production Department in July, 1972. They found that for a production of 2.50 lakh tonnes per annum, the total manpower requirement in the existing conditions was 1412 (attending)

while the total requirement was 1593 (on roll) including the absentees on ground of sickness or for other reasons. An Industrial Engineering Cell has been operating on regular basis in this colliery with a view to keeping a constant watch on the utilisation of manpower *vis-a-vis* the norms established and review from time to time. In fact, during subsequent years, on account of the workings of this colliery becoming more extensive and for achieving higher production well in excess of 2.50 lakh tonnes per annum, on the basis of the Industrial Engineering Department studies, more men had to be taken on the roll of the colliery. This has, however, resulted in significant improvement in production and O.M.S. as may be seen from the figures below:—

Period	Prodn. in lakh tonnes	Personnel strength	O.M.S.
1972-73	2·40	1564	0·54
1973-74	2·70	1920	0·59
1974-75	2·65	1900	0·58
1975-76	3·27	1994	0·68

(b) Re: *Scientific studies in manpower in all other collieries and bringing about saving in manpower*

5. With the object of carrying out scientific studies in order to establish norms, to assess the actual manpower required as against the manpower deployed and to bring about better utilisation of manpower, a new manpower Committee consisting of members from the Industrial Engineering, Personnel and Production Department, was constituted in 1972. The methodology adopted by the Committee was based mostly on the norms evolved by the Industrial Engineering Department and partly on analytical estimates the based on past experience. This Committee has already completed its studies in respect of 11 collieries. Work Study Programme by the Industrial Engineering Department is a regular feature and is presently being carried out at 7 opencast mines. Some studies regarding production norms have been undertaken at 4 other collieries also.

6. After nationalisation, an assessment of the manpower of all the taken-over collieries has been taken up by a committee consisting

of representatives from Personnel, Finance and Production Department. This Committee has already completed its study in most of the collieries. While doing so, the productivity to be achieved has been stipulated and the norms developed by the Industrial Engineering Department and analytical estimates based on experience have been kept in view. It has been found that there are, in fact, no surplus men, but there have been under-utilised piecerated personnel in many of the collieries. The following steps have been taken for better utilisation of such under-utilised piece rated workmen and bringing about reduction in manpower:—

(i) New recruitment has been totally banned except in respect of statutory and key personnel, who cannot be obtained from within the Organisation.

(ii) A major step has been taken to make inter state transfer of the under-utilised workers in one unit to other units where their services are needed. In the course of the preceding one year, about 2300 under-utilised workers have been transferred to the units in other Areas and about 6500 workmen have been transferred/adjusted in the units lying the same Area where their services are better utilised.

(iii) Underutilised/surplus workers are imparted training on other jobs including semi-skilled jobs and absorbed against requirement of personnel for jobs for which they are trained.

(c) *Regarding inter-job mobility*

7. With regard to the problem of inter-job mobility and workmen's working as multi-functionaries, the subject was taken up when the negotiations were conducted at the industry level during the years 1973 and 1974 between the trade unions and the management in coal industry. But, due to the resistence of the unions not much headway could be made. Their contention was that introduction of the system of multifunctionaries would reduce employment potential in the industry|country. However, these matters are constantly under discussion with trade Union to obtain their agreement.

8. Despite the factors mentioned above, the management has continued efforts to enforce inter-job mobility as will be seen from below:—

(i) With the consent of the local trade unions, experiments for using workers as multifunctionaries has been started at

Gidi Pilot mine where longwall method of mining with sub-level caving has been introduced. Such system is also in the process of being extended to the Scraper Mining Section, recently started in Saunda 'D' colliery. Depending on experience gained, this system will be extended to other mines wherever the conditions are favourable.

(ii) Even among the piece-rated categories there are several types with different work loads and wage rates. Wherever any additional piece rated workers are employed in future, stipulations will be made that they will be required to carry out any piece-rated job as may be given to them by the management from time to time, subject to payment of wages as will be applicable to the particular job; and efforts will be made to make the trade unions to accept such a system. In fact, in the appointment letters issued to the piece-rated workers in Kedla-Jharkhand group of collieries (when these collieries were taken-over for management in accordance with the interim decision of the Supreme Court) a stipulation of this type was made.

(d) Re: *Strengthening of Industrial Engineering Department and review of earlier incentive schemes*

9. A scheme for strengthening of the Industrial Engineering Department has been approved by the Management to enable the Department to carry out job analysis in a scientific manner. The incentive schemes introduced earlier were revised in June 1975 in the wake of introduction of new wage structure. Some changes have been made in the starting index at which the workers will earn incentive and the rates of payment have been suitably modified. The revised incentive scheme has received acceptance on the part of the workmen and has shown encouraging results. The revised scheme has increased the labour index by about 25 to 50 per cent in the following units of the company:

Opencast mines: Gidi A, Gidi-C, Kathara, Kargali, Bokaro Jhingurda.

Underground Mines: Sayal-D and Bachra.

Central Workshop: Barkakans.

10. In the pre-incentive period, labour productivity index in the above units ranged from 30 to 45 per cent which as a result of the

revised incentive scheme and other management inputs has improved to a figure of about 50 to 65 per cent as shown below:—

Name of Unit	Pre-incentive index	Present index
Kathara	50	70
Bokaro	40	66
Kargali	40	37
Gidi-A	45	52
Gidi-C	40	53
Jhingurda	45	63
Sayal-D	40	55
Bachra	40	42
Machine Shop	25	86
Foundry Shop	26	88
Smithy Shop	17	96
Structural shop	29	49
Tyre Shop	29	22

(e) Re: *Fixation of norms of production providing in-built incentives for production in wages*

11. Norms of production for twenty typical conditions as prevailing in mechanised opencast mines and underground mines have been worked out by the Industrial Engineering Department. Besides, based on time and motion studies in specific conditions, norms for a large number of conditions have also been evolved and such norms are being evolved and reviewed on a continuing basis.

12. Based on the norms evolved by Industrial Engineering studies for different opencast and underground mines of the company and partly with the help of analytical estimates, based on past experience and also taking into account the limitations imposed by off-take position of coal, the norms of production for all the producing units are fixed and reviewed by the Production Department from time to time.

13. Besides, the incentive schemes based on time and motion studies which are in force in many of the opencast and underground

mines in the company, such schemes are proposed to be introduced shortly in Dakra-Bukbuka, Jayant, Gorbia and Bina opencast mines and Sunda-D (scraper mining project). A productivity/production incentive scheme for motivation of the workmen in Kargali Washery has also been approved recently by the Management. While the incentive schemes in mechanised coal handling plant for workmen in Gidi-C and Jhingurdah are already in operation, similar scheme is also going to be introduced in Sayal Coal Handling Plant. In other mines, which are not mechanised, there is a system of payment to piece-rated workers, including face loaders as well as wagon loaders depending upon the actual job done by such workmen. This itself provides for in-built incent ve in wages for better performance.

14. Incentive in-built in wages, have also been introduced on *ad hoc* basis in Gidi Pilot mine. The results thereof are to be watched before such system is extended to other mines. For the success of the above incentive schemes, it is essential to provide study/unrestricted work opportunities to other workmen covered under these schemes and for this purpose, Industrial Engineering Department is carrying on regular work study programme to analyse the bottlenecks and suggest remedial measures.

15. Besides implementing and introducing the various incentive schemes, the following other measures have been introduced for bringing about increase in production and decrease in cost of production:—

(i) Working of mines in 4 overlapping shifts of 8 hours each so that no time is wasted at the coal face, especially when the working forces are quite far away from the mine entrance.

(ii) 7 days' working of mines with staggered holidays for workers so that the mines work continously on all days of the week, while each worker has to work only for six days in a week.

(f) *Re: Limits of manpower in the case of new projects*

16. The Committee's recommendation is accepted. Instructions are being issued to CCL and to the other coal companies that the manpower limits prescribed in the DPR should not be exceeded in future except with the approval of the Board of Directors, if the excess is within 10 per cent, or of the authority which approved the DPR, in other cases.

(g) Re: *Manpower being a standing item at Board meetings*

17. The recommendation of the Committee is accepted. Instructions are being issued to CCL and the other coal companies that a note on manpower should be placed before the Board of Directors for review regularly and also furnished to the Government for review at the periodical Parformance Review meetings.

18. In regard to the material to be included in the Annual Reports, a berief summary on manpower utilisation will be included in the Annual Report of the company as annual reports are not prepared for individual collieries.

Recommendation No. 37 (Paragraphs 5.28 and 5.29)

The Committee regret to note that the Corporation has not so far evolved any scientific and accurate system of calculating OMS in the different mines. The output per man shift (OMS) is calculated by dividing the total production of coal in a mine by the total number of men employed (both directly for production and also those for other allied activities) irrespective of the fact whether a mine is mechanised or manually operated. The Management has not yet been able to evolve standard indices of labour productivity of individual mines keeping in view the actual working conditions and extent of mechanisation. Though the Management agreed during evidence that in the case of opencast mines which are predominantly mechanised the output per machine hour is a more relevant criterion for judging the productivity, the Corporation has not fixed the targets of production in terms of machine hours nor compared the rate of actual production in terms of machine hours. The Committee recommend the management should take steps to fix suitable productivity indices both for labour and machinery to judge the efficiency of performance.

The Committee agree with the view expressed by the Secretary of the Ministry that one OMS target for the whole country was not correct. They recommend that standard DMS and standard cost should be calculated for each mines keeping in view the geological features, method of work, degree of mechnisation, number of persons employed etc. and a time bound programme should be prepared to complete this work expeditiously. These should be reviewed and updated once a year while setting annual programme of production and development or as and when changes take place in wage structure, methods of work including mechanisation or other factors having bearing on the working conditions in and outside the mines. The actual OMS and cost in a particular mine should be reviewed periodically with reference to the standards fixed and the critical analysis of the OMS and cost of each mine should be made with a view to improving techniques of work, deployment of manpower keeping in mind the cost benefit ratios. The Committee recommend that the Corporation should seriosuly consider the suggestions made by the Ministry in order to evolve on accurate and scientific system of calculating and comparing standard OMS with actual OMS and should not lose sight of the basic fact that the aim of the entire exercise should be not only to raise the additional OMS progressively but also to bring about reduction in the cost of production.

Reply of the Government

(a) *Re*: *Standard indices of productivity for Labour and machine and standard cost.*

Standard indices of productivity of individual mines keeping in view the actual working conditions, production programme, extent of mechanisation etc. are being evolved in the Central Coalfields Ltd. each year and incorporated in the flexible budgets and action programme of each mine. Such indices are based on the norms developed and reviewed from time to time by Industrial Engineering Department for typical and specific conditions prevailing in underground as well as opencast mines in the Company. Similarly, norms of production by major Heavy Earth Moving Machinery have been evolved to judge the efficiency of performance of such machinery. Recently, norms for utilisation of underground machinery have also been developed for the companies of CIL, including Central Coaldfields Limited and these norms have been adopted for the purpose of future comparison with actual performance of such machinery.

The standard OMS and standard cost incorporated in the flexible budgets of each mine are reviewed periodically with reference to the actual performance. Critical analysis of OMS and cost of each mine is made with a view to take note of the variance and initiating necessary corrective action as also with a view to improving performance of the individual units. With all these measures the productivity and profitability of the company have now shown upward trend as would be seen from the figures below:—

	1973—74	1974—75	1975—76
Coal production (m. tonnes)	15·55	18·31	20·69
OMS	0·61	0·65	0·75

(b) *Re: Evolving an accurate and scientific method for Calculation of OMS.*

In association with representatives from the Central Coalfields Ltd. and other subsidiaries of Coal India Ltd., an accurate and scientific method of calculating OMS has now been evolved (in Jan. 1976) by Coal India Ltd. In this, while recommending uniform system of calculating OMS, different factors which affect the OMS calculated for different mines, making the figures so arrived at incomparable have been covered. The system so developed has now been adopted by Central Coalfields Ltd.

2. It will be noticed that the Company has taken steps to work out standard indices of productivity for men and machinery in each mine. As has been rightly pointed out by the Committee and as submitted during oral evidence, the average OMS for the entire coal industry or for the whole company cannot be considered as the sale index of efficiency nor will an improvement in OMS be always accompanied by a reduction in cost. It is being impressed upon the company that they should review the actual performance of the men and machinery with reference to the standard indices and submit a report periodically in the Board of Directors for consideration and issue of suitable directions where necessary.

Recommendation No. 38 (Paragraphs 5.42 to 5.46)

The Committee find that OMS in the NCDC mines has been varying from year to year. The targeted OMS was generally less than that indicated in the Project Reports and the actual OMS was generally lower than the targets except in certain cases. OMS in the underground mines was low compared to the national average more so if the level of mechanisation in NCDC mines was taken into consideration.

The Committee have already stressed that the Management should evolve an accurate and scientific system of calculation the OMS in different mines so that the factors which affect the OMS in a particular mine are clearly pinpointed while comparing the actual OMS with the norms laid down.

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

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

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

Reply of the Government

(a) Re: *Development of standard OMS*

In association with representatives from the Central Coalfields Limited and other subsidiaries of Coal India Limited a scientific method of calculating OMS has now been evolved (in January 1976) by Coal India Limited. In this report, while recommending uniform system of calculating OMS, different factors which effect the OMS calculated for different mines, making the figures so arrived at incomparable, have been covered. The system so developed, has now been adopted by Central Coalfields Limited.

(b) Re: *Measures for improving the OMS*

For improving productivity, the Company has been taking all possible steps including provision of necessary matching inputs, improvement of utilisation percentage of machines, introduction of effective cost control measures, training the work force etc. Continuous and vigorous exercises are made by the Company at different levels for locating factors inhibiting productivity and arriving at steps for removing these constraints. These workers and their representatives are involved in production, productivity and cost reviews etc. are provided from time to time to the members of the Company Consultative Committee which has equal number of representatives of Management and workers. The following table shows the improvement in production, productivity, despatches etc. The figures of production, productivity and cost.

	1973—74	1974—75	1975—76	% increase in 75—76 over 74—75
1. Production :(a) Coal	15·55 (M. tes.)	18·31 (M. tes.)	20·69 (M. tes.)	13
(b) Washed Coal	2·25 (M.tes.)	2.67 (M.tes.)	3·17 (M.tes.)	19
(2) Productivity (O.M.S.)	0.61	0.65	0.75	15
3. Despatches	15·16	17·50	18·60	6
4. Manpower	107151	112393	112949	

The number of persons exposed to managerial and professional training programmes with a view to improving their skills and trade is indicated in the table below:—

	1973—74	1974—75	1975—76
Officers	39	64	309
Staff & workers	184	288	408
Security Personnel	335	535	1195
Vocational Training (Workers)	7000	8000	

The table below shows improvement in the availability and utilisation of principal items of machinery used in CCL.

	1974—75		1975—76		1976-77 (till Aug.)	
	Avail.	Utili.	Avail.	Utili.	Avail.	Utili.
Shovel . .	76·2	46·7	79·83	47·71	91·00	66·00
Dumper . .	46·2	31·5	57·17	45·14	66·01	49·85
Dozer . .	52·8	34·7	57·63	37·53	58·05	44·98
Drill . . .	66·6	25·1	63·90	32·85	65·02	42·18

As a result of vigorous persuance of the measures mentioned above and with progressive mechanisation of mines, improvement in wage structure, housing, health facilities and working condrtions, about which the Committee on Public Undertakings are aware, further improvement in OMS has been brought about, as may be seen from the figures below:

	1973—74	1974—75	1975—7
Erstwhile NCDC Collieries . . .	0·75	0·86	0·99
Taken over units . .	0·43	0·43	0·50
Overall	0·61	0·67	0·76

(c) Re: *Improvement in working conditions of labour, their participation in management and healthy labour management relations.*

The subject of bringing about improvement in working conditions of workmen has been receiving particular attention of the management. In fact, not only the statutory provisions (under mines Act and the regulations and rules made thereunder are followed by the management but also the subjects of ventilation lighting, dust suppression, sanitation, drinking water supply at work sites, canteen; creche and pitheads bath facilities, are taken care of by the management at different levels on regular basis. 59 main ventilation fans and 7 auxiliary fans were provided at the collieries during 1974-75 and 1975-76. Apart from providing electrical fittings, 94 nos. of lighting transformers 100 KVA each have been installed at the collieries during this period. Effective steps have been taken for improving the housing water supply, schooling, medical and recreaional facilities.

So far as labour-managed relationship is concerned there is by and large industrial harmony prevailing in the various units of the Company (CCL). The workers' participation scheme was announced by the Central Government (August, 1976) after promulgation of the present Emergency. This was a desirable step. The Central Coalfields Ltd. had in fact taken the initiative in that direction even in November, 1974. Consultative Committees are functioning at the Company, Area and colliery levels.

(d) Re: *Assistance in removing bottlenecks*

Difficulties in regard to transport, power and other inputs whenever they arise are brought to the notice of the Deptt. of Coal and prompt action is taken through the administrative departments concerned to remove the difficulties. Such matters are also discussed at the periodical performance review meetings and all assistance is rendered to the company in the matter of securing adequate wagons, power supply and machinery and in financial matters such as realisation of their sales dues.

(e) Re: *OMS to be a standing item for Board meeting*

Instructions have been issued that OMS should be a standing item on the agenda of all Board meetings and the performance review meetings taken by the Ministry.

Recommendation No. 39 (Paragraphs 6.17 to 6.25)

The Committee regret to note that the Management have not fixed the standard cost of production for each mine on the plea that the concept of Standard Costing has not relevance in mining industry even though they have themselves opened during evidence before the Committee on Public Undertakings (para 10.21 of 67th Report 4th Lok Sabha) that the only way to determine the reasonableness of the cost of production was by ascertaining the standard cost under each component of cost.

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

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

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

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

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

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

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

The Committee also note that upto 1967-68 there was no system of reconciliation between cost accounts and financial accounts. From 1968-69 onwards the reconciliation was done on an annual basis even though periodical financial accounts were prepared from 1969-70, it has been stated that the preparation of periodical financial accounts and their reconciliation with the cost accounts have become practically difficult due to large afflux of costing and accounts personnel from NCDC consequent on the taking over of coal mines in 1971—73. The Committee are informed that efforts are being made to recruit qualified Cost and Chartered Accountants. As no system of costing can be considered sound unless there is a reconciliation of cost accounts with financial accounts, they hope that the Management will soon complete all necessary measures to fill the void in the organisation and ensure that there is a regular system of reconciliation of cost figures with financial accounts.

Reply of the Government

(a) Re: *Working out standard cost of production*

The Company had started preparing flexible budget for each mine since the year 1973-74. Budgetary norms (standards) for each item of cost are fixed after detailed analysis of post performance, production capacity, extent of mechanisation, productivity level to be achieved and accepted statutory norms such as wage Board norms.

(b) Re: *Analysis of cost of production*

Periodical variance analysis is done for each of the mines and put up in the Coordination meeting of Departmental heads and General Managers of Area for detailed discussion and decision.

During 1975-76 these exercises were also carried out in depth at each area level and proper corrective measures were identified and are under implementation. These exercises were also carried out in 1976-77. In course of such exercises, item-wise cost reduction proposals for controllable cost at unit level are being examined.

(c) Re: *Cost of production to be a standing item on the Agenda of the Board meetings.*

It has been decided that, as desired by the Committee the material on the lines suggested by them would be placed by the Board of Directors regularly.

In regard to the material to be included in the Annual Reports, the difficulty is that the Company does not prepare annual reports of each mine. While it may not be possible to report on each colliery separately in the Annual Appraisal of each colliery with reference to their performance it is being prepared by the companies and from that a summary with regard to the cost and performance, including manpower utilisation would be included in the Annual Report.

(d) Re: *Cost Account Department to be Integral part of the Management*

As recommended by COPU, in the present set-up, the cost Accounts Department forms an integral part of the management of each colliery.

(e) Re: *Reconciliation of cost accounts and financial accounts*

Arrangements have been made to re-concile the cost accounts statements with financial accounts every quarter and also at the end of the year. A detailed procedure has also been laid down and circulated in May, 1976. Audit have observed that no reconciliation had been made till March, 1977. The Company has been advised to effect the reconciliation of accounts without further delay.

Recommendation No. 40

The Committee note that a bicable ropeway installed for the transportation of coal from Bokaro Colliery to the Kargil washery had to be discarded in July, 1963 because of its unsatisfactory performance and it was decided to change over gradually to complete wagon transportation. Orders for the procurement of wagons to replace unfit wagons and to augment the fleet was placed in 1964, 1965, 1966, 1967, 1968, 1969 and 1974. Since 1963 the raw coal is being transported partly by trucks through contractors and partly by Company's own railway wagons. With a view to maximise movement of coal by rail and ensure progressive elimination of road transportation from Bokaro, Kargali and Chalkeri Collieries, a comprehensive scheme was formulated only in May, 1968. Although the scheme had been completed its advantage could not be taken till now because of the non-availability of wagons for the movement of coal. The Committee are informed that if the scheme had been out into operation in time the Corporation could have moved additional quantities of coal by rail which was much cheaper than road transport and saved Rs. 5.87 lakhs during 1971-72 and 1972-73.

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

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

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

(Para No. 7, 23 to 7.26)

Reply of the Government

As considered by the Committee on Public Undertakings a Committee was constituted to investigate the matter regarding delay in change over from road transport to rail transport for the movement of coal from Bokaro and other collieries to Kargali Washery. For the reasons given in Annexure III of the Report, the Committee has come to the conclusion that it is not possible to fix responsibility on any individual for the delay in deciding the change over from road transport to rail transport. It will be seen from the Committee's report that due to the scarcity of steel in those years, the requisite number of railway wagons could not be procured even though vigorous efforts had been made both by the NCDC and by the Government to secure larger alocation of steel for the manufacturers. It also appears that even if the management had prepared a long term plan to replace unsuitable wagons and augment fleet they might not have succeeded in view of the dearth of steel and wheel sets. The Committee has, however, observed that the Purchase Department of NCDC took a long time in processing the case and placing orders on the firm. They have not, however, been able to fix responsibility for this delay. Coal India Ltd. is being advised to examine whether this is due to any defect in the procedure for purchase and if so to take suitable remedial action.

The Committee's observation that the study of the transport requirements and departmentalisation of road transport should be expedited, has been noted. The process has already started by the introduction of a fleet of 12 departmental trucks in the Dhori Group of collieries and two trucks in Kargali Colliery.

As mentioned earlier, the Government had taken up the allotment of steel on priority basis for the procurement of wagons for NCDC in the past. It is not expected that there would be any difficulty now due to the comparatively easy availability of steel. However, if any assistance is required, the same will be rendered by the Government.

Recommendation No. 44

The Committee note that a test check of the records for the period from December, 1967 to December 1970 revealed that an estimated quantity of about 2.17 lakh tonnes of fine coal in slurry valued at about Rs. 1.23 crores flowed into the river Damodar and could not be recovered although there was provision to manually collect the slurry in the ponds constructed outside the washery. Similar loss of fine coal in slurry during 1958 to December, 1963 valued at about Rs. 2.04 crores was pointed out by Kamath Committee appointed by Government in July, 1967.

The Committee are informed that on the basis of Kamath Committee Report the then Chairman of NCDC examined the matter regarding loss of coal fines with the assistance of the Chief of Coal Washing Division, Central Fuel Research Institute, who submitted his Report in July, 1971. After study of this Report, the Chairman NCDC felt that the issues were rather more complicated than were envisaged by the Kamath Committee as desired that the Report of the Chief of Coal Washing Division might be placed before the Board of Directors after obtaining the views of the Technical Director and orders of the Chairman-*cum*-Managing Director. The Committee regret to note that this important matter was not placed before the Board of Directors.

The Committee take a serious view of this omission and recommend that reasons for this serious lapse should be investigated responsibility for the lapse fixed and action taken against the officers responsible therefor.

The Committee are informed that the difference in the measurements between the output and input of coal was due to the comulative effect of various factors such as lack of proper arrangements for weighment of coal and the presence of shales in the coal. The Management have also stated that the accountal was being done on the basis of volumetric measurements and the output of coal from the washery had been weighed in different types of scales. The Committee, however, find that there were no records either in the collieries or in the washery to indicate that there was any discrepancy between the quantity of raw coal despatched and the quantity of raw coal recorded to have been received at the washery. There is also nothing on record to show that the washery management ever brought this discrepancy to the notice of higher management.

The Committee also note that though it was earlier stated that manual recovery of slurry from the slurry ponds had stopped from October, 1972 as a result of improvements|modifications made in the washery during July, 1972 to September, 1972, they find that manual recovery of slurry had again started from February|March, 1974 and there was a further shortage of 90.671 tonnes of Coal fines during the period from a period from April, 1973 to May, 1975.

The Committee regret to note that there are no regular arrangements for accurate weighment and accountal of coal at different stages with the result that the discrepancies between input and output continue to exist. The Committee would, therefore, like that NCDC|Government should take immediate steps to set right the position by ensuring proper weighing arrangements and for reconciliation of records regularly. The Management should also take steps to investigate the reasons for discrepancies fix responsibility and take action against erring officials and other concerned and take suitable remdieal action for obviating recurrence. The Committee strongly deprecate the continued lack of concern shown by the Management over the huge loss suffered by the Corporation since 1958 on account of their inability to check the outflow of fines. They recommend that the entire matter regarding loss of fines starting from 1958 should be thoroughly investigated by a high Powered Committee which should *inter alia*, have representatives of Audit. Fuel Research Institute, Finance etc. in order to determine precisely the extent of loss of coal fines, to pinpoint lapses and fix responsibility and recommend action against erring officials and others concerned for the huge losses suffered by the Corporation. The Committee would like this investigation to be completed within six months and they should be informed of the outcome of the investigation and action taken in the matter.

The Committee also note that in his Report the Chief of Coal ashery Division, EFRI, *inter alia*, observed that a sharp rise in the cost per tonne of raw coal on account of manual recovery off slurry from the slurry ponds since 1965 and especially after the expension of slurry circuit in 1960 till 1969, only proved the uttter negligence in operation and also implied indirect encouragement to perpetuate the manual recovery of slurry at the cost of NCDC. The Commit ee are greatly concerned to not that manual recovery of slurry has been revived. They recommend that the economics of manual recovery *vis-a-vis* mechanical recovery should be urgently examined by Government|Corporation having regard to the technical requirements so as to bring about improvements and effect economics. The Committee have already recommended in Para 7.49 of this Report that the Management should investigate the total loss incurred by Corporation as a result of manual recovery of coal fines *vis-a-vis* mechanical recovery and responsibility for delay in carying out necessary modifications in the plant for mechanical recovery of fines should be fixed.

The Committee expect that while investigating the matter, the report of the Chief of Coal Washery Division, CFRI, would be kept in view.

The Committee also note that 47,046 tonnes of slurry recovered manually during February|March 1974 to May, 1975 was transported to the washery through contractor at a cost of Rs. 2.14 lakhs. They would like to be informed about the reasons for awarding the work to a private contractor and whether the work to a private contractor and whether the work could not be done departmentally. In this connection, the Committee would also like to reiterate their earlier recommendation (Paragraph 7.25) that the Management should expedite the departmentadisation of road transport in order to avoid dependence on private contractors and reduce cost of transportation.

The Committee recommend that Government should review arrangements for weighment of coal recovery and transport of coal fines especially through private contractors in each of the Washeries to make sure that lapses and deficiencies as noticed in the present case are not allowed to persist there. The Committee would like to be informed about the result of such a review and the action taken by the Management in the light of the lacuna|deficiencies pointed out by the Government within three months of the presentation of the Report.

Reply of the Government

1. The matter has been looked into as desired by the Committee. Coal Fines are recovered in Kargali washery, All trucks that transport the fines which are recovered from this washery are weighed in weightbridge which has been installed at the washery. As the other washeries of the company are designed on close circuit basis there is no loss of washed coal fines and the question of their transportation does not arise.

2. As desired by the Committee on Public Undertakings a Committee was constituted in April, 1976 to investigate the loss of fines and other matters in Kargali washery. The Committee has since submitted its report Annexure VIII. The Committee felt that taking into account the estimate of fines lost from time to time, the loss in fines mounted with increasing capacity utilisation of the washery. Taking into account the lower load factor at which the washery was operating in the initial phase and the fact that the recovery plant was new, the Committee felt that, the actual recovery must have been better than that observed in 1964 when the manual recovery started.

3. The Committee therefore, felt that during this period the actual loss of coal fines must have been much less than 2 per cent and may be considered technically within permissible limits. The Committee also felt that for a washery of this type, a loss of 1-1|3 to 2 per cent is within the expected norms of operational efficiency of the plant. The Committee has also recommended that the use of flucculent should be given another trial as they are of the view that this will help in the machanical recovery of coalfines in a more efficient manner. This recommendation of the Committee has been accepted and necessary instruction is being issued.

Recommendation Sl. No. 47, Para Nos. 7.120, 7.123 to 7.128

The committee find that the Sawang Washery which was scheduled to be completed by September, 1967 was actually commissioned in April, 1969. There was further delay of about one year in completing the trial runs because of lack of demand for coal. There was lack of demand for clean coal in 1970-71 also due to delay in the commissioning of Bokaro Steel Plant. The washery was, therefore, brought on revenue account only with effect from April, 1971.

The Committee find that whereas the builtup capacity of the Sawang Washery was to produce 5 lakh tonnes of clean coal, the demand during the years, 1971-72, 1972-73 and 1973-74 was never more than 3 lakh tonnes. They, therefore, conclude that the builtup capacity remained under-utilised due to lack of demand. The Extent of Utilisation of Built-up capacity during the years 1971-72, 1972-73 and 1973-74 was only 31.4 per cent, 36.4 per cent and 44.6 per cent respectively. The available capacity of the washery (on one shift basis) during these years was only half of the built-up capacity and even this capacity was not fully utilised although the demand for washed coal was more than the available capacity. The extent of utilisation of the available capacity during the years 1971-72, 1972-73 and 1973-74 was 64 per cent 72 percent and 88 per cent respectively. The washery could not meet even the low level of demand due to inadequate availability of power and inadequate supply of raw coal from the Sawang Colliery. As a result of under-utilisation of the capacity, the Corporation suffered a loss of over Rs. 75 lakhs during 1971-72 to 1973-74.

The Committee are informed that the Sawang Washery is at present working to 75 per cent of built-up capacity and it is possible to reach the break-even point at 85 per cent utilisation of capacity. They hope that the constraints of power shortage and inadequate supply of raw coal from Sawang Colliery which affected production in the

Washery in the past resulting in heavy losses will not be allowed to recur and all possible measures will be taken to ensure that the Sawang Washery not only meets the present demand of clean coal in full but is also geared to work to the rated capacity to meet the rising demand.

The Committee further note that while on the one hand the bulk demand of clean coal from steel plants had not materialised, on the other hand the middlings were also low fusion temperature. They are informed that the Corporation has decided to increase the capacity of the washery from 0.75 million tonnes input to one million tonnes input per annum. The expansion plan also includes a scheme to beneficiate middlings by rewashing so as to make them of acceptable grade for Patratu Thermal Station.

In the opinion of the Committee the expansion of the Sawang Washery at a time when it is not able to operate at the ,capacity already set up, will be premature and disturb the economies of the washery and the question of expansion should be considered only after a firm demand for clean coal equivalent to the present capacity of the washery is established and the supply of adequate quantity of raw coal is ensured and the washery is able to work to the full or near full capacity. They further feel that the question of low wash fusion temperature of the middlings should be independently examined and a solution found out to make the quality of the middlings suitable for supply to Patratu Thermal Station or any other power Station if there is a firm demand for the middlings from the Patratu or any Power Station or from other consumers.

(Para No. 7.120)

The Committee find that about 1.16 lakh tonnes of middlings are lying in stock at the Swang Washery as on 31st December, 1974. They would like to urge that urgent steps should be taken to find market for the middlings so that stacking might not lead to any fire accident.

(Paras Nos. 7.123 to 7-128)

Reply of the Government

(a) *Utilisation of Sawang Washery*

With the improvement of power supply, greater availability of Box wagons, increase in demand for washed medium coking coal and gearing up of the organisation and working of Sawang Washery, its

performance has progressively improved during the preceding few years, as may be seen from the table below:—

Year	Utilisation percentage
1971—72	30·00
1972-73	34·66
1973-74	42·66
1974-75	54·66
1975-76	76·10

The washery has reached the break even point.

(b) *Expansion programme*

The expansion of Sawang Washery is not being taken up in the Fifth Plan period. The programme will be phased to match as far as possible with the increase in the steel plants demand for medium coking coal and the increased availability of raw coking coal for input into the washery.

(c) *Market for middlings*

The tests conducted so far do not show any appreciable improvement in the ash flusion temperature while would render the middlings acceptable to patratu power station after rewashing. The matter is being examined further with a view to use the middlings (sinks) for other purposes. In the meantime despatch of small quantities of the middlings continues with the result that the stock at the washery in July, 1976 had reduced to 75,000 tonnes (against 1,16,000 tonnes mentioned in the report).

Recommendation (Sl. No. 48, Paragraphs 7.137 to 7.139)

The Committee note that the Construction of the Kathara Washery was started in May, 1964 and was completed in December, 1969 at a cost of Rs. 13.93 crores. As in the case of Sawang Washery, the Kathara Washery also faced lock of market for clean coal. The washery was brought on revenue account only from April, 1971. During the years 1971-72, 1972-73 and 1973-74 the utilisation of the capacity of the washery was only Rs. 13.7 per cent, 36.7 per cent, and 43.5 per cent respectively as against the break-even stage of 80 per cent of utilisation. The Committee are constrained to observe that such low utilisation of capacity due to lack of demand only indicates lack of proper planning in creating the washery capacity in the country. As a result of under-utilisation of capacity the

Corporation suffered a loss of over Rs. 206 lakhs during the above years.

The Committee are surprised to note that while on the one hand the capacity in the washery remained under utilised reportedly due to the demand, on the other hand the washery would not meet even the present demand in full. This has been attributed to frequent power interruptions, inadequate supply of power and erratic supply and shortage of wagons for transportation of coal. The Committee strongly stress that Government should take concrete measures to remove these bottlenecks so that the production in the washeries is not hampered due to these avoidable constraints and the Kathara washery can start meeting at least the present demand in full and cut its losses.

The Committee also recommend that Government|Corporation should study the demand and supply position on clean coal, draw up a comprehensive plan and pursue it vigorously in order to raise progressively the capacity utilisation of the Kathara Washery so as to take it to the rated capacity at an early date.

Reply of the Government

The Kathara Washery was planned to meet the requirements of medium coking coal of the steel plants including Bokaro Steel. Even though pilot plant tests had established the suitability of Kathara Washed coal for metallurgical purposes, the Rourkela, Bhilai and Durgapur Steel Plants were not initially satisfied with the results of the large scale plant tests conducted by them and were reluctant to use Kathara washed coal in their blends. The Bokaro Steel Plant which was originally expected to be commissioned during the 3rd Plan Period i.e. before 1965-66, was actually commissioned only in 1972. The delay in the construction of Bokaro Steel Plant and the reluctance of the other steel plants to use Kathara coal in substantial quantities resulted in the demand for Kathara washed coal being much less than anticipated during the period from December, 1969 when washery was completed, till 1971-72. The washery had, therefore, to be operated at below capacity during this period for want of demand.

2. From 1971-72 onwards, there was increased demand for Kathara Washed coal due to the steel plants agreeing to accept pertially the blend pattern as recommended by the Committee on Rational and Equitable Distribution of Coking Coal (1969), including the supply of Kathara Coal to Bhilai, Rourkela and Durgapur

steel plants in substantial quantities. By this time, however, due to the disturbed conditions prevailing in the Eastern Region, frequent power breakdown and transport difficulties and due to action defects in the design which could not be detached earlier the washery was not able to work to its built-up capacity. The C.C.L. Road been asked to take action to rectify the design defects if not already done.

3. From the above facts it will be evident that the washery had been constructed on the basis of the steel production capacity planned in the Third and Fourth Five Year Plans and that pilot plant tests had established that the washed coal of Kathara was suitable for metallurgical use. The offtake of Kathara washed coal did not materialise adequately due to reasons entirely beyond the control of the NCDC, namely, lack of demand till 1971-72 and power and transport shortage thereafter till 1973-74.

4. During the last two years, the availability of power as well as of rail transport has improved substantially and as a consequence, there has been progressive improvement in the percentage utilisation of Kathara washery. The utilisation percentage during the last few years is shown below:—

Year	Utilisation percentage
1971-72	13·20
1972-73	33·00
1973-74	38·66
1974-75	42·00
1975-76	49·00
1976-77 (April to August)	59·00

In order to improve the percentage of utilisation still further, a scheme has been drawn up for resolving certain technological problems connected with the fine coal section of the washery. This scheme is under implementation and the results are expected to materialise early.

5. A comprehensive study of the demand and availability of coking coal (raw as well as washed) was made by a Committee under the Chairmanship of Secretary, Department of Coal in September, 1975. The programme recommended by the Committee envisaged progressively greater utilisation of the capacity of Kathara washery. However, the production programme of the steel plants has been

revised downwards after the submission of the Committee's report and the coking coal production programme has accordingly been regulated to the requirement of the steel plants. Currently, all the requirements of the steel plants for coking coal including washed coal, are being met in full and the steel plants have in fact built up substantial stocks of coal with them. The power supply position as well as the transport availability continue to be good and it is expected that with the increasing demand for coal of the steel plants with the commissioning of the additional units at Bokaro, there will be progressively greater utilisation of the capacity of the Kathara washery.

Recommendation No. 49 (Paras 7.146 and 7.147)

The Committee find that feasibility studies in respect of Ramgarh and Sudamdih Washeries were conducted in 1965-66 by the Central Fuel Research Institute on payment of Rs. 25,000 each. An amount of Rs. 10,000 was also spent for analysis of some bore holes in connection with Pundi Washery. The Project Report for Sudamdih Washery was prepared in 1967 with the help of Polish collaborators for which a payment of over Rs. 2 lakhs was made to the Mining and Allied Machinery Corporation. The programme for the construction of these washeries was not, however, followed up for certain reasons.

The Committee regret to note that the feasibility report and the Project Report for the Sudamdih Washery was taken up without having sufficient data about the Sudamdih Mine and its coal, in spite of the warning by Director, CFRI who was also one of the Company's Board of Directors, in November, 1965 against proceeding with the construction of the washery without sufficient data. The Committee would like the Government/Corporation to learn a lesson from this. They hope that the expenditure incurred on project report, in which the Bharat Coking Coal Ltd. has now evinced interest, will not be entirely infructuous in view of the new developments.

Reply of the Government

A coal washery project at Sudamdih with a capacity of 2 million tonnes per annum has been approved by the Government. While preparing the project report, CMPDI have made full use of the data collected earlier by NCDC and also of the technical portion of the feasibility report prepared earlier by NAMC. The expenditure incurred earlier is not therefore entirely infructuous. Further, detailed information regarding the Sudamdih coal and coals from neighbouring areas has been collected and CFRI has been consulted while formulating the project.

Recommendation No. 50 (Paras 7.150 and 7.151)

Considering the heavy investment made in the existing washeries the Estimates Committee (1974-75) in their Sixty-eighth Report (Fifth Lok Sabha) on Availability & Distribution of Coal have recommended that all out efforts should be made to optimise the functioning of these washeries before setting up new units. They have desired that the matter should be examined in depth. The Estimates Committee have sounded a note of caution that it was considered to be an inescapable necessity to set up new washeries, the difficulties and bottlenecks encountered in the working of the existing washeries to their full capacity should be fully taken into account and provided for while planning the new washeries so as to ensure their efficient functioning.

The Committee reiterate the above observation/recommendation of the Estimates Committee and stress that concerted efforts should be made by Government/Corporation to ensure full utilisation of the existing washery capacity before setting up new capacity and the future programme should be drawn up realistically after ascertaining the demand for washed coal and availability of raw coal and also keeping in view the available capacity in the existing washeries.

Reply of the Government

The observations of the Estimates Committee and the Committee on Public Undertakings regarding optimising the functioning of the existing washeries before setting up new units have been noted. Before sanctioning the construction of new washeries the possibility of optimising the working of existing capacity is always kept in mind and the construction of new washeries would be planned in such a manner that there is maximum possible utilisation of the available washing capacity for the coals produced in their respective command areas. The demand and availability of washed coal were gone into in great detail by the Committee to Review plans for coal supply to steel plants during the Fifth and Sixth Plans, in September, 1975. The requirements have been reviewed in the light of revised hot metal production programme. The construction schedule of new washeries will be coordinated to the maximum extent possible with the growth of demand for washed coal.

Recommendation No. 51 (Paras 8.12 to 8.14)

The Committee regret to note that no proforma-accounts were prepared for the NCDC workshops at Barkakana, Korba and Giridih upto 1972-73. Though profora-accounts were prepared during 1973-74, the Committee find that no job estimates were prepared either for repair jobs or for manufacturing jobs indicating the time, labour, materials required etc., with the result that no control cost of repairs or of manufacture is possible. It was stated that the control over the expenditure and performance of workshops was exercised through job cards which were prepared for each job and the user units were charged upto 1970-71 on the basis of actual cost plus overheads at a percentage of direct wages and thereafter on the basis of market rates/standard price. The Committee fail to understand as to how the performance of the workshops could be judged and how in the absence of job estimates, control on costs could be exercised merely on the basis of job cards which could only indicate the actuals. The Committee, therefore, recommend that the management should follow the scientific procedure for maintenance of workshops so that control on the performance of the workshops both in physical and financial terms may be exercised and cost of jobs are not unnecessarily inflated.

The Committee also note that there had been delays in the repair of heavy earth moving equipments in the Barkakana and Korba Workshops due to non-availability of critical items and spare parts. The Committee need hardly stress the importance of adequate provisioning of spares in the workshops which are mainly intended for repair jobs and recommend that Govt./Corporation should take suitable steps to overcome these problems so that the repair and manufacture of vital equipments are not unduly delayed ultimately having an adverse effect on production.

The Committee are informed that the Management developed 3020 indigenous items of spare parts upto August 1973 but they had ascertained the market price for only 917 items. On an average about 600/800 items are being developed every year. Since 1970, the user units have been charged for the manufacturing jobs on the basis of market rates/standard price in respect of items for which market prices have been ascertained and other jobs are charged as before, on the basis of actual cost. The Committee are informed that the items developed indigenously in the workshops have been deleted from the import list and these items are not allowed to be developed for manufacture from other indigenous sources. The

Committee feel that the absence of any mechanism to ascertain/examine the reasonableness of cost of production do not make for a sound or scientific pricing policy for accounting. The Committee recommend that standard and actual costs of production of each item should be worked out periodically and compared with each other and also with the market rates, where these are ascertainable and constant efforts made to bring down the costs of production.

Reply of the Government*

(a) Regarding scientific procedure for maintenance of Workshop.

To have a control on the performance of Central Workshops, both in physical and financial terms, the following scientific procedures are being followed:

(i) *Barkakana Workshop*

Job estimates are framed before hand for each type of job undertaken at the following shops:

(a) Structural shop	(August 1966)
(b) Foundry shops	(January 1966)
(c) Tyre Retreading shops	(February 1966)
(d) Smithy shops	(March 1966)
(e) Machine shops	(January 1936)

Variance between actual cost and estimated cost is worked out and reasons for unfavourable variance if any, are investigated and necessary corrective action taken for future guidance. This was introduced in 1970.

In the shops like Engine Repair, Electrical Repair and Heavy Repair, job estimates are prepared for standard and repetitive items of work. This was started in 1971.

For each shop, monthly and annual physical targets, based on capacities arrived at as a result of industrial engineering studies, are fixed, achievements are regularly monitored and corrective action taken wherever necessary.

Labour productivity norms are also laid down by Industrial Engineering Department and effective steps taken wherever it falls short of these norms.

*At the time of factual verification Audit have stated: Local Audit Verification is awaited.

(ii) *Korba Workshop*

Estimates are prepared for all manufacturing jobs. For repair jobs shop-wise estimate is made at the beginning of the year where total labour available etc. are estimated and bills on the consuming concern are raised on the basis of actual hours of work done. Seperate job cards are maintained for each job. The Company proposes to introduce job estimating for repair jobs also.

(iii) *Giridih Workshop*

This is a small unit in which manufacture of coal-tubs and ferrous castings are the major items of production. The rest of the jobs are for reparing and overhauling and for critical spares against specific orders. Due to small outlay and limited scope of work, the organisation has minimum number of supervisory persons. In the expansion scheme a casting cell has been provided. The recommendation of COPU regarding job estimates has been noted for compliance. Annual targets have been fixed for the different shops.

(b) *Regarding provisioning of adequate spares*

(i) *Barkakana Workshop*

The delay in repairing of vital equipment in the Central Workshop, Barkakana due to non-availability of critical spare parts has been eliminated or considerably reduced as a result of the following steps which have been taken for this:—

(1) Most of the HEMM viz. shovels, dumpers and doxers etc. which are indigenously available, have been standardised and number of items of spare parts required has come down consequently.

(2) With the supply order for initial set of main equipment order for spares to the extent of 5 per cent of the capital cost of the machinery is also being placed as a regular practice.

(3) An agreement for acceptance of "open order" for supply of spares to the company has been arrived at with M|s. BEML (a Government Undertaking), suppliers of a large number of items of HEMM and spares. Accordingly, the company, would straightaway place orders with the firm for supply of the spares it needed. Such an order

would include merely name and number of the items required. On receipt of such an open order, the items in question would be supplied by the Firm, against the selling price as ruling on the date for the purpose of supply to Government Department/DGS&D. They would also indicate the exact delivery schedule depending upon the availability position of the items in question and in case any items is not available ex-stock, this would be supplied only if the modified delivery schedule so indicated is agreeable to the company. By introduction of this system; the time in getting the spares would be reduced considerably.

(4) Import of critical spares through the Imprest Foreign Exchange available with Ministry is being arranged.

(5) Vigorous efforts are made for indigenous development of spare parts in the company's workshop and also through other entrepreneurs in the country.

(ii) *Korba Workshop*

Spares required for heavy earthmoving equipment needed import for which difficulty was felt in the past. Recently the difficulties have been sorted out and the position is improving.

(c) *Regarding comparison of actual cost of production with standard and market costs*

Standard and actual cost of production are worked out regularly and compared with each other and also with the market rates wherever available. Variance if any, is investigated. Corrective steps are taken to see that the cost of production is brought down to reasonable level wherever necessary.

Recommendation No. 52 (Para 8.22 to 8.23)

The Committee note that there was wide disparity between the labour hours actually spent on the execution of jobs and standard hours required therefor in the Barkakana Workshop. The actual hours spent on jobs have been generally between 200 and 300 per cent more than the standard hours. In the case of forge|smith shop these were 450 per cent more during 1970-71. The Chairman, CMAL admitted that this meant excess payment made to the labourers and therefore loss. The Committee are informed that this wide disparity has been attributed to short supply of materials, spare parts and gases. Certain types of machines could not be fully utilised on account of lack of job orders. In order to utilise the capacity of the workshop the Management are stated to have been seeking orders from outside parties. The Committee regret to note that the Corporation has not so far succeeded in securing sufficient job orders from ouside parties to keep the man and machines fully engaged. They would like the Corporation to make more various efforts to secure more jobs from the public and private sector enterprises and Government departments in the region, in order to utilise the manpower in full. They would also urge the Corporation to take measures, if necessary, with the help of the Government, to ensure that shortage of materials, spare parts and gases no longer results in the labourers remaining idle.

The Committee recommend that the Corporation should immediately undertake a review of the capacity of men and machines in the light of the standard indices of labour utilisation *vis-a-vis* the job position and if in spite of its best efforts, it cannot find enough work for them all, it should devise schemes to deploy the surplus men and machines elsewhere as overstaffing not only adds to the cost of production but also creates many administrative and human problems which should best be avoided.

Reply of the Government

(a) *Regarding seeking more jobs for utilisation of manpower in Barkakana Workshop and ensure adequate supply of raw materials and spares*

The workload in the Barkakana Workshop has been gradually building up, now there are enough jobs for the Workshop. Since December 1975, operations in the Workshop have started in two shifts (instead of one shift earlier), it remains fully loaded and there is no spare capacity nor surplus labour. All workmen are fully utilised.

The Company has been approaching Government whenever needed for necessary help in procuring raw materials like iron steel etc. the position has considerably improved now and there is no difficulty with regard to raw materials like iron, steel and gases. As for spare parts, foreign exchange is arranged to cover the requirement. Import of spare parts against Foreign Exchange Imprest held by the Ministry is also being arranged and the F.E. so available utilised. Indigenous development through the company's Central Workshop and through the sources available in the country is also being encouraged and a good amount of success has been achieved in this direction. Problem of "spare parts", stands solved to a great extent.

(b) *Regarding review of men and machines,* vis-a-vis *standard indices and alternative deployment of surplus men.*

Regular review of the actual capacity of men and machines *vis-a-vis* "standards" is being undertaken by the section of the Industrial Engg. Department attached to the Workshop. Accordingly, at present there are no surplus men and machines and hence the question of their alternative deployment does not arise. According to the latest progress reports the output in different sections of the Workshop is very good, in some cases in excess of the target even.

Recommendation No. 53. (Para 8.31)

The Committee find that in the Korba Workshop the annual targets fixed for the Workshop were less than the capacity indicated in the Project Report and the actual production was generally lower than even the tragets fixed. The Heavy Repair Workshop had not been fully organised for want of sufficient work load. The under-utilisation of the Workshop capacity was stated to be partly due to inadequate supply of materials, spare parts and partly due to lack of jobs. It was stated during evidence that the management had been able to secure orders from many outside parties also and it was running on a reasonable capacity. In the year 1973-74 the value of works had gone up to approximately Rs. 141 lakhs as compared to Rs. 84.59 lakhs during 1972-73 The Committee hops that the Management would continue to make concerted efforts to fully utilise the capacity in the workshop by securing adequate orders particularly from more public sector undertakings and by providing the necessary inputs like spare parts, etc.

Reply of the Government

The turn over of the Workshop at Korba is given below :—

	Lakhs	
1972-73	84·50	
1973-74	141·00	(As per report).
		123·83 (Actual)
1974-75	148.33	(Proforma,
1975-76 (1st half)	77.00	(Approx)
1975-76 (Full Year)	167.00	(Approx)

From the above, it may please be seen that the turnover position has been steadily improving. The company is constantly exploring possibilities of obtaining outside orders as much as possible to improve capacity utilisation.

Recommendation No. 56 (Para No. 9.5 to 9.7)

The Committee are surprised to find that while on the one hand there was shortfall in production of coal on account of lack of orders, on the other hand the Corporation was unable to meet all the orders received. The shortfall in despatches against the orders was to the extent of 6.03, 6.80 and 3.51 million tonnes during the years 1971-72, 1972-73 and 1973-74 respectively. This shortfall has been attributed to transport difficulties and variations in the volume of orders and the ratio to there of between steam and slack coal from month to month on different collieries.

The Corporation was also unable to cater to the requirement of small consumers because they had to load single rakes of 42 box wagons each whereas the private sector collieries were allowed to pool their loading to the same customer. The Committee are not sure how far the Ministry of Railways was justified in insisting on the N.C.D.C. to load box wagons rakes as single sidings especially when in the process which verged on discrimination against NCDC as compared to the than private sector collieries, it was the small consumers and the public sector undertaking who suffered. The Committee would like that the matter should be thoroughly invesigated by the Ministry of Railways to find out as to why such a discrimination was made against a public sector undertaking in this regard. The Committee would like to be informed of the result of enquiry.

The Committee need hardly stress the need for sorting out all the difficulties relating to the transportation of coal at the highest level and on a top priority basis. The Committee hope that the Ministry of Railways would not be indifferent to the difficulties of NCDC in this regard, and would not hesitate to adjust as far as possible the traffic pattern to take care of the Corporation's difficulties and would also ensure speedy and timely availability of wagons for transportation of coal. They would also like NCDC to examine the impediments in the way of its following the traffic pattern adopted by the Railways and devise ways and means of removing the impediments and streamlining the loading system so as to ensure that there is no shortfall in despatches against the orders received. The Committee would also like the Ministry of Energy (Department of Coal) to help NCDC sort out the difficulties which it faces in transporting the coal through Railways.

Reply of the Government

As desired by the Committee, the matter has been looked into by the Ministry of Railways. Prior to the nationalisation of the coal industry National Coal Development Corporation had installed at a number of collieries, mechanical loading arrangements for the loading of coal in block rakes. Such facilities had been installed with a view to maximising the utilisation of the available facilities and for increasing the despatch of coal. The programmes from such collieries were made mostly for the supply of coal in block rakes to major consumers like Thermal Power Station, Railways, Cement factories etc. However, in order to accommodate the requirements of industries not requiring coal in block rakes, a few collieries where allowed to load coal piecemeal on certain days. Railways are of the view that it would not have been possible to move the programmed quantities of coal, if more piecemeal loading had been done. Programming with a bias for increased piecemeal loading would also have meant heavy pile up of coal at the pitheads. Ministry of Railways have stated that there had, therefore, been no discrimination in dealing with the demands of N.C.D.C.

2. Study Teams were appointed by the Railways to examine and suggest the steps necessary for implementing the Fifth Plan programme of coal movement. A large number of recommendations had been made by these Study Teams and the recommendations were discussed at various levels between the coal companies and the Railways. A number of steps have been taken to rationalise the loading arrangements including extension of sidings, pooling of loading from different collieries, installation of weighbridges etc. As a result, the despatches of coal by rail had gone up to the level of about 80 million tonnes in 1975-76 from about 61 million tonnes in 1973-74 and all requirements, including those of the small consumers, were fully met. During the year 1975-76, there has not been shortfall in despatches against orders received. On the contrary, there has been large scale cancellation of orders by the consumers themselves, who were surfeit with coal.

3. The Ministry of Railways as well as the Department of Coal attach great importance to the resolving of difficulties in transportation of coal. During the last two years, the rail transport availability has been adequate and minor difficulties which arise occasionally are sorted out at appropriate levels.

Recommendation No. 57

The Committee find that the sale of coal through middlemen ranged between 13.6 per cent to 14.8 per cent of the total sale during the years 1969-70 to 1973-74. Out of the total sale through middlemen, sales to Government Departments/Government institution ranged from 13.15 per cent to 45.6 per cent during this period. The total commission paid to middlemen during 1969-70 to 1973-74 amounted to Rs. 42.54 lakhs out of which Rs. 16.31 lakhs was in respect of sales to Public Undertakings/Government Departments.

The sale of coal to Public Sector Undertakings/Government Departments through middlemen was adversely commented upon by the Committee in their Tenth Report on NCDC (Fourth Lok Sabha). by the pursuance of the recommendation made by the Committee the Ministry had issued a circular in June, 1968, to all State Governments/Union Territories and Ministries/Departments of the Government of India requesting them to issue suitable instructions to all the Government Undertakings/Departments under their control to make purchases direct from the NCDC instead of through middlemen. The Committee regret to note that some of the Government Departments/Undertakings continued to purchase coal from NCDC through middlemen and that even the Board of Directors of the NCDC decided in 1972 to continue to avail of the services of the middlemen though the Board also decided that efforts should be made gradually to dispense with the middlemen particularly in respect of supplies to, Government Undertakings. Though currently NCDC if not paying any commission to the middlemen at all due to change in the complexion of the market, certain public undertakings are not giving up the system of buying through them even by paying commission.

The Committee are surprised to note that even with the change in the complexion of market and the nationalisation of coal industry the public sector undertakings/institutions should still prefer to deal with the NCDC, also a public sector undertaking, not directly, but through the middlemen in private sector.

The Committee are unhappy to note that in spite of their earlier recommendation the services of middlemen continued to be utilised in dealing with other Public Sector Undertakings, They would like that the matter should be thoroughly investigated and responsibility fixed. They recommend that Government should issue suitable instructions so that the public undertakings/State Governments concerned are required to give up the practice of dealing with another public sector undertaking (NCDC) through the agency of middlemen.

Reply of the Government

Position before Nationalisation of the Coal Industry

The Coal Industry in India was traditionally operated through a system of credit to the buyer. Before nationalisation of the Coal Industry there was competition amongst the coal producers. Middlemen were the established channel for coal supplies. They had offices all over the country and had developed close business relations with the consumers, the producers and the Railways over the years and also established their usefulness to the consumers in the matter of ensuring supply of coal in quantities and of the quality required by the consumers. National Coal Development Corporation was a late entrant in the field of coal. As such, it had to work in competetion with well-established producers in the private sector and also at times in surplus market. Further, National Coal Development Corporation produced mostly the medium and lower grades of coal. In the circumstances. N.C.D.C. had to give somewhat better credit terms than the private sector collieries; more so, because it was not possible, during the period coal prices were controlled to sell below the controlled price.

Position after Nationalisation

After nationalisation of the coal industry, the middlemen have been eliminated by the coal producing units for the sale of coal. It is also the declared policy of Coal India Limited not to employ middlemen. In other words, no middlemen are now engaged by any of the coal producers and no commission and other remuneration is paid by them to any middlemen for sale of coal. Instructions have again been issued by the Department of coal to all the State Governments and Administrative Ministries|Departments to instruct all the departments and public undertakings; under them not to employ middlemen or transport agents for the purchase of coal from any of the public sector Coal companies. A copy of this Department's letter No. 54012|10|76-CDT, dated dated 12-7-76 is at Appendix IX. The individual cases coming to the notice of this Department's letter No. 54012/10/76-CDT, dated 12-7-76 is at handling agents are dealt with strictly according to the COPU's recommendation. In this connection, a copy each of this Department's letter No. 54012|10|76-CDT Pt. dated the 20th September, 1976 and its reply dated 12-9-76 on at Appendix X.

Certain aspects, however, need to be taken into consideration in this regard.

A consumer—whether a public sector consumer or a private consumer—may require the services of an agent in connection with programming of despatches, allotment of wagons, supervision of quality at the leading point and financial credit.

National Coal Development Corporation Limited|Coal India Limted while not encouraging employment of such agents, cannot, perhaps, object to the employment by the consumers of agents for the purpose of rendering service of the above nature. If coal producers are to deal directly with all consumers, including all big and small public sector undertakings, this would require creation of a huge infrastructure. In this connection, it may be added that Coal India Limited are endeavouring to reduce the dependence of consumers on such agents and have undertaken a reorganisation of their marketing division, setting up of marketing zones, Regional and Branch Offices, and attaching competent staff to service the customers on day-to-day basis.

Recommendation No. 62 (Paras 10.26 to 10.28)

The Committee find that the Corporation suffered a loss of Rs. 2.53 lakhs, Rs. 173.19 lakhs, Rs. 653.45 lakhs, Rs. 243.08 lakhs and Rs. 659 lakhs during the year 1969-70. 1970-71, 1971-72, 1972-73 and 1973-74, respectively. The Committee also note that upto the end of March, 1974 the Corporation incurred a cumulative loss of Rs. 16.13 crores. They are informed that the profitability of the Corporation since its inception had suffered because of certain extraneous factors beyond its control. The actual demand of coal during the 2nd and 3rd Plan periods was for less than the estimates of demands. The system of coal pricing followed by Government was unfavourable to the Corporation in comparison with the private sector collieries, inasmuch as the Coal Price Revision Committee recommended prices on the basis of capital employed in the bulk of private sector mines which was Rs. 16 per tonne, whereas the capital employed in the NCDC was as high as Rs. 80 per tonne. The Corporation also suffered on account of non-availability of wagons and it could not utilise its available capacity.

The Committee also find that the loss in NCDC was mainly on account of persistent poor production performance and under-utilisation of capacity in certain collieries. The Committee recommend that a detailed analysis of the collieries which are working continuously in loss should be made in order to pin-point the basis deficiencies and concerted efforts should be made to remove such deficiencies and improve production and productivity of these collieries by re-organisation, provision of balancing/additional equipments for increasing production and strict manpower and financial control. The Committee have already recommended that the Government/Corporation should ensure full utilisation of capacity of the washeries of NCDC in order to improve its profitability.

Now that there is much greater demand for coal and the coal prices have also been raised by the Government and since according to the management there is substantial improvement in the availability of wagons, the Committee feel it should not be difficult for the Corporation to increase production and productivity in the mines washeries of NCDC and to reduce the cost of production.

The Committee need hardly stress that the Government|Corporation should take suitable measures to ensure that the NCDC turns the corner and become a profitable concern.

Reply of the Government

(a) Re. *Collieries working continuously in losses*

The Central Coalfields Ltd. have identified the following eleven collieries which have been giving consistently poor performance over the past several years:

1. Bhurkunda
2. Sayal 'D'
3. Chalkari
4. Bachra
5. Dhori Group
6. Sawang
7. Jarangdih
8. Saunda
9. Argada
10. Talcher
11. Deulbera

The causes which had led to the poor performance of the collieries have been analysed in detail and remedial measures are being taken, As a result, the working of six of these collieries, namely, Bhurkunda, Sayan 'D' Chalkari, Bachra, Dhori Group and Sawang had shown considerable improvement and the losses have been reduced.* The reasons for the losses include such factors as unfavourable over burden ratio, surplus manpower, uneconomic size of units, occurrence of faults, depletion of reserves, geological disturbances, poor rate of sowing, heavy pumping, high power cost and high absenteeism etc. The following steps have been taken to improve the proformance of these units:—

(i) Basic deficiencies in each of the collieries are analysed in detail at the periodical cost performance meetings and

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*Audit have stated that the Ministry's reply does not incorporate the following points contained in their letter No. 1432|CA-III-143-76/Vol. II dated 7-12-78:—

(i) The correct figures of coal production and O.M.S. for the year 1976-77 in respect of Dhori Group of Collieries are 11,56,000 and 0.39 as against 12,51,000 and 0.42 mentioned in the Ministry's reply.

(ii) In the Ministry's reply it has been stated that, as a result of analysis of causes of poor performance of the collieries and the remedial measures taken, the working of six collieries, viz., Bhurkunda, Sayal 'D', Chilkari, Bachra, Dhori Group and Sawang has shown considerable improvement and the losses have been reduced. From the statement furnished with the reply, it is, however, seen that:—

(a) In Sayal 'D' colliery the loss per tonne has increased in 1976-77 over that of 1975-76 and the reduction in 1976-77 as compared to 1974-75 is negligible.

(b) In Chilkari Colliery the loss per tonne has increased in 1976-77 as 1976-77 as compared to 1975-76.

(c) In Bachra Colliery the loss per tonne has increased in 1975-76 and 1976-77 as compared to 1974-75.

(d) In Dhori Group and Saunda Collieries, the loss per tonne increased substantially during 1976-77 as compared to 1974-75 and 1975-76.

(e) In Duel Bera Colliery the loss per tonne in 1975-76 and 1976-77 is more than that in 1974-75. Thus, it will be seen that, out of six collieries mentioned in Ministry's reply in respect of which considerable improvement and reduction in losses has been stated, the loss per tonne has increased in 1976-77 as compared to 1975-76 in respect of 3 Collieries (Sayal 'D', Chalkari and Dhori Group).

(iii) In Chalkari and Saunda Collieries the OMS has come down over the years."

remedial measures are discussed and implemented. The mine working have been reorganised to the extent necessary and practicable. This includes the closing down of uneconomic sections, amalgamation of smaller units etc.

(ii) Balancing resources of machinery have been provided wherever possible.

(iii) Methods of working have been modified to provide partial mechanisation, utilisation of coal handling plants etc.

(iv) Power supply arrangements and coal handling arrangements, transportation systems and sand stowing arrangements have been reorganised.

(v) Strict cost control measures which include the following have been taken:—

(a) control on manpower deployment;

(b) restriction on overtime;

(c) action against absenteeism, elimination of infructuous expenditure like fall-back wages and lay-off payments;

(d) reduction in lead and lift in mine workings;

(e) economy in stores and power cost; and

(f) introduction of multi-shift working.

(b) Re: *Measures to turn the company into a profitable concern*

As a result of the various measures taken to improve the production, productivity and profitability of the mines and washeries, the CCL has, according to the provisional accounts for the year 1975-76 (which are yet to be audited), eliminated its overall losses. The quantum of profit, if any, earned by the Company will be known only after the accounts are finalised and audited. In this connection, it may be mentioned that even though the price of coal was revised by the Government in July, 1975, the revised price which was Rs. 4.30 per tonne less than the price recommended by the Inter-Ministerial Committee on Coal Prices does not allow the company to provide for depreciation or to earn any return on the capital investment. This decision was taken by the Government in order to minimise the impact of the price increase on the consumers.

The Committee has also referred to the greater demand for coal. It is no doubt true that during 1974-75 and 1975-76 the demand for coal has shown increase but towards the end of 1975-76 the rate of increase of demand for coal begain to fall and, so far, it has not picked up significantly since then. If the demand does not materialise to the levels planned, it is apprehended that it might reflect adversely on the profitability of the company. The Government and Company are watching the situation and the programme of development of coal production will be adjusted to the actual demand as far as possible.

(c) Fe—*Utilisation of Washery capacity*

Reply to recommendation No. 50 may kindly be seen. All efforts to maximise the working of the washeries consistant with the demand for washed coal are being taken.

CENTRAL COALFIELDS LIMITED

Statement showing Production, OMS & Profits and Loss for Eleven Collieries

Sl. No.	Colliery	Year	Coal Production '000 tons	Overall O.M.S.	Profit and loss Rupee per Tonne
1.	Baurkunda .	1974—75	782	0·71	—14·39
		1975—76	878	0·79	—15·27
		1976—77	856	0·80	—8·23
2.	Sayal 'D' .	1974—75	507	0·65	—10·38
		1975—76	571	0·70	—6·69
		1976—77	597	0·74	—9·44
3.	Chalkari .	1974—75	121	0·61	—20·69
		1975—76	123	0·57	—11·23
		1976—77	128	0·55	—14·66
4.	Bachra	1974—75	265	0·58	—4·66
		1975—76	327	0·69	—7·66
		1976—77	299	0·66	—6·22
5.	Dhora Group . .	1974—75	1119	0·32	—23·20
		1975—76	1181	0·35	—19·22
		1976—77	1251	0·42	—30·48
6.	Sawang . .	1974—75	174	0·39	—33·31
		1975—76	194	0·48	—38·96
		1976—77	240	0·45	—12·73

1	2	3	4	5
7. Jarangdih . .	1974—75	184	07.35	—2705.
	1975—76	186	0·37	—32·58
	1976—77	205	0·42	—14·79
8. Saunda	1974—75	256	0·47	—31·86
	1975—76	245	0·47	—24·73
	1976—77	171	0·37	—83·69
9. Argada	1974—75	53	0·46	—24·58
	1975—76	56	0·52	—33·59
	1976—77	57	0·57	—16·54
10. Talchar	1974-75	222	0·35	—39·82
	1975—76	225	0·38	—43·16
	1976—77	264	0·51	—15·24
11. Doolbara . .	1974—75	296	0·43	—14·33
	1975—76	290	0·43	—26·95
	1976—77	280	0·51	—16·20

Recommendation No. 63 (Para 10.33 to 10.35)

The Committee regret to note that the periodical accounts were not being prepared uniformly and regularly and there was considerable time lag between the period of accounts and the dates of their preparation. It has been stated that periodical accounts were not prepared in 1972-73 and 1973-74 as the Corporation had diverted all their attention for removal of various deficiencies in accounts as pointed out by the Statutory Auditors in the accounts for 1971-72. This was also due to staff and officers being deputed for the purposes of taken over mines due to nationalisation of coal mines. The Committee are not convinced by the arguments advanced by the Corporation for not preparing the periodical accounts as in their opinion absence of such periodical only indicates lack of financial control, The Committee need hardly stress that maintenance of proper accounts, is the primary and important function of an efficient organisation which should not have been neglected.

The Committee recommend that the Board of Management should ensure that position regarding periodical accounts is brought through the reports placed before them so as to prevent this work falling into arrears.

The Committee also note that the deficiencies pointed out by the Company Auditors in their reports on the accounts for 1971-72 are very serious in nature. They are informed that most of the defects pointed out by the Auditors had been rectified during the course of 1973-74 and efforts were being made to remove them completely before 1974-75 accounts are over. The Committee would like to be informed of the progress.

Reply of the Government

(a) *Regarding placing of periodical accounts to the Board of Management*

The system of preparation of periodical profit and Loss Accounts and capital expenditure statement was in practice till 1972-73. It was not possible to prepare periodical accounts from 1972-73 onwards due to diversion of officers and staff for the purpose of managing the coking and non-coking coal mines whose control was taken over by the Government. In a coordination meeting of the Area Accounts Officers held on 11-3-1976 at Ranchi, the question of preparation of periodical accounts was discussed in depth and it was decided that from April, 76 onwards monthly profit and loss Account and capital expenditure statement would be prepared. These Accounts would be finalised at the Area level by the 10th of the following month and would be forwarded to the Company headquarters, where the accounts so received from the Area would be scrutinised and consolidated position would be placed before the Managing Director and the Board. In spite of some initial difficulties, this system is being followed now.

(b) *Regarding removal of the defects sorted out by the Company auditors in their Report for the year* 1971-72

Positive efforts have been made to remove the deficiencies pointed out by the Statutory Auditors.

The Statutory Auditors in their report on the accounts for the year 1971-72 had commented that due to inadequacy in recording of fixed assets, it was not possible for them to verify the different classes of fixed assets including those in stores and in transit and to ascertain the correctness of their valuation and of the depreciation provided thereon. During the year 1973-74, a complete physical verification of all plants and machineries and vehicles has been made and reconciled with the financial books. Differences found have been transferred to suspense Account for further scrutiny and reconciliation.

Regarding Sundry Debtors, Loans and Advances and Current Liabilities, the Auditors in their report on the account of 1971-72 had commented that full details of these items were not available. The details of the transactions booked to the above heads have since been prepared from 1-4-1968 onwards. Instructions have been issued to the Area Accounts Officers to give their full attention to these remaining deficiencies and remove them compeletely and quickly. The final result of the efforts being made by the Area Accounts Officers would be known only after the accounts for the year 1975-76 are compiled and audited by the Statutory Auditors.

With regard to the comments of the Statutory Auditors on the stores and spare parts, sundry Debtors Loans and Advances and Creedit etc. all concerned including the Area Accounts Officers have been instructed to make efforts to remove these deficiencies and the progress in this regard is also being watched through periodical review of the reports submitted by them and by inspection by officer from company headquarters from time to time.

A special Task Force of Senior Officers of the Company would be going from Area to Area in the next few months to review the progress of action taken by the colliery and Area Accounts Officers and to complete the rectification of the deficiencies.

Recommendation No. 64 (Paras 10.45 to 10.47)

The Committee regret to note that so far the Corporation has not laid down any norm or yard-stick for determination of the date from which a project should be brought on to revenue account. No uniform policy has been followed by the corporation in bringing the different projects on revenue account. Although the matter was considered by the Board of Directors but they have merely said that every case should be decided on its own merits. The Committee are informed that a number of Committees have gone into this question and the Bureau of Public Enterprises has also examined the matter. They are very much astonished that in spite of all the detailed examination of the subject the Government and the corporation have not been able to evolve effective guidelines in this regard.

The Committee note that the Ministry has now proposed to the Coal Companies that a specific date as to when a project shuold be brought on revenue account should be indicated in the project report and if there is any deviation from that date, it should be reported to the authority who originally sanctioned the project (the Board of Directors of the Government as the case may be) and their approval obtained.

The Committee recommended that the Government should arrive at a decision in the matter in consulation with C&AG and issue necessary guidelines in this regard to all the public sector undertakings in the coal mines sector in order to ensure that this procedure is uniformally followed by all of them in all their projects.

(Paras 10.45 to 10.47)

Reply of the Government

Coal India Ltd., While preparing the project reports indicate the date when revenue account should be opened. At present the practice is to bring a project to revenue account when the level of production has reached 45 per cent in the underground mines and 40 per cent in the case of open-cast mines or provision of full complement of equipment, whichever is earlier. This practice have developed as a result of practical experience in the development of mines. It draws a balance between the extremes, namely, (a) the time of reaching the level of procution when the project reaches the break-even point, (b) the time when coal seams have been touched and production has started from developed faces.

It is considered that it is not advisable to wait up to the break-even point due to various reasons. It may take quite some time, both in terms of production level and time factor, to reach this stage. On the other hand, it would also be impracticable to assume the opening of revenue accoun, as soon as the coal seam has been touched in course of the development of the mine. Unless adequate number of faces are opened to give a reasonable production to enable the Project to meet at least its cash expenditure, the project cannot stand on its own feet. As such, the criterian of the level of 40 per cent to 45 per cent of target production, or provision of full complement of equipment whichever is earlier, is considered an appropriate solution to determine the date of opening revenue account. This date is indicated in the Project Report. If there is any significant variation in bringing the Project on to revenue account, with reference to the date indicated in the project report such variations are to be reported to the Board and dealt with in the same manner as the variations in the capital cost are dealt with.

Recommendation No. 66 (Paras 10.62 to 10.64)

The Committee note that a scheme of reorganisation of the Internal Audit Department was approved by the Board of Directors in

February, 1968 and additional staff was posted raising the strength from 7 officers and 16 staff members in 1968-69 to 8 officers and 27 staff members in 1970-71. They however, find that the number of officers was reduced to 5 during 1972-73 and there were duly 4 officers as on 31st March, 1974. As a result of the reduced strength the Internal Audit wing could not discharge its duties effectively and could visit only 18, 29, 27, 23 and 49 units out of 85 units during 1969-70., 1970-71, 1971-72, 1972-73 and 1973-74 respectively. Upto 1969-70 no verification of cash was done in any of the units and in 1970-71, 1971-72 and 1972-73 such verification was done in 12, 14 and 18 units.

Test verification was not done in any unit during 1973-74. In their supplementary report on the accounts for 1971-72 the statutory auditors observed that the extent of check exercised by Internal Department was not adequate and that the Internal Audit should cover more units and checks exercised by them should be more extensive.

The Committee regret to note that even now the internal audit organisation has not been built up in full measure. The Committee need hardly stress that internal audit being one of the essential tools of management control, the Corporations should activise and strengthen the internal audit and ensure that the Internal Audit Department should have a more comprehensive programme of inspection as recommended by the statutory auditors in supplementary report on account for 1971-72.

The Committee also note that the internal audit department has pointed out various irregularities and deficiencies during the course of their verifications. The Committee recommend that the reports of internal audit and action taken by the management in regard to each of these irregularities and deficiencies should be reported to the Board of Directors from time to time and suitably reflected in the periodical reports brought out by the Corporation.

Reply of the Government

(1) Regarding activisation and strengthening of Internal Audit Department

Internal Audit Department of the erstwhile NCDC was reorganised, in the year 1974 on the lines of the decision taken in the second meeting of the Board of Directors of CMAL held on 28-11-73. Accordingly, this department was intended to be primarily Officer-oriented and was made directly responsible to the Apex body of the erstwhile CMAL and the work of follow-up of the Report submitted by the Internal Audit Department was entrusted to a Special Coal under the Accounts Department of the Company.

After the formation of Coal India Ltd. and its other Subsidiaries with effect from 1st November, 1975, the functions of Internal Audit were delegated to the respective subsidiary companies and with effect from April, 1976, follow-up work on the Reports of the Internal Audit Department of CCL has also been entrusted to this very department.

It has been reported by the company that while the details of the staffing pattern for Internal Audit Departments in all the subsidiary companies are under examination by CIL headquarters, in the CCL, the Internal Audit Department consisting of 8 officers is engaged in regular inspections in the headquarters and in the field, on a programmed basis. During inspections, the cash verification and inspection of accounts of sales as well as other officers/units are done thoroughly and effectively and any irregularities discovered are brought to the notice of the colliery a management and General Managers of the Areas and the Chief Accounts Officer and also the Managing Director at the headquarters. Instructions for implementation of the suggestions contained in such reports and for rectification of the irregularities and deficiencies are issued and are followed up, for implementation. The follow up work is being done by the Internal Audit Department itself and any lapses in implementation are brought by them to the notice of the authorities at the Company headquarters. The General Managers in the Areas send compliance reports in their Monthly Reports to the Company headquarters. The matters of implementation are also discussed in the coordination meetings of the GMs and Heads of Departments taken by the Managing Director.

A special task force consisting of senior officers including the Chief of Internal Audit has been formed by CCL for going round all the Areas and cause compliance with these reports while on the spot. This task force will go into all the deficiencies/irregularities so far pointed out and not rectified, in each colliery|unit of the Company within the next few months to ensure action.

(b) **Regarding placing of note on removal of irregularities and deficiencies pointed out by Internal Audit Department to the Board of Directors and their inclusion in the report of the Company.**

A system of reporting the irregularities and deficiencies pointed out by the Internal Audit Department and the remedial action taken there on as reported to the Board of Directors of the Company is being introduced immediately. Similar information will be included in the Company's Monthly Report to the CIL.

Recommendation No. 68 (Paras 11.35 to 11.36)

The Committee regret to note that stores accounts have remained in arrears right from the inception of the Corporation. There was no reconciliation between the quantity of stores as shown in the price-*cum*-quantity ledgers maintained in the area accounts officers and that shown in the quantity ledger, maintained by the stores units. To avoid continuing back-log of accounts. New priced stores ladger were opened by adopting the ground balances on 1st April, 1968. The value of the ret difference of Rs. 101.52 lakhs between the balance of the priced stores ledger and the quantity ledgers as at the end of 1967-68 was transferred to the 'Stores Suspense Account' pending clearance after reconciliation. The balance under the account as at the end of 1973-74 was Rs. 76 lakhs. The Management have now stated that they have completed major portion of the reconciliation for the year 1973-74.

The Committee recommend that the Management should spare no effort to ensure that the work of reconciliant of the price store ledgers and quantity store ledgers is completed without further delay. They also like to recommend that the Corporation should review the system of stores control and follow the modern method of perpetual inventory system.

Reply of the Government

(a) *Regarding efforts to ensure completion of the work of reconciliation of the price store ledgers and quantity store ledgers.*

The reconciliation between the quantity of Stores as shown in the price-*cum*-quantity ledged maintained in the Area Accounts Offices and the entries in the quantity ledgers maintained in the stores depots has already been completed for the period upto 1974-75. Such reconciliation work in respect of the year 1975-76 is in progress. Steps are in hand to complete this work quickly.

(b) *Regarding review of the system of stores control and introduction of the modern methods of perpetual inventory system.*

The depots presently maintain only quantity store ledgers and the corresponding priced store ledgers are maintain by the Area Accounts Offices. For all items received in the stores (after inspection and acceptance), receipt vouchers indicating the code number, description, quantity, price and value are prepared and copies of receipt vouchers duly completed are sent to area Accounts Office for accountal of the receipts in the priced store ledgers. Similarly for all items issued either for direct consumption or on depot transfer, issue vouchers indication the code number, description and the quantity issued are prepared and signed by both the issuing depots as well as receiving depots and copies of issue vouchers are sent to Area Accounts Office for accountal in the priced store ledger maintained by them.

The evaluation of the receipts is done on the hasis of the values indicated on the receipt vouchers. Area Accounts Offices fix the issue rate and debit the value of materials issued to the projects/store depots. The stock verifiers a attached to the Area Accounts Office carry out the reconciliation of the price-*cum*-store ledgers maintained in the Area Accounts Office with the quantity ledgers maintained at the depots. The discrepancies, if detected, are rectified by preparing stock adjustment sheets.

As per the Materials Management Manual of Coal India Limited circulated in October, 1975 the following data area required for effective inventory control system as well as for the information of Management:—

1.	Stocks status report	Fortnightly
2.	Minimum stock & re-order level	Weekly
3.	List of high stock items	Monthly
4.	Stock status evaluation and transactions statement showing receipts, issues as well as progressive totals of issues and receipts and balances as well as average inventory balance from the beginning of the year	Monthly
5.	Non-moving items statement	Half yearly
6.	Slow moving items statement	Half yearly
7.	Category analysis	Yearly
8.	ABC analysis	Yearly

The above details/statements can be had in time only with the help of a computer. On the basis of a proposal from Director|Finance. CCL the system Manager of M|s. Eastern Data Centre, Calcutta had a detailed discussion and also studied the Company's system of stores accounting by visiting Central Stores. Barkakana and Bhurkunda stores. Thereafter, the party sent in the proposal with their estimates in the middle of March 76. Their proposal to start mechanised inventory control method with regard to A items, which may be about 5000 in number and with regard to B1 items which may also be about 5000 in number is April 76 is under consideration. The A and B1 items will account for about 85 per cent of the total annual consumption value of all moving items. After bring A and B1 items on mechanised inventory control method by 30-9-76 of the system of stores accounting may be reviewed and, whether B2 and C items also should be brought under mechanised inventory control method would then be considered. However the Director of Commericial Audit has stated that the propsal to start mechanised inventory control has not yet been finalised and fresh quotation has been invited for evaluation of economical and teachnical soundness of the offer.

CHAPTER III

RECOMMENDATIONS THAT THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation No. 7 (Para No. 3.18 to 3.24)

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

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

The Committee also find that the reopening of the closed|suspended projects has been very much delayed. In their Tenth Report (Fourth Lok Sabha—April, 1968) on NCDC the Committee had observed that a huge sum had been blocked in these collieries which would result in loss by way of deterioration of plant and machinery and investment of money for quite a long period. The committee had recommended that all efforts should be made to find market for the output of these collieries as early as possible.

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

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

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

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

Reply of the Government

Coal demand being a derived one is related to the growth of the national economy as a whole, which in turn depends on a large number of economic and other factors, both internal and international. On the other hand, coal mines have a long gestation period varying generally from 5 to 10 years which makes long term assessment of coal demand imperative. Deviations in materialisation of demand vis-a-vis long term assessment are inevitable in view of the unavoidable uncertainties. In view of the key position of coal as the most important and dependable source of energy, long term planning has to be done to ensure that coal production remains somewhat ahead of the demand. Within these features of the coal situation the coal demand on a long term basis is assessed by the Planning Commission making use of the latest available information on the development of various coal consuming sectors. As the Planning Commission is more intimately involved in the total planning of the national economy and at that time the management of the coal mines was partly in the private sector it was undoubtedly the best agency to undertake long-term assessment of coal demand. However, after the nationalisation of the coal industry, the C.I.L. and its subsidiaries are making their own assessment of demand, on short-term and long-term basis, in consultation with the Consumers, the various concerned organisations and the Planning Commission. They also play as active role in the assessment of demand as well as in its periodic reviews. In the case of major consumers power stations, the standing linkage committee gives an indication of the coal requirement from each coalfield and development plans are based on this. The State Electricity Boards concerned are addressed to give firm indication of phased demand and a commitment to take the coal to be produced. I tis not, however, possible in all cases to proceed with the development only after a firm agreement is arrived at but close contact is maintained with the prospective consumer and development of the colliery is coordinated with the phased development of the consuming project to the maximum extent possible.

Recommendation for Opening of suspended/closed Projects

As a result of the review of the demand for coal in the Third Plan period, the following mines were closed|suspended:—

1. Nandira
2. Jagannath (O|C)
3. Asnapani ..
4. Singaruli
5. Ramgarh
6. Pundi
7. Katkona
8. Bijuri
9. Bhaskarpara
10. Sonawani.

Market for coal from most of these projects has now been established and the projects are proposed to be opened in phases. The present position with regard to these is as follows:—

1. *Nandira*:

This mine has since been reopened with a view to supplying coal to M|s. Fertilizer Corporation of India's coal based Fertilizer Plant set up at Talchar which is likely to be commissioned early next year. The mine is now under development with a provision for longwall extrtution of coal and at present the production by way of such development work has come to about 4000 tonnes per month.

2. *Jagannath*:

This Colliery has also been reopened for purpose of coal supply to Talcher Thermal Power Station and production has already reached 30,000 tonnes per month. This Project has been brought on revenue account w.e.f. 1-4-1974.

3. *Asnapani*:

Three Projects namely, Asnapani, Gobindpur, and Uchitdih were being considered for taking up in collaboration with Great Britain. The collaboration did not materialise, hence further development of the projects could not be continued at that stage. In view of the increased demand of medium coking coal now, the area is again under consideration for opening. A Project report for Gobindpur mine in this area has already been prepared. Recent exercise of steel production plan till 1983-84, as done in Planning Commission in July, 1976 indicates limited addition to steel demand and coal demand therefore will not need full scale development of Gobindpur or Asnapani Project.

4. *Singrauli*:

Two projects, Jhingurdah and Gorbi are already being worked in Singrauli Coalfield. In view of the increased requirement of coal for power. two more Projects, namely Jayant and Bina have been opened and are under development Jherigudah and Gorbi project linked with the obra and Renusagar Thermal Power Station . The new mines proposed in this field would be linked to the expansion of the two power stations and the Super Thermal Power Station at Singrauli.

5. *Ramgarh*:

This is a medium coking coal project which was earlier proposed to be taken up in collaboration with USA. The collaboration did not materialise at the time and in the meanwhile there was also recession in coal industry. However, the feasibility report for open cast mines in Remgarh Project was prepared in August, 1974 with technical assistance and collaboration with USSR. The detailed report on Ramgarh Project is proposed to be prepared in the USSR. Initial development work has since been taken up at this project. A washery is also planned at Ramgarh and the washed medium coking coal is linked to the growing demand of the steel plants particularly Bokaro Steel Limited.

6. *Pundi (O/C)*:

The present demand situation does not justify the reopening of this mine. It will be taken up when the demand for this variety of coal picks up.

7&8 *Katkona and Bijuri*:

These mines have been reopened and development work is in progress. Katkona will supply blenadable coal to the Bhilai Steel Plant. Coal from Bijuri would be supplied to Thermal Power Stations in Western India.

9. *Bhaskarpara*:

No development work was undertaken in the mine; only preparatery work had been done. It will be opened for production in the Sixth Plan, depending on the demand.

10. *Sonawani*:

The deposit which was included in the project report is being worked through Kurasia underground mine. The Linkage is to market consumers in Western India.

Full utilization of existing capacity before taking up new Projects.

Before taking up development of new projects for meeting increased demand of coal, an endeavour is invariably made to meet the demand by utilizing the existing capacity of mine already under production their expansion and if necessary, by re-organising and reconstructing other mines. The economies of opening a new mine vis-a-vis expansion of existing capacity are finally review before sanctioning any new project by various agencies including the coal company, Department of Coal and Project Appraisal Division of Planning Commission.

Recommendation No. 10. (Para No. 3.51 and 3.52)

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

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

Reply of the Government

(a) *Deferring of Asnapani Project*

In the Third plan, it was originally estimated that the steel industry would require a quantity of 25.40 m.t. of coking and blendable coals corresponding to its target of 9.2 m.t. of Ingot steel in 1965-66. The actual consumption of coal by steel industry in 1965-66 was 13.07 m.t. representing a shortfall of almost 50 per cent. The trend towards steep fall in the demand for coal, particularly coking coal, became evident towards the latter half of the Third Plan. This coupled with the slow progress in the constitution of the Kathara Washery of Third Plan meant that the reserves of coal in the Kathara mine would not get exhausted as thought earlier. It was thus possible to defer the development of Asnapani project by a few years. Subsequently, there was some delay in the steel plants taking adequate quantities of Kathara washed coal and the washery could not operate at full capacity. The life of Kathara mine thus got prolonged. Hence the need for the Asnapani Project has not arisen even during the Fifth Plan. It is only after Bokaro Steel went into production that the offtake of washed coal from Kathara has gone up and now the washery is being operated at higher capacity levels. The investment made in Asnapani will be kept in view while planning for additional production of medium coking coal and efforts will be made to ensure that the investment made therein does not become totally infructuous.

(b) *Construction of bungalows for U.K. experts*

The circumstances in which the bungalows had to be constructed urgently have already been explained to the Committee. The construction of the bungalows in advance of the sanction of the project was decided at the highest level and had been sanctioned by the Department of Mines with the concurrence of the Ministry of Finance. The action was taken in good faith at a time when negotiations were conducted with U.K. Government for credit with the good offices of U.K. Coal Board and was justified by the developments then expected. It is submitted that in planning, certain infrastructure facilities have to be provided in advance especially where foreign collaboration is involved and action which was justified at that time would sometimes in retrospect, appear to have been ill planned and lacking in foresight. In the circumstances the Government dose not consider it appropriate to fix responsibility or take action against individual officers.

It is also submitted for the information of the Committee that the bungalows have since been put to use in the Kathara Area from April 75 and that they are not lying vacant.

Recommendation No. 11 (Para Nos. 3.59 and 3.60)

The Committee take a serious note of the fact that particulars of plant and machinery transferred from the closed/suspended projects the units to which transferred and the value of each plant and machinery so transferred were not available with the Corporation. In respect of closed/suspended mines which are now proposed to be reopened, the plant and macinery previously transferred to other collieries have either been brought back or purchased afresh. But the information regarding value of the plant and machinery previously transferred and now brought back to these projects, the amount of freight incurred on the transportation to and fro of such plant and machinery also not available. The Committee fail to understand as to how proper control was exercised on the transfer of plant and machinery from one unit and its receipt and accountal at the other unit in the absence of this vital information. The Chairman CMA admitted it as a failure that the appropriate documentation of transfer of plant and machinery was not made at the material point of time. The Secretary of the Ministry admitted that without proper records the equipment and machinery could not be accounted for.

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

Reply of the Government

As desired by the Committee a senior officer has investigated the matter of lack of proper accounting of plant and machinery withdrawn from the closed and suspended projects. The investigating officer was asked to locate and verify the details of transfers and retransfers and to suggest measures for avoiding the recurrence of the lapse pointed out by the Committee. As a result of the investigation it has been possible to obtain the details of transferred items of machinery valued at Rs. 97.83 lakhs. The items of machinery for which complete details have not yet been traced is valued at Rs. 11.87 lakhs. Efforts to trace these are continuing. As the major part of the machinery for which proper documentation of transfer could not be shown to Audit earlier has since been traced and the CCL is hopeful of tracing the balance and considering that over 10 years have elapsed since the transfers took place, it would be appreciated that it is neither necessary nor possible to fix responsibility on individuals. However, it is necessary to tighten up the system to prevent even these documentation lapses. Instructions have, therefore, been issued by the Chief Accounts Officer CCL on 28.4.1976 and by the Managing Director on 8.9.76 emphasising the need to follow strictly the procedure for documentation and accountal of plant machinery transferred from one project to another as laid down in the Stores Manual of the NCDC and the Accounting Instructions issued from time to time. The Managing Director has also enjoined the Internal Audit teams visiting the projects to look into this aspect specifically. The Area Accounts Officers have been asked to bring any lapse/failure in this regard to the notice of the concerned General Manager who should take immediate action to enquire into the matter and fix responsibility.

2. Recommendation regarding issue of general instructions to all Public Undertakings in order to obviate recurrence of such cases is being considered by the Bureau of Public Enterprises.

Rceommendation No. 14 (Para Nos. 3.94 to 3.96)

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

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

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

Reply of the Government

(a) *Delay in completion of temporary coal handling plant:*

Even though the decision to have a temoprary coal handling plant to serve till the permanent plant was commissioned was taken April, 1965, the order for the same had to be synchronised with the availability of the railway siding. The sub grade work for Phase I Part I of the railway siding was completed and laying of permanent track materials was commenced by the Railways in June, 1970. The work order for the temporary coal handling plant was also issued at that time. The completion of the plant got delayed mainly due to non-availability of certain iron and steel materials. It was, however, got ready by the time the railway siding was completed.

(b) *Delay in completion of permanent coal handling plant*

The main reasons for the delay in completion of the parmanent coal handling plant are attributed to

(i) Shortage of iron and steel materials required for fabrication and erection works;

(ii) non-availability of steel and cement required for Construction or the bunker;

(iii) unexpected frequent occurrence of sliding of the sides during earth cutting for excavation of bunker;

(iv) acute shortage of industrial gases required for fabrication work;

(v) abnormal rainfall which hampered the progress of work.

(c) *Utilisation of expenditure on temporary coal handling plant*

The temporary coal handling plant consisted mainly of steel structurals and conveyors. All the structurals have been utilised in the permanent C.H.P. and sand gathering plants and the conveyors have been utilised underground.

(d) *Expenditure on manual loading*

As there was no arrangement of shale picking in the temporary C.H.P. there were complaints from the consumer, *viz,* Bhejndih about quality. Loading from the temporary C. H. P. had, therefore, to be discontinued and manual loading resorted to till the permanent C. H. P. with shale picking arrangement was commissioned.

(e) *Delay in installation of signalling equipment*

As desired by the Committee, the Ministry of Railways have looked into the matter. The orginal movement plan for the project prepared by NCDC in consultation with the Railways envisaged movement of coal in blockrakes. However, in the initial stages, due to various difficulties encountered in the development of the project, the production did not come up to the anticipated levels and piecemeal movement of coal became necessary. According to the Railways, the necessitated the provision of certain additional facilities. N. C. D. C. have however stated that after completion of the work, the Railways found it necessary to make modification in the gradient of the track. The Railways therefore submitted a revised estimate of cost. As NCDC felt that these facilities should have been provided originally, they were reluctant to accept the liability for the increased cost but ultimately they agreed to it. On account of these modifications and the time taken in negotiations over the revised estimate, the opening of the siding took longer time.

In the circumstances the Ministry of Railways one of the view that there is no question of fixing responsibility.

Recommendation No. 15 (Para 3.99)

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

Reply of the Government

An investigation was made into the matter regarding the import of air-conditioning equipment for the shaft sinking programme by a committee consisting of the Controller of Stores and Purchase. Additional Chief Mining Engineer (Prod.) and Chief Accounts Officer of CCL. The Committee has concluded that though the equipment was indented by the project on 17th September, 1962, formal order could be placed on the successful tenderer only on 3rd Oct. 1964 as the Actual User's Import Licence was received on 26th September, 1964. It took about 14 months for the receipt of the equipment from the date of placement of order. This is considered to be a normal lead time for such equipment. However, the Committee was asked to invesigate further whether the placing of the order in October, 1964 could have been avoided. CCL has been able to furnish to the Committee a file in which copy of the order is available, but the records relating to the processing of the indent not Coal India Limited are endeovouring to reduce the dependence of finding in this regard.

2. The Committee has assessed as follows:

(i) Although these equipments were envisaged to be used for the air conditioning of the environment in the shaft sinking operations the working conditions at the bottom of the shaft for deeper horizon were not found to be very uncomfortable to the Indian Miners due to their acclimatisation to the generally high level of temperatures prevailing for most of the year on the surface and also in the mines. They did not feel much discomfort and it is seen that the actual operations of the shaft sinking for the depth in the region of 450-500 metres were not appreciably hampered because of the lack of the air-conditioning of the ventilation.

(ii) These equipments were procured as per the advice of the Polish collaborators in anticipation of achieving higher rate of shaft sinking in lower horizons at high temperature.

(iii) As the actual working environment could only be estimated at the time of commencement of the shaft sinking operations, it was not possible to foresee whether these equipments were essential in the shaft sinking operations particularly in lower horizons or not.

(iv) The Management have been able to locate file No. GDS/Disposal/Air conditioning/69 dealing with disposal of the equipment after the same was declared surplus. A copy of the supply order placed by the COP of NCDC is also available.

(v) There was no particular delay in procurement of the air conditioning equipment after obtaining the Actual Users' Import Licence which was issued by the Government on 26-9-1964.

The Committee have stated that late receipt of the air conditioners was not on account of any undue delay in placement of orders on in supply by the foreign suppliers. The total lead time involved was almost the same as that usually taken for such imported equipment. The supply by the firm was also effected soon after the Actual Users' Import Licence was made available.

3. As regards the use of the air conditioning equipment in the Calcutta Office, it is stated that even though the original estimates for the building did not contain provision for airconditioning, the orders of the Chairman, NCDC were obtained before the installation of the equipment. The revised estimates were approved by the Chairman. In this connection it is also submitted that the equipment cost only Rs. 4.46 lakhs at the time of purchase as against the estimated price of Rs. 6.01 lakhs in 1971-72.

4. The CCL is being advised to take appropriate care in importing equipments for specific usages within certain time frame, to ensure that only absolutely essential items are procured.

Recommendation No. 17 (Para Nos. 3.113 to 3.118)

The Committee find that the development work in the Surakacher Project which was started in 1963 was completed only in 1969-70. During this period the Project reports and estimates were revised several times. Owing to shortage of funds and possible lack of demand, the desirability of suspending the development work or slowing it down was considered by the Corporation in 1966-77 and it was ultimately decided by September, 1967 that the Project should be developed for a production of 6.4 lakh tonnes per annum (which was also considered break-even point) instead of 11 lakh tonnes originally envisaged. A revised estimate of Rs. 13.44 crores was, however, prepared in July, 1972 for a production level of 11 lakh tonnes per annum according to which the break-even point was expected to be achieved in 1977-78 at 96 per cent of full capacity.

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

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

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

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

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

Reply of the Government

Originally the coal of Ghordewa seam, which is mined in Surakachar Colliery, was thought to contain Grade I coal of blendable quality on the basis of the report of the Coal Blending and Coking Research Sub-Committee (TISCO) Jamshedpur. Subsequent tests in the CFRI showed that even though the grade of the coal was the same, its blendability characterestics were poor. This did not affect the price but it did diminish the marketability as the steel plants for which the supply of blendable Coal was orginally envisaged, could not use this coal in their coke ovens.

The working cost at Surakachar has been varying from time to time, the last significant change being after the implementation of the National Coal Wage agreement from 1-1-1975. The price of coal was revised by Govt. w.e.f. 1-7-1975 and at current working costs and prices, the colliery has reached the break even point.

3. It is reiterated that Surakachar was developed to meet the general Coal demand. When the idea of setting up a fertilizer plant came up, it was suggested to link Surakachar rather than develop a new mine. However, the fertilizer project got postponed and Surakachar had to regulate its production to the level of market demand, *i.e.*, coal requirement of Railways, Cement Plants and industries.

4. During 1975-76, Surakachar Colliery has been able to reach a level of production of 7 lakh tonnes per annum. It would be possible to take care of likely increases in cost of production by marginal increase in production over this level. If the market improves further, the mine would be able to earn profits.

5. The Committee's observation about making large investments in Coal mines after firming up the demand estimates has been noted. At present, no project is sanctioned without an examination of the reliability of the market survey data. It must, however, be appreciated that some fluctuations and in balances in coal demand do take place as a normal feature of market and these inevitably effect development of new projects.

Recommendation (Sl. No. 18, Paras 3.125 to 3.134)

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

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

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

The Committee also find that as part of the joint arrangements of sand gathering for Banki and Surakachar Collieries, the Company purchased 100 sand wagons in 1966 at a cost of Rs. 19.98 lakhs out of which 40 wagons valued at Rs. 7.99 lakhs became surplus with the abandonment of sand gathering arrangements at Banki Colliery. It was stated in March, 1974 that these would be utilised at Silewara Colliery.

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

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

Reply of the Government

The delay in commissioning the Sand Gathering Plant at Surakachar Colliery was partly due to the delay in getting the machinery supplied by MAMC and partly due to failure of the machinery supplied by MAMC. Sand was collected manually to make up the delciency. Equipment was also purchased from the Garden Reach Workshop. The loss incurred due to delay in supply/failure of them machinery supplied by MAMC is estimated at Rs. 80,700/- and the extra expenditure incurred for collection of sand manually was about Rs. 16,600 for the period under consideration detailed break up and supporting a purse for these estimates could not be made available to Audit so far. The company has been asked to make another effort to furnish these details. A sum of Rs. 68,356.50 has been recovered from the bills of MAMC on this account. In addition, a sum of Rs. 27,178/- was recovered as the cost of the burnt/damage material and Rs. 41,400 on account of loss incurred on the dismentling re-erection of Winch House and other addition and alternations for the Scraper, which were carried out departmentally.

It was earlier proposed that the 40 wagons which were then considered as surplus at Surakachar be transferred to Silewara Colliery. However, the development of Silewara got delayed due to very severe and unforeseen geological difficulties and working conditions. Wagons were therefore not transferred to Silewara.

In the meantime the re-assessment with actual experience revealed the fact that the high flood level previously estimated was 75 per cent of the actual high flood level of this Area. The colliery also found the need for additional quantity of sand for stowing purposes. Therefore, these 40 wagons were retained and not transferred to Silewara. Even if these wagons have been transferred to Silewara, fresh purchases would have been required to meet the needs of Surakachar.

Recommendation (Sl. No. 19, Para 3.134)

The Committee regret to note that although a study made by the Headquarters, Planning Department in April, 1970 revealed that Surakachar Colliery had on excess staff strength of 500 workers on the basis of current level of work nothing was done to reduce the strength to the desired level. The extra expenditure due to excess employment of workers worked out to about Rs. 20 lakhs per year. The Committee are informed that the excessive man-power was primarily due to recruitment of manpower with initial development works and the difficulty of dispensing with their service subsequently when production had to be restricted for lack of market. The Committee see no reason why recruitment of staff should not be restricted to the requirement at each stage of development. The Committee have been repeatedly pointing ou that recruitment of excessive staff is one of the maladies of production and has to be avoided. The Committee recommend that this serious lapse should be thoroughly investigated in order to fix responsibility for the huge loss suffered as a result of employment.

Reply of the Government

As reported earlier a Committee appointed by Coal India Limited has investigated the matter pertaining to the recruitment of excessive man power at Sarakachar Colliery. Relevant extracts from the Committee's report are enclosed. (Appendix XI)

2. The report of the Committee revealed that the excess staff strength in April, 1970 was only 140 and not 500 as assessed earlier by the Planning Branch of the NCDC headquarters. Since there was a big divergence in the two assessments the Chairman-cum-Managing Director, Western Coalfields limited was requested to go into the matter personally. Extract from his report are given below:—

"According to the Planning Department's report, there were about 1400 workers deployed at Surakachhar Colliery in the month of April, 1970. Out of these, 700 had been deployed in underground. According to the report 500 people were supposed to be rendered surplus due to sealing of mine No. 2 at that time. It has been stated in the report that out of these 500 supposed to be rendered as surplus, 100 had been engaged in Civil Engg. works thus leaving a balance of 400."

According to the detailed studies undertaken by the Committee, there were 1361 workers employed at the Colliery at that time. The break-up of the working strength is as under:—

(a)	Time-rated workers	803
(b)	Piece rated workers	172
(c)	Monthly paid employees .	155
(d)	Civil construction and other surface works . .	91
(e)	Surplus workers trnasferred to other Projects/Areas .	140
	TOTAL . .	1361

5. These extra developmental works were absolutely essential due to:—

(i) the change in the mining methods, from roof and pillar method with partial stowing to long wall method with complete hydraulic stowing.

(ii) adverse and unexpected geological conditions resulting in majority of the property including mine entries below high flood level and;

(iii) restrictions imposed by the Mines Department due to adverse geological conditions.

6. Thus, it may be seen that out of the 500 workers stated as excess, real excess was only 140 and the balance of 360 should have been recruited for developmental work and if there services would not have been available undertaken. The management, in case of these 140 excess man power had the following alternatives:—

(i) to dispense with the workers or;

(ii) to transfer them to some other projects;

7. As it was felt that the recession was only of a temporary phase, any retrenchment of workers would have not only created a lot of

labour problems but also would have created wrong image and impression of the biggest public sector enterprise. The alternative of transferring them to other collieries immediately would itself have also created problems as the recession was there in the coal industry itself. At the earliest opportunity these 140 workers were transferred from Surakachhar Colliery and reduced the man power to only 1221.

8. In this connection it may be mentioned that at any level of output certain number of permanent workers are required, like Pump Khalasis, Winding Engines Operators, Bankman, Ventilator Operator etc.

9. Producticon during the years 1969-70, 1970-71 and 1971-72 is as under:—

1969—70 .	89,841 tonnes
1970-71 .	1,39,240 tonnes
1971-72 . . .	2,32,000 tonnes

Manpower, thus, employed for additional developmental work were utilised for production in the subsequent years.

10. As may please be seen, the recruitment of staff was done on the basis of Construction Reports and not made in any haphazard or unplanned way, and hence, the question of fixing responsibility does not arise.

* * * * *

The Committee's findings are appended below:—

It is reported that the actual employment in 1970 was 1361 workers and the production in that year was 89,481 tonnes. This manpower for this level of output was definitely high.

Originally the recruitment of this manpower was made for development with the expectation that when the mine goes into regular production, we will be needing them for production job. Unfortunately, there was a slump in the market which was not anticipated. The production had to be pegged down. This resulted in surplus manpower.

The Management took the following corrective action:

(i) Transferring 140 workers to other collieries where they were needed, thus reducing the manpower in Surakachhar to 1221.

(ii) Employing the remaining surplus workers on the following development work which are necessary for further increase in production with the improvement in market condition.

(a) Marking drivage of loco road in East and West including stone work.

(b) To make permanent junction of roadways and erection of heavy duty steel supports and laying permanent track in the roadways.

(c) Equipping battery stations underground and drivage of gate road for keeping longwall panels ready.

(d) Recovery work in No. 2 Pit and other associated works.

Recommendation No. 27 (Para Nos. 4.41 to 4.42)

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

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

Reply of the Government

As recommended by the Committee on Public Undertakings, a Committee was constituted to investigate the matter. It appears from the report that the Special Committee's recommendation to suspend procurement of equipment etc. was related to the anticipated market conditions and not to the geological disurbances encountered in 1962-63. The two faults were encountered in a short period

The programmed output from the incline was reduced to 0.3 million tonnes from the original 0.5 million tonnes due to anticipated change in market conditions. The production from the inclines was expected to reach 0.3 million tonnes by the time the coal Handling Plant was ready. The Coal Handling Plant was also expected to handle coal from the north side quarry of this property. These appears to be the primary considerations for the management to go ahead with the construction of the coal Handling Plant. The equipment was also received but when the civil work was completed in 1968 there was further slump in the coal market and it was decided to peg the output from the inclines. Decision was taken in 1968 not to equip the Coal Handling Plant and to transfer the equipments perchased to other coal Handling Plant of the Corporation.

Presently due to the increased off take of coal arrangements are in hand to equip the coal handling plant and bring it into commission to handle the anticipated production.

Recommendation No. 29 (Paras 4.69 to 4.72)

The Committee find that the boilers of the Patratu Thermal Power Station of the Bihar State Electricity Board were designed by the Russian suppliers on the basis of the characteristics of low grade coal proposed to be supplied from Naditoli Seam of Gidi 'C' Colliery.

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

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

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

The Committee regret to observe that the earlier reluctance on the part of Bihar State Electricity Board to enter into a long term commitment with the NCDC for the supply of requisite quantity of coal has resulted in delay in the development of Naditoli Colliery. The Committee feel that Government should have persuaded the Bihar State Electricity Board to finalise the agreement with NCDC so that the development of the colliery could have been taken up much earlier. They find that no formal long term agreement has so far been concluded with the Bihar State Electricity Board. Two essential namely suitability of Naditoli seam coal and price thereof have since been accepted by the Bihar State Electricity Board. They hope that at least now the company should go ahead with the execution of the projects linked with the Patratu Thermal Power station execution of these projects beyond 1975-76 as scheduled.

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

Repy of the the Government

The coal requirements of Patratu Thermal Power Station have been fully linked by the Standing Linkage Committee with existing collieries in the Karanpura coal field and the middings from washeries. It will be appreciated that the washery middlings, which are inevitable by products, have to be consumed in preference to coal from new projects yet to be developed. It has also been subsequently found that it is more economical to expand the capacity of some of the taken-over mines in Karanpura like Dakra Buk-Buka than to develop deposits in the area. New projects like Naditoli will be taken up only after the utilisation of the existing mines is maximised . As more knowledge about the economics of different development patterns comes to light, the programme is bound to undergo change. This is one such instance. The decision to postpone Naditoli project was taken in the overall economic interest. The Coal of Dakra Buk Buka is equally suitable to Patratu Power Station and is being used by them in very large qualities even now.

2. As indicated in the reply to Recommendation No. 28, the procedure for setting disputes among Government Departments and Public Undertakings has already been laid down by the Government. Government is also coordinating with coal, power station and Railways through its Linkage Committee, which meets from time to time to resolve co-ordinating problems.

3. A Committee was set up under the Chairmanship of the Regional Director of the Central Mine Planning and Design Institute to investigate the matter regarding the proposal to develop Naditoli Mine. The Committee has since submitted its report (Appendix XII). It will be seen from the report that investigations conducted by the NCDC and G.S.I. had established coal reserves of about 143 million tonnes including 45 million tonnes of quarriable coal in Naditoli seam. If Bihar State Electricity Board had entered into a long term agreement, a mine of 1 m.t. capacity at Agoda could have been projected by the NCDC. As not only the long term agreement but also the projected demand did not materialise, NCDC prepared the project report for Naditoli mine with a shorter life to meet the

interim coal requirements of the power station. However, in actual practice, after some time, even this mine was not found necessary for meeting the requirement of Patratu Power Station qualitatively and quantitatively as the actual requirement was 1.2 m.t. against projected demand of 4.43 m.t. and hence the project was postponed.

It is also not correct to say that the power station was forced to use high grade Coal because of NCDC not developing Naditoli Mine. Annexure III of the Committee's Report would show that the Power Station authorities had projected that they would be able to use increasing quantities of grade I coal upto 107,000 tonnes per month by June, 1967. In actual practice, the quantity of Grade I coal supplied was much less.

The Committee has also brought out that the practice of the State Electricity Board was to call for tenders on a year-to-year basis and hence they were not in a position to enter into a long term agreement with NCDC. Inspite of this, several attempts were made both by the NCDC and by the Department even at the Minister's level but these efforts were not successful.

The Government having considered the facts brought out in the investigation, is of the view that there has not been any serious failure on the part of NCDC in this case, which would require responsibility to be fixed. However, Government has already accepted the view of the COPU that all matters like quantity of reserves, quality of coal etc. should be studied before any firm linkage is made and there should be close co-ordination among the Coal, Power and Railways Sectors. This co-ordination is effected through the Standing Linkage Committee.

Recommendation No. 30 (Paras 4.79 to 4.80)

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

The Committee are further surprised to note that although the Central Fuel Research Institute indicated in August, 1965 that the coal from the Banki Colliery was not of blendable quality and thus not eligible for stowing subsidy, civil works were stopped only in February, 1967 by which time an expenditure of Rs. 10.53 lakhs had already been incurred. The commencement of civil work, without first ensuring the pre-requiste for stowing subsidy has thus resulted in an infractuous expenditure of Rs. 10.55 lakhs. The Committee are not satisfied with the argument advanced by the Chairman, CMA that the civil works were proceeded with thinking that the Corporation would be able to persuade the Coal Board to allow the subsidy. The Committee feel that there was no justification to initiate action involving heavy expenditure, merely on the assumption that the Coal Board would agree to allow the subsidy. The Committee recommend that the entire matter should be thoroughly investigated in order to fix responsibility for the loss suffered by the Corporation and whether the decision to go in for sand stowing and undertaking Civil Work for the purpose was based on any technical considerations or merely to become eligible for stowing subsidy. It should also be investigated whether the report of the Coal Blending and Coking Research Sub-Committee (TISCO) which initially certified that the coal would be of grade I blendable quality eligible for stowing subsidy from the Coal Board was based on accurage data. The lacunae noticed in the Report of the Sub-Committee should be pinpointed and lessons learnt to avoid such lapses in future.

Reply of the Government

As desired by the Committee on Public Undertakings, the matter was investigated by a Committee of officers of Coal India Ltd. After inspection of the relevant records and sites as well as discussions with the officials concerned, the Committee has come to the conclusion that the decision to go in for sand-stowing and undertaking civil works at Banki colliery was based on technical considerations only. They have also concluded that the report of the Coal Blending and Coking Research sub-Committee (TISCO) was on the basis of bore-hole samples furnished to them.

2. It is also seen from the copies of records furnished with the investigating Committees Report, that the Chief Inspector of Mines had, in his letter dated 19-6-1961 stated that "It will be desirable to develop the area by level headings driven up to the boundary and then to extract the solid block of coal by retreating long-well method with cent percent stowing which will be in the interest of

safety. This method has been practised in a number of collieries in these coalfields and has proved successful. At this stage when I do not know the condition of the roof in the area, I can not suggest any better method. Sould the roof condition demand any change of method at a future date, a modification will have to be made after discussing the matter with you". From this statement it is clear that stowing was advised by the Chief Inspector of Mines for reasons of safety which is a compulsory measure. After the mine was opened the technical conditions were studied and a method of exploitation was adopted which eliminated the need for stowing, thereby effecting saving in the cost of production from the mine. Unfortunately, this aspect of the matter, namely, that provision for stowing was made on the advice of the Chief Inspector of Mines as a safety measure was not brought to the notice of the Committee earlier, as a result of which, the conclusion has been arrived at that the sand stowing was proposed because it was expected that the coal from Banki colliery would be eligible for stowing subsidy from the Coal Board.

The investigation has, however, brought to light certain aspects of project planning which could be usefully followed in future, namely:

(i) Test report of the quality of coal should be obtained from at least two different agencies. As soon as possible report on seam samples should also be obtained before taking major investment decisions.

(ii) There is need for further decentralisation of authority and quick communication.

CCL is being requested to note the above aspects and follow them in future project implementation.

Recommendation No. 31 (Para 4.87 to 4.88)

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

The Committee are informed that the applications for lease subsequently made by the Corporation to the Bihar State Government were rejected twice on technical grounds. They are told that the action is now being taken to acquire those areas under the Coal Bearing Area (Acquisition and Development) Act by the Government of India. The Committee fail to understand as to why such an important issue had not been referred by the Corporation to the Ministry in the first instance when its applications had been rejected by the Bihar State Government and why the action as is now being taken to acquire those areas, was not thought of earlier. The Committee are unhappy at the manner in which the whole matter has been dealt with and would like the investigation recommended above to cover all these points so that such costly mistakes can be avoided in the future.

Reply of the Government

As desired by the Committee, an investigation has been made into the subject of grant of lease for 676 acres of land for collection of sand required by NCDC in the Karanpura coalfields. This investigation was made by a Committee consisting of the Controller of Accounts (Internal Audit), CCL and a Deputy Chief Mining Engineer of the Central Mine Planning and Design Institute. Copy of the report is enclosed (Appendix XIII). It will be noticed therefrom that the NCDC had been making vigorous efforts to get the lease of the private party, who was monopolising the supply of sand to consumers in the region, terminated. On receipt of a reference from the NCDC, the Department of Coal had also addressed the

State Government to terminate the said lease of the private party. As no satisfactory response was received from the State Government for premature termination of the lease of the private party and the grant of fresh lease to the NCDC, a directive was issued to the State Government. Simultaneously, action was also taken for notifying area under the Coal Bearing Areas (Acquisition and Development) Act 1957.

After consideration of the report of the Committee appointed by Central Coalfields Ltd. and review of the steps that were taken for the termination of the lease of the private party and notification for acquisition of the area, the Government is convinced that the non-payment of the additional amount of Rs. 2.06 lakhs was not a reason for not granting the sand lease to NCDC. This is also clear from the letter No. B|M5-1012|72|2064, dated the 2nd April, 1975 from the Deputy Secretary to the Government of Bihar (Appendix XIV).

The Government s also of the view that there has not been any negligence or malafide on the part of any official of the NCDC. The process in this regard is time consuming and in the circumstances, the NCDC had no alternative except to purchase the sand from the private party.

Recommendation No. 41 (Para No. 7.29 to 7.30)

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

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

(Paras Nos. 7.29 to 7.30)

Reply of the Government

(a) *Regarding investigation with regard to purchase of locked coil rope*

Action for procurement of new locked coil ropes in question was initiated in August, 1962 when an indent for 2915 metres of 52 mm and 36 mm diameter each was made by the Superintendent, Kargali Washery.

The offer of M|s. Mitsui and Company Ltd. Calcutta for the above locked coil wire ropes was accepted in December, 1962 at £15.357 (cost and freight), Calcutta. A provisional acceptance order was issued on 13-12-62. Thereafter import licence together with letter of authority and list of materials to be imported on this licence were sent to the supplier on 14-2-63. A formal letter of acceptance was issued on 25-4-1963.

It appears from the test certificate dated 8-4-63, that the suppliers and manufactured and tested the wire ropes on 2-4-63. They shipped both 52 mm and 36 mm wire ropes on 15-4-63 per sailing ship "Eastern Ranger" from Yokohama, Japan to Calcutta Port Customs duty and Port Commissioner charges were paid by NCDC in the month of May 1963 at the time of getting clearance.

It would thus be seen that the process of purchase was completed in the month of May 1963 and decision for abandoning the bicable ropeway in question was taken at a later date i.e. in July 1963. As such, there was no possibility of avoiding the purchase and question of fixing responsibility for an ommission in this regard does not arise.

(b) *Regarding consideration of the proposal for purchase of locked wire rope by the Board of Directors*

Normally such purchase cases are not put up to the Board of Directors and as such the proposal for purchase of locked wire rope in question was also not put up to them for their consideration.

(c) *Regarding sale of locked coil to BCCL at an agreed price*

BCCL have subsequently agreed to take all the 52 mm dia wire rope at a mutually agreed price and this rope has been released on 10-2-76. Even then one length of 1730 metres of 36 mm locked coil rope is left. Efforts are being made for its disposal.

(d) *Settlement of disputes between public sector undertakings*

Instructions have been issued by the Cabinet Secretariat in December, 1975 that disputes between public sector undertakings should be settled by mutual negotiation failing which by arbitration. However, no such occasion would arise between BCCL and NCDC (now CCL) as they are both subsidiaries of CIL and as reported above, the price has been agreed upon.

Recommendation No. 42 (Paras 7.45 to 7.49)

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

The Committee also note that the designs for mechanical recovery were based on an estimated quantity of 1.5 to 2 per cent fines in the raw coal feed but actually it was about 8 per cent. This deficiency and miscalculation was also responsible for winder-provisioning of clarifying and filtering capacity. The Committee are

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*At the time of factual verification Audit have stated as follows:—

> "Two reels of locked coil rope of 52 mm size has been despatched from Kargali washery to BCCL on 19-4-1978 and 27-4-1978 against release order dated 10-2-1976 at a mutualls agreed price, 1730 meter of 36 mm size meter rope has been disposed of for public auction."

informed that it was only in 1963 that a dec sion was taken to construct 4 nos. of slurry ponds to arrest outgoing fines. This cost the Corporation very little and immediately started arresting lakhs of rupees worth of clean coal every month which otherwise would have found its way to the river.

The Committee feel that loss of fines during the period 1958 to 1963 could have been avo ded by proper vigilance and for sight. They are not sure whether due care was taken before accepting the design of the Plant offered by the Japanese collaborators. They are also not sure whether realistic and scientific assessment was made with regard to the percentage of fines in the coal before furnishing the data to the Japanese designers. They are also amazed as to why it did not occur to any one of the Management during 1958 to 1963 to arrest the flow of fines into the river. The Committee would, therefore, like that all these aspects should be thoroughly investigated in order to pin point lapses if any.

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

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

Reply of the Government

A Committee of senior technical and accounts officers of Coal India Ltd. have examined the matter regarding loss of coal fines from Kargali Washery in the light of the observations of the Committee on Public Undertakings in Recommendation No. 42 of their Report on NCDC. The results of the Committee's investigations are as under:—

(i) The order for Kargali washery, the first of its kind in the country, was placed after scrutiny of tender documents and negotiat ons by the Director General Supplies and Disposals in 1956. As it is now 21 years since the work was undertaken all the documents relating to this tender are not available in that office. In the absence of these documents it has not been possible to make a precise assessment of whether the design of the plant offered by the Japanese firm was scrutinised with all poss ble care or not. It has, however, been noted from the available documents that production of fine coal (60 mesh) was estimated as 7.5 tonne per hour. In the report on performance of Kargali washery submitted by CFRI in June, 1972, it has been mentioned that the capacity of the slurry section could be rated at 20 to 25 tonne per hour which could deal with 5 to 6 per cent slurry production implying that about 2 per cent of slurry had to be discharged with the effluent. The construction of settling ponds was not fevoured due to lack of space at Kargali. Further the installation of filters to recover the fines was considered a better proposal in order to achieve a closed water circuit to reduce the cost of supplying fresh water to the plant.

(ii) In the absence of complete records the Committee could not form a definite opinion whether realistic and scientific assessment was made with regard to the percentage of fines in coal before giving data to the percentage of fines in coal before giving data to the Japanese designers.

(iii) It has been found by the Committee that the actual loss of coal fines during the period from 1958-59 to 1963 has been much loss than 2 per cent which is considered technically within permissible limits. The fire coal recovery system began to be overloaded from the middle of 1963 when larger quantities of fines came in from Bokaro opencast Mine and further in 1964 when similar operations commenced in Kargali Colliery as well. During this period, the washery was also undergoing modification which resulted in frequent by passing the filters and occassionally over loading. The construction of slurry ponds in 1964 was, therefore, justified as otherwise the good quality fine coking coal could not have been arrested and would have flowed into the Damodar.

(iv) Manual recovery of fines was done to recover the balance fines which could not be collected mechanically. Hence this should not be considered as a loss. The poor recovery of fines by mechanised means during the period (1965-70) was due to repeated failures of indigenous compressors. Finally a German compressor had to be brought from Sawang Washery and installed in 1969-70. The Committee felt that there has not been any appreciable delay in carrying out the modifications in the plant for mechanical recovery of fines.

The Government have considered the report of the Committee. Kargali Washery was the first of its kind in the country. Considering the state of technical knowledge about washeries in India in 1956, the officers scrutinising the tender would have had to reply a good deal on the technical date provided by the Japanese designers. It would have been impossible to forsee a situation where the fines percentage would be significantly higher than the capacity provided which was not too low-5 to 6 per cent. It is, therefore, reasonable to conclude that due care was taken at the time of placing the order for the washery. As regards the flow of fines between 1958—1962 it is submitted that the percentage was below the limit technically permissible. From 1963 onwards when the percentage of fines increased as stated earlier recovery of fines had also to be taken up. The expenditure on manual recovery cannot be considered a loss as the mechanical arrangement was inadequate and this was the only means of salvaging to coal. In fact by undertaking this work the company saved considerable amounts and money which would otherwise have been lost though wastage of fine coking coal.

Recommendation No. 43 (Para Nos. 7.56 to 7.58)

The committee note that in May, 1965' the Area General Manager, Bokaro and Kargali region awarded the work of transporation of fine coal recovered from the slurry pond to a contractor at a rate of Rs. 2.25 per tonne for a period of 2 years. In January, 1967, the work of recovery of fine coal from discharged let out of the slurry pond, its transportation and unloading was awarded to another contractor at the rate of Rs. 3.51 per tonne for a period of 1 year. Both the contracts provided that "the contractor shall pay to the workers appointed by him for this purpose the wages, D.A. including variation, if any, and the other allowances at rates prescribed as per the Appellate Tribunal, Dasgupta Award and Wage Board interim decision. In the event of the rates fixed by the said Award being revised by the Government during the continuance of this contract. the contractor shall make payments to labour engaged by him at the revised rates from dates on which the said Award rates shall come into force and it shall not be binding on the Administration to reimburse any amount arising out of such payment to the contractor."

The Committee find that the contracts were extended by the Area General Manager in piece-meal upto March, 1971 and while extending the contracts the Area General Manager agreed to increase the rates from Rs. 2.25 per tonne to Rs. 2.47 per tonne in the case of the first contract and from Rs. 3.41 per tonne to Rs. 4.19 per tonne in the case of second contract with effect from January, 1968 on the ground that the contractors had to meet increased wages under the Wage Board Award of August, 1967 and as a result an extra payment of Rs 1.92 lakhs was made to the contractors.

The Committee regret to point out that though it was not binding on the part of the Administration to reimburse to the contractors any amount arising out of payments of wages to the labour at revised rates under the Wage Board Award, the Area General Manager went beyond the scope of the contract and increased the rates payable to the contractors to enable them to meet the increased wages under the Wage Board Award of August, 1967. The Committee were informed that the records could be shown to the Audit to prove that the Management had applied checks to ensure that the increased wages were actually paid to the workers by the contractors. The Committee are not sure how far Area General Manager was justified in increasing the rates payable to the contractors even beyond the scope of the contract and whether the benefit of increased rates was actually passed on by the contractors to the labour. They would like that the whole matter should be thoroughly investigated with a view to fixing responsibility and taking suitable action. The Committee would like that the outcome there of should be reported to the Committee within six months.

(Para No. 7.56 to 7.58)

Reply of the Government

An Expert Committee has made an examination on the lines indicated by the COPU. The Committee has examined the available records and also discussed the Circumstances of the case with officers who were connected with it. It appears from the Committee's Report that even though the Area General Manager went beyond his delegated powers in renewing the contracts at a higher rate without calling for fresh tenders, the decision could not be said to be financially unsound or to have resulted in loss to the NCDC. The Committee is convinced that if the work has been retendered at that stage, there would have been dislocation of work and that the higher rates were not unjustified as they were related to the Wage Board increases. It has, however, not been possible for the Committee to check that the contractors actually paid to the labourers at the higher rate or that the benefit of the higher rate given on the grounds of higher wages for the loaders was actually passed on to them.

After considering the Committee's report the Government is of the view that the Area General Manager had apparently acted in an expedient manner in renewing the old contract at a higher rate after allowing for wage increases since there would have been dislocation of work if the process of calling for fresh tenders were to be gone through. The committee's investigation has shown that the revised rate by itself was not uneconomical to the company and as such there does not seem to have been any mala fide action. The procedural part had not been followed properly and the CIL is being advised to instruct all their Area Managers and other officials to act strictly within their delegated powers and not to depart from the established practice of calling for tenders for every contract except in emergencies and reasons to be recorded in writing. A copy of the letter issued to CIL is attached (Appendix XV).

Recommendation No. 45 (Paragraphs from 7.99 to 7.103)

The Committee are surprised to note that although the Railway Board made it clear in July, 1960 that it would not agree to pay any extra price for the washed coal over above the notified price of selected grade coal and although NCDC asked the Government on several occassions during August, 1961 to February, 1962 to confirm that it would not be required to bear the cost of washing and the losses arising there from and that there would be no problem in the disposal of middlings, the Company was asked by Government to proceed with the setting up of the Gidi Washery without giving any clear decision about the doubts expressed by NCDC. In their Report on National Coal Development Corporation submitted in February, 1968 the Kamath Committee concluded that it was entirely at the instance of the Government that this washery was undertaken (at a cost of Rs. 9.22 crores) although NCDC had clearly expressed it apprehension that the project was not viable and would involve the Corporation into heavy losses. The Railways did not agree to bear the cost of washing even for the beneficiation of raw steam size coal as in their view the cost of washed coal was to high and high could better use Grade I coal instead of washed coal. NCDC was asked to explore the possibility of feeding the entire washed coal to the steel plants. Consequently, the construction of the washery was continued and completed in November 1970 at a cost of Rs. 9.22 crores. The washery was, however, not put under operation as the steel plants were of the view that Gidi washed coal was not suitable for blending and no linkage was provided by the Committee on Rationalisation and Equitable Distribution of Coking Coal Accounting System (Dutt Committee) in its report dated 25th August, 1969. The Committee also find that an expenditure of about Rs. 261 lakhs incurred on maintenance, watch and ward etc., during 1970-71 to 1973-74 has been capitalised instead of being charged to the revenue account.

The Estimates Committee in their Sixty eighth Report on 'Availability and Distribution of Coal' have expressed their deep concern to note that Gidi washery which had been set up at a capital cost of Rs. 9 5 crores had remained idle for want of market. They have further observed that Gidi washery was a case of frittering away of public funds, without any consideration about the viability and remunerativeness of the project and the marketability of the production. The Estimates Committee have recommended that the whole matter should be throughly investigated with a view to fix responsibility on the persons concerned. The Committee on Public Undertakings strongly reiterate this recommendation and hope that the report of the enquiry would be made available to the parliament at an early dated.

Reply of the Government

*(a) Investigation into the setting up of Gidi Washery**

The matter relating to Gidi Washery was investigated in detail by the NCDC Enquiry Committee (Kamat Committee) 1967, whose report has already been made available to the Committee on public undertakings and to the Parliament. As mentioned by the Kamat Committee, the decision to go ahead with the Gidi Washery' was

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*Audit have stated "this remarks of the office will be sent after relevant records are produced for verification."

taken at the highest level and the planning Commission is also stated to have agreed in principles that the washery project should be pushed forward".

(b) *Obtaining acceptance of consumers to bear the cost of washing.*

2. The Committee's observation that no washery project should be sanctioned unless its economic sand marketability of its products are fully worked out is being followed. At present washeries are being sanctioned by for washing coking coal for supply to steel plants. The washeries are planned on the recommendation of a Committee in which the Department of Steel is represented and the project investment Board takes into account the views of the Department about the need for the washery before approving the project. Although the selling price for the washed coal from individual washeries has to be negotiated with the steel plants on the basis of the price of the raw coal used, cost of washing and other relevent factors, in principle, it is always understood that cost of washing would be paid for by the user.

(c) *Financial relief to NCDC for Gidi Washery.*

Reply to Recommendation No. 61 may kindly be seen. It had been decided by Government after considering the Accounts Committee report that their recommendation for writing off the equity capital invested in Gidi Washery was not justified. Alternative form of relief is being given through restructuring of the capital of coal India Ltd.

(d) *Integrated Plan to new Gidi Washery on economic lines*

The Coal India Ltd. had appointed a Committee* *inter alia* to prepare an integrated plan for improving the performance of the washery further. The Committee which consisted of the Chief of Equipment Division, Coal India Ltd. Teachnical Adviser, Eastern Coalfields Ltd. and Regional Director, Central Mine Planning & Design Institute has examined the present status of the washery. They have inspected the washery and had discussions with the officials.

2. Gidi Washery is at present washing medium coking coal transported by road from different colleries in Hazaribagh Area of Cent-

*Audit have stated that the clause of appointment of he Committee has not been indicated as desired by them in their letter dated 7-12-78 and 9-2-79.

ral Coalfields Ltd. The ash percentage of the raw coal feed varies from 25 to 20. The comperative figures of the washed coal as originally designed and as presently available are as follows:—

Quality of	As designed	Existing
Washed steam Coal—Ash%	19% Quality of Washed Medium; Coking Coal, ash %	17 to 21%
Quality of Washed Slack Coal—ash%	17%	
Yield	67% Yield	50 to 66%
Middlings	28% Middlings	40%
Rejects	5% Rejects	4 to 7%
Ash percentage of middlings	30 to 40	35

3. Even though the washery was utilised in 1976-77 to the extent of only 30 per cent on the basis of the designed input capacity of 2.84 m.t. per year, taking into account the design features, the quality of the coking coal that is washed resulting in 40 per cent middling output as against the original the present utilisation of the washery designed output of 28 per cent only and the transport problems of raw coal should not be considered insignificant. The Committee expects the utilisation to improve to 60 per cent during 1977-78.

4. The following recommendations have been made by the committee to improve the working further:—

(1) The Committee finds that, by and large, the capacity of the Gidi washery would be sufficient to treat the proposed 1.8 to 2 million tonnes of raw medium coking coal and the provision of equipment and their capacities are adequate.

(2) An analysis should be made of the total quantity of slurry which is being accumulated per month. Thereafter the question of washing the slurry by suitable equipment like Froth Floatation Cells etc. has to be gone into. This would improve the recovery percentage in washing.

(3) The scheme of receiving arrangements as finalised should be completed so that adequate supply of coal to the washery is ensured.

(4) Gidi washery is one of the targets washeries in the country and has been provided with good and sophisticated equipment. It should be properly manned with adequate supervisory personnel so that the maintenance, repair and up-keep of the washery is ensured.

At present there is only one Sr. Executive Engineer and two Asstt. Engineers incharge of the washery, even though the washery is working in two shifts.

(5) The system of proper maintenance, check lists should be immediately introduced.

(6) A review of the availability of stand by assemblies should be immediately undertaken and provided for.

5. Coal India Ltd. is considering the Report of the Committee and preparing action programme for implementing the recommendations.

6. The position about implementation of the various recommendations of the Committee is given below—

(i) Investigation on the beneficiation of the slurry by Froth Floatation are being carried out by National Metallurgical Laboratory, Initial results of the Bench Scale Tests are quite encouraging. More detailed studies are being taken after the investigations are completed, Pilot Plant Studies will be taken up followed by Commercial operation.

(ii) Scheme of receiving arrangements for feeding adequate quantities of coal to the washery has made progress, Civil works are nearly completed. The structural and mechanical works are likely to be completed by the end of June, 1978.

(iii) Additional skilled hands have been provided to the washery in the form of ITI trained men. Meanwhile, man power requirements have been worked out and are being scrutinised. Supervisory staff has been strengthened.

(iv) System of maintenance has been improved. Preventive maintenance schedules are being prepared and partly introduced including check lists.

(v) Action for improving the availability of sand by assemblies has been taken.

(vi) The production figure from the washery from April, 77 onwards are given below.

April, 77 .	55.000 tonnes
May, 77 .	55,000 ,,
June, 77 .	55,000 ,,
July, 77 .	62,000 ,,
Aug., 77 .	60,000 ,,
Sept., 77 .	63,000 ,,
Oct., 77 .	66,000 ,,
Nov., 77 .	59,000 ,,
Dec., 77 .	62,000 ,,
Jan., 78 .	62,000 ,,

Recommendation No. 46 (Para Nos. 7.107 and 7.108)

The Committee find that in view of the uncertainty of demand for washed coal from the Gidi Washery, the Management had to defer the construction of a ropeway on which an amount of over Rs. 10 lakhs had already been spent on the purchase of equipment and ropeway buckets, besides an amount of Rs. 33,000 paid to the contractor as compensation for the termination of the contract.

The Committee recommend that the Government/NCDC should examine whether the unfinished ropeway from Gidi 'C' Colliery to Gidi Washery on which an expenditure of Rs. 10 lakhs has already been incurred, can be put to fruitful use in the near future. They would also like to know whether there are any other ropeways from other Collieries to Gidi Washery and whether they are being used. The Committee would like the Government to come to an early decision regarding the future utility of all these ropeways.

Reply of the Government

(a) *Regarding ropeways connecting Gidi Washery to Gidi 'C' Colliery.*

Gidi 'C' Colliery is producing non-coking Coal.

At present Gidi Washery is washing medium coking coal only, for which there is a demand for supply of steal plants. It is not treating non-coking coal, since there is currently no established market for such clean non-coking coal. The ropeway can be put to use only if the washing of non-coking coal is taken up at the

Washery as afterall it is required for that purpose only. Hence the CCL has been asked to examine if the installations already made at Gidi should be removed for utilisation elsewhere in Department of Coal letter dated 16-9-1976.

(b) *Regarding other ropeways connected to Gidi Washery.*

There is one more unfinished ropeway connecting Gidi Washery to a colliery *viz.* Bhurkunda. While there are no prospects of transporting non-coking coal from Bhurkunda colliery to Gidi Washery for benefication for reasons stated against (a) above, the middlings arising from beneficiation of medium coking coal at this Washery are proposed to be transported by the ropeway to Bhurkunda railway siding for onward despatch by rail. Preliminary studies for completing the installation of the ropeway and commissioning it for this purpose, have been taken up.

Recommendation No. 55 (Para No. 8.44 to 8.47)

The Committee find that the Girdih Workshop was set up mainly to cater to the needs of Girdih Collieries. Manufacture of Coal tubs for NCDC is the other main activity of this workshop. The Committee, however, find that manufacture of coal tubs, which is the most profitable item, gradually came down owing to shortage of steel plates and other iron and steel materials with the result that the Management had to place orders in August, 1970 on a private firm for the supply of 50 tubs at the rate of Rs. 950 per tub whereas the unit cost of production in Girdih Workshop during 1970-71 was Rs. 714. The Committee regret to note that this resulted not only in non-utilisation of the capacity at Girdih Workshop but also put the NCDC to an extra expenditure.

The Committee fail to understand why adequate steps were not taken in time to provide the requisite quality and quantity of steel and other materials for the manufacture of tubs, in the Girdih Workshop and thus avoid the loss.

The Committee would like that this matter should be examined and steps taken to set right system of material management in the Workshop.

They would also like the Corporation to identify the causes which accounted for the non-availability of steel and other material at the workshop for the manufacture of coal tubs while it was available with the private firm.

Reply of the Government

(a) *Regarding non-availability of steel materials in Girdih workshop and need for procurement of coal tubs from outside.*

There had been acute scarcity of steel items during the preceding few years. The shortage of steel materials during that period is well known and not only Girdih workshop but most of the Workshops and industries had partly suffered on this account, resulting in idle capacity. The Corporation, in fact, after assessing the requirement of iron and steel items, approached the appropriate authorities for allotment and also placed orders for the allotted quantities on the steel producing plants, well in time. Since the actual allotment was much less than the requirement and the orders placed, it was decided to procure the available quantities from the various stockyards of the steel plants though at slightly higher prices. Even then, the total quantity that could be procured from the plants and stockyards was far less than the requirement and hence the workshop could not be utilised to its full capacity to manufacture the coal tubs. As a general policy the Corporation confined its purchases of iron and steel materials from the plants and stockyards of the plants and did not enter into the open market as there was no scope for obtaining the steel items at reasonable price and also the methods of payment operating in open market, could not be adopted by a Public Sector Company, except under unavoidable circumstances.

Since the steel plants and stockyards could not meet the full requirement of steel items to manufacture the required quantity of coal tubs, the management had to place orders for the supply of manufactured tubs to outside parties for meeting the most hard-pressed need of different collieries to supplement the supplies from the Companys own Workshops.

The position was reviewed from time to time and every possible step was taken to make adjustments to the prevailing situation from time to time particularly as inadequate availability of tubs was a constraint for meeting production targets. This issue was brought up by colliery managements in all meetings held to review performance.

Now the situation has changed and at present, supply of raw material, especially iron and steel is not a problem. The workshop is therefore fully utilised. During January—May, '76, 600 coal tubs were manufactured against the target of 500.

(b) *Regarding non-availability of steel, materials in Girdih Workshop, while these were available with private firms.*

Though there was general shortage of steel items in the whole country, the private firms could procure their steel items from open market at high prices and following the open market procedures of payment etc. This was possibly one of the reasons for their selling the coal tubs @ Rs. 950 per tub, while the same was manufactured at Girdih Workshop at a cost of Rs. 715 each. The situation has however, changed now and most types of steel are readily available.

Recommendation No. 60 (Para No. 9.65 to 9.76)

The Committee find that as on 31st March, 1974 the gross debts outstanding against the customers of NCDC amounted to Rs. 18.12 crores out of which debts amounting to Rs. 8.22 crores were outstanding beyond the credit period.

The Committee in their Tenth Report (Fourth Lok Sabha) had recommended the recovery of interest on overdues from the customers. In pursuance of this recommendation the Board of Directors decided in May, 1968 that it would be advisable to demand payment of interest in cases of over-dues beyond the agreed period of credit. The decision was reviewed by the Board of Directors in April, 1970 when a system of prompt payment rebate was introduced. The Committee are unhappy to note that the Management did not care to implement the recommendation of the Parliamentary Committee relating to recovery of interest on overdues from the customers. The decision of Board of Directors about the introduction of a system of prompt payment rebate also remained unimplemented. The Committee would like that the matter should be thoroughly investigated in order to fix responsibility for not implementing the recommendations|decisions in this regard so far. While reiterating their earlier recommendation to charge interest on overdues, the Committee would also like to stress the need to evolve a suitable method to ensure that payments due from customers do not fall in arrears and are realised within the agreed period of credit. They also recommend that all out efforts should be made to realise the huge amount of outstandings as early as possible.

The Committee are surprised to note that 4 to 5 per cent of the billed amount is deducted by the consumers at the time of making initial payments. Part of these deductions is in accordance with the terms of agreement and the balance is arbitrary. A sum of Rs. 3.19 crores has been shown in the accounts for 1973-74 as doubtful debts. Deductions made by the customers were mostly on account of disputes regarding rates, quality complaints, underloading of wagons, shortfall in calorific value, defects in weightometer, etc. It has been stated that there were prolonged delays in the final settlement of cases of deduction|disputes as there is a general tendency on the part of the customers to stick to their stand and to justify the deductions. Although the management feel that some means should be devised for prompt settlement of the disputed cases, yet no permanent solution appears to have been found so far to deal with and settle such cases.

The Committee would like that all the important cases of deductions disputes should be reviewed in order to find out how far such cases could have been avoided if the Management had acted with alertness in attending to the customer's complaints promptly and in the light of the experience gained, suitable steps taken to avoid arbitrary deductions from bills and all out efforts should be made to settle the disputes and realise the full amounts of the bills without avoidable delay. The Committee would also like that the procedure for payment by the consumers should also be reviewed so as to keep deductions from bills to the minimum.

The Committee are informed that Government parties like State Electricity Boards were amongst the main defaulters in making prompt payments and settling disputes. Outstandings against State Electricity Boards and and Power Houses alone are stated to be over Rs. 185 lakhs.

Although the Committee in their Tenth Report on NCDC had recommended that the Management should enter into firm agreements, with State Electricity Boards and although the Ministry advised the Corporation to finalise such agreements as far as possible before commencement of the supplies of coal, the Committee regret to find that firm agreements had not been entered into with many of the State Electricity Board, Thermal Power Stations through supplies of coal had commenced long ago.

The representative of the Corporation stated during evidence that "there is realy no justification for it except that in actual practics we find that it is almost impossible to come to an agreement with the State Electricity Boards and if it is possible it takes years". They are, however, informed that the NCDC has now finalised the terms of supply and payments with practically all the Electricity Boards through meetings and minutes of meetings and formal exchange of letters.

The Committee are, however, not sure how in the absence of firm enforceable agreement signed with the Electricity Boards, the mere exchange of letters will help the NCDC realise dues from the Electricity Boards or others within the agreed period of credit. They would like that the Government|NCDC should review the whole question and ensure that formal enforceable agreements are signed with State Electricity Board and other parties, so that dispute may not arise at a later stage. The Committee also recommend that the Government|NCDC should review as to how far it is commercialy prudent for the NCDC to continue to supply coal to such Electricity Boards|other parties as fail to honour their commitments in the matter of making payments in time.

The Committee are informed that the Ministry has also now evolved a draft guidelines indicating the terms for supply of coal to power stations. It has been stated that the guidelines which provide important clauses in respect of quantity and quality, sampling of analysis, price, bonus|penalty, weighment, payment and period of validity of agreement etc. have been circulated by the Central Electricity Authority to all the Chairmen of the State Electricity Boards for comments. The Committee recommend that the guidelines should be finalised without delay. They would also like to recommend that such guidelines should be evolved for other major customers also. The Committee need hardly stress that the guidelines issued by the Ministry should be meticulously followed by the Management to ensure that there is no further accumulation of outstanding and eliminate any further chances of disputes on account of price, quality of coal etc. According to the Management NCDC failed to secure full coverage against its coal sales dues, to charge interest when payments were delayed, to do away with the middlemen and to enter into long term and firm agreements with State Electricity Boards due to fierce competition with the private sector collieries who were offering heavy rebates and were operating through middlemen. NCDC was stated to be rather disadvantageously placed vis-a-vis the private sector, both in respect of the quality of coal, the cost of production and location of its mines. It has been stated that delays in settlement of cases of deductions were also not wholly unconnected with market conditions.

The Committee have been informed during evidence that even now when the mines are nationalised and there is monoply there is still the problem of realising money from customers particularly from the Public Sector as they customers feel reasonably assured that the Corporation cannot stop supplies whether they make payment or not. The position of payment has deteriorated after nationalisation as far as the public sector is concerned.

The Committee have already recommended elsewhere in this Report that Government should set up a standing machinery for sorting out various problems which might arise between the Corporation and consuming agencies in the public sector like power stations, steel plants etc. The Committee would like to stress that Government should issue suitable instructions to all the Central Government, Public Undertakings that they should act as model customers and suppliers and be prompt in settling the dues of, and resolving disputes with, one another in the interest of the success of public sector. In the event of dues or disputes remaining outstanding beyond a reasonable period, the matter should be referred to the standing machinery for the settlement of disputes without avoidable delay. Pending the setting up of supply machinery the Committee would like the NCDC to take advantage of the present situation when coal and power are under one Ministry, to resolve such disputes with State Electricity Boards and others and they hope that the Ministry would render all possible assistance to the Corporation in this regard.

Reply of the Government

Charging interest on overdues and prompt payment rebate

This matter relates to the pre-nationalisation period of the coal industry. In the pre-nationalisation period, NCDC had to compete with private collieries and could not enforce its own terms of sale as effectively as was desirable. It may, therefore, kindly be seen that COPU's earlier recommendation that the question of charging interest should be re-examined was duly acted upon and the circumstances in which it was difficult to realise the interest demanded were explained in reply to the Committee. Interest had however been realised from a few private parties for delayed payments.

As regards the decision of the Board of Directors of April 1970 to introduce a system of prompt payment, it may be mentioned that in the pre-nationalisation period, NCDC could not effectively implement the decision of the Board of Directors in view of the position explained above. However, the prompt payment rebate was introduced from 1970 with the following Electricity undertakings namely:

(i) Orissa State Electricity Board,

(ii) Bihar State Electricity Board,

(iii) U.P. State Electricity Board, and

(iv) Damodar Valley Corporation.

Bill interest on outstanding amounts have been raised by NCDC on the major consumers in the power sector. Interest for the period 1-6-1970 to 31-3-1972 raised against Orissa Electricity Board was bartered for the value of coal falling under rejection clause during the same period. The other electricity undertakings have not paid the interest as they were making payments on ad-hoc basis. Interest bills have been raised against Bihar and U.P. Electricity Boards but no payment has been received. In the case of the Railways, the supply of coal till late has been against the tenders invited by the Railway Board which provide for specific payment terms without any prompt payment rebate or payment of interest on delayed payments.

With a view to ensuring that payments due from customers do not fall in arrears and are realised within the agreed period of credit, the Coal India Limited have now prepared revised terms and conditions for supply of coal to all major consumers and the same have already been circulated for acceptance. The terms and conditions provide for payment immediately on transfer of goods to the customer and also for charging of interest on delayed payment.

The Committee would, therefore, kindly appreciate that all possible efforts have been made and will continue to be made to implement the recommendations of the Committee.

9.67. *Past cases of deductions/disputes with Customers.*

Deductions made by the consumers fall under two types namely:

(a) deductions in accordance with the terms of the relevant agreement; and

(b) deductions in contravention of the agreed terms.

In so far as the first type of deductions is concerned, they were examined and promptly attended to in terms of the specific agreements. Even though the second type of deductions were in contravention of the agreed terms, they were discussed with the parties concerned but none of them was willing to settle the disputes. To quote an example, Bihar State Electricity Board agreed in a meeting held on 10-1-1979 to have the deductions reviewed by a high power committee consisting of representatives of both sides and a methodology was evolved to settle the deductions. But till date, the Electricity Board has been refusing to associate itself in the calcultions on the basis of agreed formula for settling the deductions. There are consumers whose arbitrary deductions include even statutory payments. Discussions are continuing with these parties. CCL have also set up a Committee of senior officers to contact the defauting customers individually for quick settlement. The Committee is authorised fully to enter into final arrangements with reference to each dispute.

The Coal India Ltd. has finalised its own terms and conditions of coal supplics and given notice of the same to all major consumers. Negotiations with these consumers at the highest level are being held.

The draft terms with regard to coal supply and payment procedure for power houses were discussed in a meeting with the Central Electricity Authority some time back. These terms have been circulated by the CEA, as guidelines to the Electricity Boards but the latter have been resisting, particularly, the payment terms. A meeting was held with Chairman of the Electricity Boards on 23-8-1976 but no final decision could be reached so far. These discussions are being followed with individual Electricity Boards.

Similarly, a meeting with the representatives of the Steel Department was also held recently. The terms and conditions with regard to payment procedure are being discussed again by Coal India Ltd. with Steel Authority of India and with Steel Plants to reach agreement on this matter. Discussion with the Railways have also taken place by Coal India Ltd. with the Railways.

Supplies of coal are made to private parties only with complete financial coverage. Two major customers namely: Fertiliser Corporation of India and National Fertilizer Ltd. have entered into firm agreements accepting the conditions of supply proposed by the Coal India Ltd.

Till the formal agreements for the supply of coal are finalised with all the consumers, supplies are made on the basis of exchange of letters and minutes of discussions. Efforts are, however, continuing and it is hoped that with the good offices of the Administrative Ministries, concerned, it would be possible to have the terms of sale accepted by the major customers including the Railways and the power stations.

The major defaulters are power stations and other Government Departments and public sector undertakings. It may be mentioned here that supplies were suspended in the case of BHEL and HEC and were resumed only after receiving full payment. CIL had decided to suspend the supply to the Delhi Electric Supply Undertaking but the supplies were resumed on the intervention of Department of Power in view of the difficult financial condition of

DESU and in order to avoid hardship to the public in Delhi. Part payment was arranged soon after the resumption of coal supplies.

At present, the largest amount of outstanding is against IISCO. This company has recently been nationalised and the Government is taking steps to put its finances on a sound footing. In view of this, Coal India is continuing the supplies to this consumer.

It has been decided that in the case of all the consumers with over-dues, CIL should give one month's notice that the outstandings bills should be settled, otherwise supply would be stopped. In the meantime, they would also depute some officers for contacting the consumers and expediting payment of the bills.

The COPU's recommendation that the Government should issue suitable instructions to all the public undertakings that they should act as model customers and suppliers and be prompt in settling the dues of and resolving disputes with one another has been brought to the notice of the Bureau of Public Enterprises for issuing necessary instruction to all concerned.

It may also be mentioned that instructions already exist for disputes by mutual discussions failing which by arbitration. Reply to recommendation No. 28 may kindly be seen in this connection.

The Committee's suggestion for setting up a standing machinery for sorting out problems between CIL, and major consumers like Power Boards and Steel Plants, it may be stated that CIL have set up their offices at different places in the country with a view to attending to the complaints of the consumers and to deal with them effectively. Besides, necessary machinery for sorting out problems with Steel Plants is being set up by Coal India Ltd. Similarly the problems connected with the Power Boards are also discussed at the level of the Coal India Ltd. and at the level of the Administrative Ministries concerned. Recently, meetings with Department of Steel and Power Boards were held in this Department. Subsequently, Department of Power also had discussions with the Electricity Boards concerned to pay the outstanding amounts due to the Coal India Ltd. for the supply of coal and to accept the standard terms of sale for future supplies. As a result of all these efforts undertaken at the level of the Administrative Ministries concerned, the outstanding dues came down to Rs. 83.17 crores as on 31-12-1976 against Rs. 94.17 crores in 31-3-1976.

It would thus be seen that all out efforts are being made by Coal India Ltd. and all possible assistance is also being tendered by this Department to recover the outstanding amount dues from the defaulters.

Recommendation No. 61 (Paras 10.14 to 10.18)

The Committee note that in April, 1969 the Management submitted to Government a proposal for the reconstruction of its capital structure. The Government desired that a reasonable forecast of the working of the Corporation should be made along with recommendations as to how the capital structure could be remodelled with a view to reducing the burden of interest charges on the loan liability. This work was entrusted to a Committee on Rationalisation of the Accounting System. In their report submitted in August, 1969 the aforesaid Committee recommended that equity capital of Rs. 25 crores as on 31st March, 1970 representing unremunerative investment on account of Giridih losses (Rs. 5.61 crores, Kargali losses (Rs. 2.34 crores), Gidi washery capital cost (Rs. 8.50 crores). Investment on closed/suspended mines (Rs. 4.39 crores) and expenditure on prospecting and boring (Rs. 4.39 crores) should be written off. They also recommended that a grant of Rs. 1 crore each for the two years 1970-71 and 1971-72 should be given to meet the maintenance charges, interest and depreciation on Sawang and Kathara Washeries. The Recommendations of the Rationalisation Committee were accepted by the Board of Directors and were forwarded to Government in February, 1970.

The Committee are informed that the losses amounting to Rs. 5.02 crores on Giridih group of collieries have been written off. Government have also converted loans amounting to Rs. 9 crores into share capital on account of expenditure on township.

The Committee are surprised to note that even after a lapse of about 5 years all other matters on which the committee on Rationalisation of the accounting system had made recommendations in August, 1969 are still under consideration of the Government.

The Committee also find that the matter regarding raising the authorised share capital of the Corporation from Rs. 125 crores to Rs. 190 crores was approved by the Board of Directors and referred to Government in October, 1970. Against this requirement, Government approved an increase of only Rs. 10 crores, raising the authorised share capital to Rs. 135 crores. The Board of Directors again requested the Government in August 1972 to agree to an increase in the share capital to the level of Rs. 190 crores as already approved by the Board. This matter is still under correspondence with the Government of India.

The Committee note that the various questions regarding the reorganisation of capital structure and having a bearing on the profitability of the Corporation have been under the consideration of the Government for about 5 years but final decisions are yet to be taken on several issues. They recommend that Government should expedite their final decision on all these questions keeping in view the present position of NCDC *vis-a-vis* CMA and keep the Committee informed of the decision.

Reply of the Government

It is not correct that even after a lapse of about 5 years, all the other matters on which the Committee on Rationalisation of the accounting system had made recommendations in August, 1969, are still under consideration of the Government.

The various recommendations of the Accounts Committee were considered firstly in an inter-departmental meeting held in the Department of Mines on 4-6-1970 and later at a meeting held in the room of the Secretary (Expenditure) Ministry of Finance on 9-11-1970, at both of which, the representatives of the National Coal Development Corporation also were present. The recommendations to the following extent only were accepted and orders issued:—

(i) Re-imbursement of the cash losses of Rs. 5.02 crores suffered by the National Coal Development Corporation on Giridih Collieries which were being worked under the Presidential directive, upto 31-3-1971.

(ii) The other recommended reliefs viz., writing off of equity capital to the extent of Kargali Washery losses investment in Gidi washery and investment in closed/suspended mines were not considered justified, but instead another relief was given, by treating the entire capital out let on townships as equity as a result of which loans to the extent of Rs. 9 crores were converted into equity.

2. Regarding revising the authorised capital of the Corporation from Rs. 125 crores to Rs. 190 crores, it may be mentioned that when the Coal India Limited was set up as a Holding Company, with Central Coalfields Limited formed out of the erstwhile National Coal Development Corporation collieries in Bihar, Talchar & Singrauli, along with the private sector collieries of Hazaribagh, Eastern & Western Bokaro among others as subsidiary company, with effect from 1-11-1975, the Memorandum and Articles of Association of Central Coalfields Limited were amended to increase the

authorised capital to Rs. 150 crores. Further increase, if and when considered necessary, will also be made by following the procedure prescribed in the companies Act.

Recommendation No. 67 (Paras 11.22 to 11.30)

The Committee note that the Corporation had a total holding of spare parts and other consumable stores worth Rs. 16.52 crores, Rs. 16.75 crores, Rs. 19.87 crores, Rs. 22.14 crores and Rs. 26.22 crores as at the end of the years 1969-70, 1970-71; 1971-72; 1972-73 and 1973-74 respectively. Considering the stock at the end of 1969-70 also too high the Management decided in December, 1970 that it should be reduced by at least Rs. 2 crores by 31st March, 1971. However, stores worth Rs. 30.79 lakhs only could be disposed of. Similarly against the target of Rs. 224.50 lakhs and Rs. 143.65 lakhs, surplus stores to the extent of Rs. 158.01 lakhs and Rs. 107.61 lakhs only were disposed of during 1971-72 and 1972-73 respectively.

An analysis of stock, spare parts and consumable stores made by the Management in December, 1972 revealed that as per the norms fixed by the Corporation on the lines suggested by the Bureau of Public Enterprises there was excess holding to the extent of Rs. 5.66 crores as on 1st April, 1972, out of which imported stores alone accounted for Rs. 1.5 crores and general consumable stores like iron and steel welding and foundry materials, electrical material etc., about Rs. 2.5 crores.

The excessive inventory as compared to norms fixed has been attributed by the Management to obsolescence of spare parts pertaining to equipment that have outlived their rated lives, incomplete supply of component of current equipment due to which quite a considerable number of otherwise useful spares could not be consumed and discrepancies in valuation of holdings themselves etc. Another Main reason for the holding in excess of norms is stated to be the presence of a sizeable value of non-moving stores. In their Supplementary Report on the accounts for 1971-72, the Company Auditors stated that the stores/spares of the value of Rs. 7.33 crores had not moved during the year or for longer period.

The Committee also find that an ABC analysis made by the Management in 1968-70 indicated that the stock of category 'C' items (*i.e.* below Rs. 200) was as high as between 256 months' consumption to 558 months' consumption in some of the collieries. The

Management stated in May, 1972 that investigations regarding 'C' items were being carried out. The Committee are, however now informed that "investigations had started but there had been some difficulty to complete the work".

The Committee take a very serious view of the unduly long time taken in completing the investigation regarding 'C' items. They are constrained to conclude from this that the management have not realised how important it is to reduce the quantum of stores and spares to a reasonable level in the interest of the profitability of the Corporation and releasing the blocked funds for use elsewhere. Thy would like the Corporation to take up this work seriously and complete it without delay.

The Committee feel that fixation of faximum and minimum was the non-fixation of the maximum and minimum limits for different items of stores and spare parts except those held in the five regional stores. They also note that the Management have not made any detailed analysis and quantification of the excess holdings in all the collieries/units.

The Committee feel that fixation of maximum and minimum limits for different items and categories of stores and spare parts and a detailed analysis of stores and stock in order to clearly identify the stores in excess of requirement are the basic requirements of stores accounting which the Managment cannot afford to neglect. They therefore recommend that the maximum and minimum limits of stores and spares should be fixed immediately and thereafter inventory of the stores and spares should be reviewed in the light of the limits fixed and the items surplus to requirements should be identified and disposed off in the best interest of the Corporation. The Committee find that though decisions to dispose of surplus stores were taken earlier also the decisions were not fully and promptly implemented and that is why the Corporation finds itself loaded with such huge stocks of stores and spares. The Committee would like to be informed as to why the decisions were not implemented promptly and recommend that responsibility for the lapse should be fixed.

The Committee note that the value of surplus obsolete and unserviceable plant and machinery has been brought down to the level of Rs. 10.90 lakhs as on 31-3-1974 as compared to Rs. 181.49 lakhs as on 31-3-1970.

It has been stated that the reduction in the holding of surplus plant and machinery was the result of internal utilisation and outright sale to outside parties. They hope that the Corporation will continue to pursue this matter till it has disposed of the entire lot of surplus, unserviceable and obsolete plant and machinery.

Reply of the Government

The Central Coal fields Ltd. has given careful consideration to the Committee's observation and a report of the action taken by the Company is given below:

(a) *Regarding 'C' items*:

An ABC, analysis of the inventory in the stores/depots in CCL was carried out in the year 1974-75. This has revealed that the inventory of 'C' items had come down considerably, *i.e.*, from an earlier level of 256 to 558 month's consumption (as stated by COPU) to a level of 2 to 69 months' consumption except only in 4 stores depots where the level was between 100 to 184 months' consumption. Nevertheless the stock of 'C' items is being reviewed constantly and efforts are continued to bring their holdings to still lower levels. This is a continuous process.

(b) *Regarding fixation of maximum and minimum levels of stores and disposal of surplus items*:

An inventory Control Cell with a view to prescribing levels of inventory holding and to bring it down to such levels, has now been constituted. This came into existence in November, 1975.

This Cell has already fixed the maximum/minimum levels of all category of items (numbering about 5000) not only of the Regional Stores but also of other stores depots. It has a programme to fix by December, 1976 the maximum and minimum levels of all B-1 items, which too are numbering about 5000. Though the number of remaining items under B-2 and C categories together is very large i.e., about 85 per cent of the total number of items, their annual consumption value is not very significant i.e., it is only 10 to 15 per cent of the total. It is, therefore, felt that fixation of tre maximum and minimum levels of these items will involve time and efforts which will not bring about commensurate benefits; and as such it is not proposed to be taken up at this stage..

So far as the control of inventory level of spare parts is concerned, this is exercised by having technical and financial control

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*Audit have stated that no reply has not been vetted as relevant were not produced.

over material budgets on a three year cycle basis. Material budgets for a period covering upto 3 years in advance are prepared, depending on actual need and are subjected to technical an financial scrutiny before these are accepted. This yields the desired results.

Detailed analysis of inventory as on 31-10-1975 was carried out and the stock was compared with the item-wise norms laid down by the aforesaid Inventory Control Cell. Following this, the Inventory Control Cell has identified surplus inventory to the tune to about one crore and has a programme to list out by December 1976 all the surplus stores and spares after inspection of each and every item to find out whether these could be used elsewhere even with some modifications.

The following steps are taken to dispose of the surplus stores:—

(i) To weed out all obsolete spares either by transfer to other need projects/companies or by sale and by operating maximum and minimum levels for all A and B items which are having regular consumption;

(ii) Study of non-moving/slow moving items and then transfer to other projects/companies of CIL;

(iii) Regulating the receipt of A and B items so that stocks are maintained within the pre-determined levels.

(c) *Regarding non-implementation of earlier decision for disposal of surplus stores and spares*

In pursuance of an earlier decision (1970) for bringing down the inventory by about Rs. 2 crores in the first instance, the inventory position was examined in detail. It was, however, found that the expected value of realisation on the disposal of the obsolete spares was of the order of only 10 per cent and that in case of general consumable stores this ranged upto these items 30 per cent of their original values. In expectation of a higher value at a later date, the proposal for the disposal of these items had been deferred. In fact, some of these items fetched higher values on disposal after 2-4 years. In view of this, the question of responsibility for any lapse does not arise.

Nevertheless, the subject of disposal of surplus items has been vigorously followed up. The disposal value of the spares and stores since the year 1971-72 till 1975-76 has been Rs. 2.27 crores.

Recently, the management has formed a Standing Committee and has empowered it to arrive at the maximum values at which each group of surplus stores and spares could be disposed of during auction. This step is expected to cut short delay in arriving at decision of the type mentioned and consequently accelerate the rate of disposal of surplus stores and spares and bring down inventory levels speedily.

(d) *Regarding disposal of unserviceable and obsolete plant and machinery*

The process of surveying off of unserviceable equipment and their disposal is being carried out by CCL on a continuous basis.

The value of surveyed off plant & machinery (including scrap) awaiting disposal as on 1-4-1974 was Rs. 10.90 lakhs. During the year 1974-75 and 1975-76 equipment (including scrap) of value Rs. 28.46 lakhs were surveyed off and declared, surplus for disposal and equipment (exclusive of scrap) of value Rs. 27.71 lakhs have been disposed of.

2. The Government have considered the report of action taken by the company in the matter of disposal of surplus stores and in keeping down the inventory of stores and spares. While there has been improvement from the position which existed a few years ago, there is scope for further improvement on the lines suggested by the COPU. The CCL is being advised to take more vigorous effort in this direction. In particular, the company is being advised to fix maximum and minimum levels for B.2 and C items. The company is also being advised that the decisions for disposal of surplus items should be implemented promptly and if there are valid reasons for not doing so, the matter should be brought to the notice of the authority which gave the decision, so that instances of the type pointed out by the Committee do not recur. The progress of action will be watched through periodical reports.

CHAPTER IV

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

Recommendation No. 20 (Paras 3.139 to 3.142)

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

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

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

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

Reply of the Government

Silewara project is situated in the Nagpur District of Maharashtra. A project Report for Silewara pilot mine was prepared in March, 1963, based upon the geological data available from the drilling operations carried out by the Indian Bureau of Mines upto that time. The main purpose of starting the pilot mine was to collect the representative technical data regarding the roof and floor conditions, the most suitable form of support and the make of water in the seams.

2. Subsequently more data based on the drilling operations carried out by the NCDC became available. A demand for 0.4 million tonnes of coal per annum for the Khaperkhenda thermal power station of Maharashtra State Electricity Board located in the vicinity of the Silewara project was also received. A project report was, therefore, prepared, merging the pilot mine, for a mine with a production target of 0.45 million tonnes per annum utilising the data gathered in the course of the pilot mine operations and other investigations.

3. The Board could not take a decision in the project until the pilot mine was developed and sufficient data became available to prepare the preliminary project report.

4. The preliminary project report for Government's sanction was received in September, 1965. This was examined in great detail in the Ministry, in consultation with the Ministry of Finance and NCDC. Clarification were sought from the NCDC from time to time.

5. After a series of discussions with the Ministry of Finance, it was decided in October, 1968 that a detailed Project Report, in accordance with the revised instruction issued by the Ministry of Finance in August, 1967 should be got prepared. The Draft Project Report was received from the NCDC on 19-3-1969. This was again referred to the Ministry of Finance and a second detailed examination was undertaken, particularly with regard to the economics of the project. The financial concurrence was ultimately obtained on 3-4-1970 and Government's sanction was issued on 7-4-1970. In the meantime, with the concurrence of the Ministry of Finance, necessary funds were being allocated for the Silewara project from year to year in the Annual Plan and capital Budget so that the development of the project did not suffer for want of formal sanction.

The geological and working conditions in Silewara Project are extremely difficult and the time taken for its completion cannot be considered excessive in the light of actual working conditions enumerated above. The want of formal sanction was not responsible for the long gestation period which was entirely due to the difficult mining conditions.

7. Silewara project is one of the most difficult mines as far as mining conditions are concerned. Abnormal sub-soil strata with running sand saturated with water, weak roof, steep inclination of mine (1 in 4.5) and geological disturbances resulted in the delay in starting and maintaining satisfactory progress of the incline.

8. There were ordinary geological conditions which could not be foreseen at the time of planning of the project Report, inspite of the pilot mine.

9. When the fault at the Sector-C was met, it was found practically impossible to cross the fault with the normal method of working. The Company was compelled to try different methods one after another. These faults could be crossed successfully only during 1975. It is expected that this project will reach its rated capacity by 1979. Due to the difficulties enumerated above, project could not be brought under Revenue Account until 1-4-1975, through the project was commenced in 1964. The losses incurred during the period of its development had to be capitalised under the circumstances explained above.

10. As the production of this colliery due to reasons enumerated above did not catch-up with the demand supplies of coal to the MSEB as per agreement extra had to be made from Umrer colliery with extra transportation charges.

11. The recommendation of the Committee has been noted regarding entering into firm commitment with the MSEB for the off-take of coal from the project after expansion.

12. Even though the project had to encounter mining and geological disturbances, the expansion also had to be planned for, to meet the requirement of thermal power stations of Maharashtra State Electricity Board from the nearest source, where part of the infrastructure was available.

13.*MSEB has undertaken expansion of the Power House at Koradih/Khaperkheda for which additional coal is needed. The cost of coal received at Koradih/Khaparkheda from Silewara is lower than that of coal from any other source. Therefore, Koradih/Khaparkheda power houses have already installed a ropeway to transport the coal from Silewara group of mines. Expansion of this project was being undertaken inspite of the difficult mining conditions, in the overall interest of the national economy.

14.*MSEB have entered into an agreement with the Western Coalfields Limited for their entire requirement of coal which will be operative for a period of 10 years. The price clause of the agreement had provision for escalation. Since the coal prices have not become statutory, this clause has become inoperative. The other clauses of the agreement are in force now. The pricing policy for such 'tied' mines is not under examination by the Inter-Ministerial Committee on Coal Prices.

Recommendation No. 28 (Paras 4.54 to 4.57)

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

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

*At the time of factual varification, the Audit have stated: "local audit varification report is awaited."

The Committee are informed that though no firm agreement on a stamped paper has been entered into with Madhya Pradesh State Electricity Board, an agreement was reached on essential teams of supply in July, 1971 and thereafter as and when any problems arose the same was discussed and the decisions recorded. The Committee do not understand the difficulty in entering into a formal agreement by the two parties concerned. They would like the Government to take up this matter at a high level with the Madhya Pradesh Government Electricity Board with a view to persuade them to agree to enter into a formal agreement with the NCDC/CMA in regard to the quantity of coal to be supplied and other terms and conditions in this regard without which it would be difficult for the NCDC to take decision on long term investments for the development of the mine and initiate effective measures in that direction.

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

Reply of Government*

It is submitted for the information of the Committee that the shortfalls in the supply of coal from the Patharkhara mines at the

*Audit have stated that the Ministry reply has not been emplified keeping in view the remarks of Audit contained in their letter No. 203-CA/143-76/ Vol. II dated 9-2-79.

Satpura Thermal Power Station are being made up by supply of coal from collieries in the Panch coalfield. However, it is appreciated that there should be a formal agreement between the coal companies and the power station regarding the quantity of coal to be supplied and other terms and conditions of supply. The matter has been under negotiation between Western Coalfields Ltd. and the M.P. Electricity Board. The Department of Coal has also recently written to the State Government to use their good offices to persuade the Electricity Board to enter into a formal agreement with the Western Coalfields Ltd.

The other operative part of the Committee's recommendation is to set up a standing machinery which should command the confidence of the coal companies and the coal consuming units for sorting out the problems and difficulties faced by them in dealing with one another. In this connection, it may be stated that a similar recommendation was made by the Public Accounts Committee in their 154th Report (1974-75) in which the Committee had desired that the existing instructions for settlement of disputes between Government Departments and Public Sector Undertakings should be reviewed thoroughly and a suitable machinery evolved for the resolution of Inter-Departmental and Inter-Governmental disputes. In pursuance of this recommendation, the Cabinet Secretariat after reviewing the earlier instructions regarding the settlement of disputes between Government Departments and Public Enterprises and after obtaining the orders of the Cabinet have issued revised directions which cover various aspects of the difficulties that would be faced by Public Undertakings in dealing with one another. A copy of Cabinet Secretariat O.M. No. 53/3/1/75-CF dated 19-12-1975 which also fulfils the recommendations of the COPU is enclosed for the information of the Committee (Appendix XVI).

Recommendations No. 54 (Paras 8.35 and 8.36)

The Committee regret to note that some valuable machines which were purchased and installed in 1967 in the Korba Workshop remained idle for several years for want of certain equipment, tools and spare parts. Overhead crane (5 tonnes) purchased from USSR at a cost of Rs. 2.52 lakhs has not been commissioned so far as one of the missing assemblies could not be provided as yet and as its gearbox was lost in transit. The matter was still under dispute with the Soviet authorities. The overhead crane (15 tonnes) valued at Rs. 3 lakhs remained unutilised upto December, 1972 for want of civil repair and loop railway siding provided or its operation at a cost of Rs. 1.73 lakhs was also not used. Drop Hammer valued at Rs. 75,000 could not be commissioned as a part thereof was lost in transit. The electric overhead crane with the help of which the drop hammer was to be operated had also not been used. Breaching Machine, Gear hobbing mechine, Homing Machine, and Ram engine remained idle for want of spare parts, tools and accessories, The Committee would like that the circumstances leading to the loss of gear box of overhead crane and a part of the drop hammer in transit should be thoroughly investigated in order to fix responsibilitv.

The Committee fail to understand as to how the management could afford to keep their machines idle when these were specifically procured for carrying out urgent repairs of mining equipment. They would like that the total loss suffered by the corporation as a result of idleness of these machines should be calculated and responsibility fixed. The Committee also recommend that Government/NCDC should examine as the what extent this loss could have been avoided by taking appropriate action in time to put these machines into operation and in case the jobs did not suffer for want of these machines why these machines were purchased at all. The Committee also recommend that the management should take immediate action either to commission these machines which have not been commissioned so far or to dispose them of if they are not longer needed in consultation with BPE in the best interests of the Corporation.

Reply of the Government

Overhead Crane (5 tonnes):

The gear-box has since been manufactured in the company's workshop at Korba and the crane was commissioned during July, 1976 and it is working satisfactorily. There were other cranes in the Workshop which were being used to manage the work.

Overhead Crane (15 tonnes):

The crane was commissioned earlier in 1972 but the travelling pathway was not allowing the crane to function upto the full length of the bay. Modifications were done and since December, 1972 the crane is working along the full pathway and satisfactorily.

Broaching Machine etc.:

The tools required for the Broaching Machine could not be imported as the Russian Importer did not respond favourably and therefore, tools were procured indigenously and the machine was commissioned in May, 1966. The Gear Hobing Machine could not be made use of till December 1973 due to less load. The Honing Machine could not be commissioned for want of hones. Efforts are being made to get the hones developed indigenously. Drop Hammer: Drop Hammer required for Ram engine was lost in transit and claim has already been lodged on the Railways and Insurance Company for the value of the Drop Hammer lost in rail transit and presently, it is pending with the Court. The commissioning of the Ram engine required installation of crane in the bay where it was located to handle and feed the scrape materials. The crane required was ordered on an indigenous supplier but the supply could not materialise due to certain problems in the factory and with their bankers. The order was subsequently cancelled and fresh order placed on different supplier and later the Ram engine was commissioned.

The Korba Workshop was set up to cater to the needs of Mines and Washery in the Korba Area. The Washery did not come up as anticipated and the load for certain types of special purpose machines like, Broaching Machines and Honing Machine, was not generated to full capacity. Coal India Limited is, therefore, trying to diversify the activities so as to fully utilise these machines. As such, there has been practically no loss in production during previous period. Since the rest of the machines have already been commissioned and the five ton over-head crane is used stand-by Crane at present, the question of declaring any machine as surplus and disposing them off does not arise. The Workshop is being developed further to cater to the needs of other collieries also after nationalisation.

Loss of gear box in transit:

As already reported to the Committee, the gearbox shipped with other consignments from USSR appears to have been landed in India along with other consignments but the dock authorities did not make the delivery. The company has been asked to investigate why a claim was not preferred on the dock authorities. The company had deputed officers to visit the transport cell of Calcutta, but they were not able to locate any record relating to the period when the gear box was lost in transit. Foreign Shipments during that period were being looked after by Clearing agents and hence it appears that it might not be possible to locate any of the records relating to the shipment in question.

Recommendation No. 58 (Para 9.28 to 9.32)

The Committee find that on 31st March, 1974 as against a total of bank guarantees amounting to Rs. 31.50 lakhs a sum of more than Rs. 182 lakhs was outstanding against middlemen of which a sum of over Rs. 142 lakhs was outstanding beyond the credit period. Although the Corporation had decided in January, 1963 that the level of business with middlemen should not exceed double the amount of bank guarantee given by way of security, they find that outstandings against some of the middlemen exceeded the stipulated limit.

The Committee in their Tenth Report on NCDC (Fourth Lok Sabha) desired that prompt and effective steps must be taken to bring the outstandings to the level of bank guarantee and the outstanding should not be allowed to exceed the amount of total financial coverage. Government informed the Committee in April, 1969 that they had been regularly advising the Corporation to ensure that the outstandings against the middlemen were reduced and fully covered by bank guarantee. The Committee are surprised to note that the Management had pleaded ignorance of any such advice being received from Government.

The Committee would like the Government to go into the conflicting statements made by the Ministry and the Corporation and determine whether or not any advice in the matter was given by the Ministry and received by the Corporation and fix responsibility for not implementing the recommendation of the Committee made as far back as 1968.

The Committee would also like the Government to investigate the cases where the outstanding against the middlemen have been allowed by the Management to exceed the limits set by the Corporation itself with a view to fixing the responsibility.

The Committee would also like to reiterate their recommendation made in para 143 of their 10th Report (4th Lok Sabha) that prompt and effective statement be taken to bring the outstandings to the level of bank guarantees within the shortest possible time and the outstandings should not in future be allowed to exceed the amount of total financial coverage. They expect that at least now this recommendation will be viewed seriously and implemented scrupulously.

Reply of the Government

(a) Excessive outstandings against middlemen

The circumstances in which NCDC had to depend on middlemen in the past have been explained in the reply to Recommendation No. 57.

(b) Advice to NCDC to reduce outstandings against middlemen

In the replies to recommendations No. 32 and 33 of the Tenth Report of the C.O.P.U. it had been mentioned by the then Department of Mines and Metals that the Government had been advising the Corporation to ensure that the outstandings against middlemen are reduced and the fully covered by bank guarantee. A copy of this reply was sent to the Managing Director, NCDC in April, 1969. Further, as mentioned in the oral evidence of the Secretary, Department of Coal, advice was given to the Board personally and at meetings with the Secretary and the Minister and by the Government Directors. It should, however, be appreciated that while the recommendation of the COPU and the advice of the Ministry to reduce outstandings to the level of bank guarantees were there, the market conditions were such that the Corporation could not faithfully implement it without detriment to its day to day operations.

(c) Prompt and effective steps for reduction of outstandings

The Coal India Ltd. is being advised to realise all the outstandings against the middlemen completely in the shortest time possible as they are no longer doing business through the middlemen.

(d) Investigation of cases of excessive outstandings against middlemen.

The Committee appointed by the Government to investigate the cases where the outstandings against the middlemen have been allowed by the Management to exceed the limits set by the Corporation has come to the conclusion that the consideration which weighed with the N.C.D.C. management in continuing business with middlemen without adequate financial coverage was the fear of fall in the sale of slack coal if the agreements with them were terminated. It has not been possible after the lapse of so many years to state whether the sale of slack coal would have actually fallen or not.

In view of the fact that the board of directors was kept in the picture, the question of fixing the responsibility on any individual officers of the NCDC does not arise. As recommended by the Committee, the Board of Directors of Central Coalfields Ltd. is being advised to call for the relevant records relating to all middlemen and take a decision about counter claims if any and proceed to encash the bank guarantees (except Kahansons).

Recommendation No. 59

The Committee find that of all the middlemen, the amount outstanding against M/s Kahanson and Company has always been the largest. As on 31st March, 1974 the total amount outstanding against this firm was Rs. 63.66 lakhs out of which Rs. 19.75 lakhs related to consignees who were making payments directly to the Corporation and the remaining Rs 43.91 lakhs (all beyond credit period) related to party's on account. A coverage of only Rs. 26 lakhs was available with the Corporation against this amount. This coverage included a decree of Rs. 35 lakhs assigned by the Party to the Corporation in December, 1971 but an appeal filed against the decree is pending in the Calcutta High Court.

The Committee in their Tenth Report on NCDC (Fourth Lok Sabha) adversely commented upon the Corporation's handling of the outstandings against this firm. In spite of this, sale of coal through this firm gradually increased from year to year. In April, 1970 the Board appointed a Committee of Directors to examine the circumstances under which large amount got accumulated against this firm during June, 1969 to March, 1970 and to suggest measures to prevent recurrence of such cases in future. The Committee of Directors *inter alia,* observed in their Report submitted in February, 1971 "by and large, the Management perhaps would not have acted in a very different manner than what it has really done.." The Committee are not satisfied with this view.

The Committee recommend that sale of coal through this firm and accumulation of outstanding from March, 1971 onwards should be thoroughly examined by Government inorder to find out as to what extent business through this firm was unavoidable and to what extent outstandings could have been avoided by taking suitable action at the appropriate time. They also recommend that immediate action should be taken to recover the balance of amount from M/s Kahanson and Company and the progress reported to the Committee.

Reply of the Government

As recommended by the Committee on Public Undertakings, a Committee has been set up by this Department to find out (1) to what extent business through M/s. S. K. Kahapsons & Co. was unavoidable by the NCDC/CMAL/CIL or its subsidiaries, from March, 1971 onwards and (2) to what extent outstandings could have been avoided by taking suitable action at the appropriate time and also to recommend that immediate action should be taken by the Coal Company to recover the balance of amount from M/s. S. K. Kahansons.

2. The Coal India Ltd. has filed two suias, one for payment of the bank guarantee amount and another for recovery of the total outstandings. In the first suit, in addition to Kahansons, the Bank concerned has also been impleaded.

3. The amount outstanding against Kahansons now is reported as Rs. 43.15 lakhs as against Rs. 58.86 lakhs on 31-3-70.

4. The Committee appointed as per para (1) above has since submitted its report (Appendix XVII). The Committee's findings show that: (i) Business with Kahansons except on direct payment basis was terminated in December 1969 and that there was no addition to the amount outstanding after that date.

(ii) As regards avoiding outstandings by taking suitable action at the appropriate time the committee has found that the board of directors had approved the continuance of business with Kahansons on the consideration that there could be heavy fall in the offtake of slack coal if the business with Kahansons was terminated. It has not been possible after the lapse of so many years to say what would have happened if the business with Kahansons was terminated or what would have happened if the management had decided to do away with the middlemen.

(iii) The decision was taken at the top management level including the Board of Directors and there is no evidence available to show that any individual official could be held responsible for the accumulation of the outstandings. The Department of Coal has agreed with the findings of the Committee and has advised the Central Coalfields Ltd. to pursue losses against Kahansons vigorously.

Recommendation No. 65 (Paras 10.51 and 10.52)

The Committee regret to note that the advances given to staff and officers for making local purchases are not being adjusted promptly.

They find that all the collieries of the Corporation have been divided into 20 areas and the information furnished in respect of these areas revealed that as on 31st March, 1974 a sum of Rs. 44.71 lakhs was outstanding for a long time. The Committee fail to understand as to why information regarding outstandings could not be collected from all the areas. The Committee also note that the outstandings have been gradually increasing from year to year. As against the outstandings of Rs. 17.56 lakhs as at the end of 1972-73, the outstandings at the end of 1973-74 were of the order of Rs. 44.77 lakhs. It has been stated that no action could be taken in this regard till now against defaulters due to practical administrative difficulties.

The Committee are distressed at the casual and indifferent attitude adopted by the Management towards the defaulters who were allowed to contravene the instructions issued in this regard in 1970 with impunity. They cannot but express their deep concern at the utter lack of financial discipline in the organisation resulting in huge amounts of public money remaining outstanding with the officers and staff of the Corporation for long periods. They also recommend that the officers and the staff concerned should be asked to give proper accounts of the advances given to them promptly and in the event of their failure to do so, the outstanding amounts should be deducted from their salaries forthwith. They recommend that the reasons for non-recovery/non-adjustment should be analysed and steps taken to improve the procedure to ensure that such things do not recur in future.

Reply of the Government

Instructions already exist for clearance of local purchase advances within six weeks, with provision for recovery of the amounts of advances from the individuals concerned in case of failure to account for the same. The company has stated that these instructions could not be adhered to strictly due to various practical difficulties. However, as recommended by the Committee, this matter has been reviewed with a view to bringing about allround improvement. A special drive was also launched to bring down the local purchase advances to level so that there is no outstanding on this account beyond 15 days. These measures have yielded some results. The figures of outstanding advances as on 30-3-77 is Rs. 27.94 lakhs as against Rs. 44.77 lakhs mentioned in the report. Further improvement is expected as concerted action is being taken by the company to bring down the advances.

2. The Department has advised the company that the recovery of outstanding advances should be strictly enforced and to send a report of the progress attained after a month.

NEW DELHI; JYOTIRMOY BOSU,
March 31, 1979. *Chairman,*
Chaitra 1901 (Saka). *Committee on Public Undertakings*

Further information called for by the Committee

"The latest position about recovery of local purchase outstanding advances, may please be intimated".

(L.S.S. O.M. No. 24-PU/76 dated 9-12-1977)

Further reply of the Government*

The position of outstanding local purchase advances as on 30-3-1977 was as follows:—

(1)	Less than 3 months old	Rs. 11.60 lakhs
(2)	More than 3 months old but less than 6 months old.	Rs. 11.40 lakhs
(4)	More than 6 months but less than one year.	Rs. 3.11 lakhs
(4)	More than one year.	Rs. 1.83 lakhs

The Company has been advised again to take effective steps to recover the outstanding advances particularly those which are more than 3 months old-vide copy of letter enclosed.

(Ministry of Energy, Department of Coal O.M. No. 54012/1/76-CA dated 31st December, 1977).

JYOTIRMOY BOSU,
March 31, 1979, *Chairman,*
Chaitra 10, 1901 (*S*). *Committee on Public Undertakings.*

*At the time of factual verification Audit have stated: "the break-up was not received for retting".

APPENDIX I

Vide Reply to Recommendation at serial No. 2 paragraph No. 1.14)

(COPY)

No. 38011/1/74-CAF

Government of India/Bharat Sarkar

MINISTRY OF ENERGY/OORJA MANTRALAYA
DEPARTMENT OF COAL/KOYLA VIBHAG

New Delhi, the 27th September, 1975.

To

The Chairman,

Coal Mines Authority Ltd.,

10, Netaji Subhas Road,

Calcutta-1.

SUBJECT.—*Setting up of "Coal India Limited" a Holding Company for the coal industry in the Central Public sector.*

Sir,

I am directed to say that the Government of India have decided to reorganise the management structure of the coal industry in the Central Public Sector with a view to integrating and streamlining the structural set up in a manner which would be conducive to more efficient administration and thereby facilitate the achievement of the objectives already incorporated in the Memorandum of Association of Coal Mines Authority Ltd. The main features of this reorganisation are given in the following paragraphs.

2. *Coal India Ltd. and its subsidiaries*

Coal Mines Authority Ltd. will be converted into Holding Company called "Coal India Limited" (CIL) which will be responsible for the management of the entire coal mining sector owned and controlled by the Central Government. The headquarters of CIL will continue to be in Calcutta.

3. The existing Divisions of CMA will be converted into a registered companies. These Companies along with Bharat Coking Coal

Ltd. and National Coal Development Corporation Ltd. will be subsidiaries of CIL. Thus, CIL will have the following Subsidiaries Companies:—

(i) Centra Mine Planning & Design Institute Ltd., with headquarters at Ranchi.

(ii) Bharat Coking Coal Ltd., comprising BCC together with Sudamdih and Monidih mines of NCDC, with headquarters at Dhanbad.

(iii) Eastern Coalfields Ltd., comprising the present Eastern Division of CMA with headquarters at Sanctoria, Burdwan.

(iv) Central Coalfields Ltd. comprising the Central Division of CMA/NCDC excluding Sudamdih and Monidih mines, with headquarters at Ranchi.

(v) Western Coalfields Ltd., comprising the Western Division of CMA with headquarters at Nagpur.

The Coal Mines in Assam and neighbouring areas will be managed directly by CIL.

1. The shares held, by the President in BCC will be transferred to CIL which will continue to hold the shares of Singareni Collieries Company Ltd. which are at present being held by CMA.

Authorised Capital

5. The authorised capital of CIL and the Subsidiary Companies will, for the present, be as follows:—

	Authorised Capital (Rs. in crores)
oal India Limited	Rs. 750
Central Mine Planning & Design Institute	Rs. 15
Bharat Coking Coal Ltd.	Rs. 150
Eastern Coalfields Ltd.	Rs. 150
Central Coalfields Ltd.	Rs. 150
Western Coalfields Ltd.	Rs. 150

Management structure of CIL

6. CIL will have a Board of Directors headed by a full-time Chairman and including all the Managing Directors of the Subsidiary

Companies and other part-time Directors nominated by the Government. The Chairman of the Board will be the Chief Executive of CIL. As the essence of the present reorganisation is effective decentralisation and delegation of authority, it has been decided that there should be no Functional Directors on the Board of Directors of CIL with line functions. The Chairman, CIL, will have on his staff officers of the rank of Advisers or General Managers as departmental heads for dealing with corporate planning, research and developmental, operations, operations research, coal beneficiation and processing, finance, accounts, safety, peroonnel, industrial relations, marketing, transportation, purchase, stores, public relations, management information services, legal services, vigilance and security, corporate administration etc. These officers will not have any line functions in so far as the Subsidiary Companies are concerned.

Management structure of the Subsidiary Companies

7. The Subsidiary Companies will have their own individual Board of Directors. Each of these Subsidiary Companies will have Managing Director who will be the Chief Executive of the Company. The Chairman of the Holding Company will be the Chairman of the Board of Directors of the Subsidiary Companies, He will provide the necessary coordination between CIL and the Subsidiaries and among the Subsidiaries.

8. With a view to speeding up the communication process and intensifying management inputs in the Subsidiary Companies, it has been decided that, wherever it is possible, Areas, Sub-Area and Collieries should be so re-grouped as to eliminate the level of Sub-Areas and thus reducing the number of administrative tiers from the present 4 to 3. This is already being done in BCC.

9. The Subsidiary Companies would be authorised to sanction projects involving a capital expenditure upto Rs. 2 crores in each case; projects costing more than Rs. 2 crores will be submitted to CIL for approval. Apart from this delegation of financial powers, the Subsidiary Companies will have more administrative powers than are at present enjoyed by the Divisions of CMA so as to ensure that they function with a considerable degree of independence. Within the Subsidiary Companies there should be sufficient delegation of powers to the level of Areas and Collieries so that there is effective decentralisation in their operations.

Functions of CIL

10. The functions of CIL will be to set overall corporate objectives and approve and review strategies for the achievement of these objectives, to establish policies regarding long-term planning, conservation, research and development, production, finance, recruitment, training, safety, industrial relations wages, marketing, purchases and stores, to set targets and monitor them, to approve budgets, determine standard costs and retention prices and evaluate performance, and to coordinate amongest Subsidiary Companies. It will be respossible for overall policy regarding coal distribution. It ill establish broad linkages of consumers to coalfields and so maintain liaison with major customers. However, once the policy for coal distribution and the broad linkage to coalfields have been decided, it will be the responsibility of the concerned Subsidiary Companies to deliver the coal; maintain quality control and carry out after-sale service. CIL will only be involved when there are inter company problems or problems requiring a common approach to the consumers, carriers etc. At present, the coal sale bills are channelled to the Divisions *via* Apex which results in unnecessary delay etc. It will now be the responsibility of the Subsidiary Companies to realise the sale proceeds of coal through such bills. In the matter of purchases, CIL will have the power to make, on behalf of the Subsidiaries, bulk purchases of plant and equipment of high unit value, or on short supply. All imports and exports will also be made through CIL.

11. CIL will have the power to sanction projects involving a capital expenditure upto Rs. 5 crores in each case.

12. There would be common 'Coal Cadre' for CIL and the Subsidiary Companies. The recruitment of all personnel at the level of the Executives would be made by CIL on behalf of the Subsidiary Companies, CIL would arrange for training of personnel where necessary and would thereafter allot them to different Subsidiary Companies, taking into consideration the companies' respective, needs. Transfer of personnel in the lower scales pay from one company to another is not envisaged though there should be no bar to such transfers on administrative grounds. At higher levels, transfer of personnel from the company to anther should be freely effected as this would enable the optimum use and development of managerial talent.

Relationship between CIL and the Government.

13. The Government is accountable to the parliament and to the nation for the working of any public sector undertaking. CIL, as

a public sector undertaking, would be accountable to the Government for its working. CIL will submit detailed periodical reports to the Government about its own functioning and of its subsidiary companies with reference to their commercial, economic and social objectives. It would advise Government on formulating long-term policies in regard to conservation, development and scientific utilisation of the coal reserves and development of the coal industry and implement the policies laid down by the Government in this regard. The Government will constitute the Board of Directors of CIL and the Subsidiaries, approve five-year and annual plans and budgets of CIL and sanction projects costing more than Rs. crores each. In matter relating to wages of workers, emoluments of executives, provisions of welfare measures etc., necessary directions will be issued or guidelines laid down by the Government.

14. I am to request you that necessary further action to implement the above decisions may kindly be taken by you as early as possible. Copies of this letter are being forwarded to the Chairman-*cum*-Managing Director, Bharat Coking Coal Limited the managing Director, National Coal Development Corporation Ltd. and the Managing Director, Central Mine planning and Design Institute and the Managing Directors of the Divisions of CMA for information and necessary action.

Yours faithfully,
Sd/-

S. B. Lal
Joint Secretary to the Government of India.

Copy for information and necessary action to:—

(1) Chairman-*cum*-Managing Director, Bharat Coking Coal Limited, Bhauggatdih Building, P. O. Jharia, Dhanbad.

(2) Managing Director, Central Planning and Design Institute, Coal Mines Authority Limited, Ranchi.

(3) Managing Director, National Coal Development Corporation Limited, Central Division, Coal Mines Authority Limited Ranchi.

(4) Managing Director, Eastern Division, Coal Mines Authority Limited; Sanctoria , P. O. Dishergarh, District Burdwan.

(5) Managing Director, Western Division, Coal Mines Authority Limited, Bisesar House, Temple Road, Nagpur.

APPENDIX—II

(*Vide* Reply to Recommendations as serial No. 3 Paragraph 1.8E to 1.32)

Copy of O.M. No. BPE|GL|026|76|MAN|9/16/76BPE (GM-1) dated 5th July, 1976 from Shri Krishna Chandra, Deputy Director, Ministry of Finance, Bureau of Public Enterprises to all Ministries/Departments of the Government of India.

* * * * * *

The Committee on Public Undertakings in their 75th Report on National Coal Development Corporation referred to above has stressed the need for expeditious consideration of all the recommendations of the Committee from time to time and prompt implementation of the accepted recommendations of the Committee by the various authorities concerned. The Committee's observations in this regard are reproduced below:—

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

2. The recommendation is brought to the notice of the Ministry of Industry and Civil Supplies etc. for information and guidance in future.

APPENDIX III

(*Vide* Reply of Recommendations at S. *No.* 3)

Statement showing the action taken on recommendations made in Phase I Report of the Expert Committee on Development of Ancillaries by Coal Companies.

No. of recommendation	Recommendation made	Present position of action taken
22.1.1.	The Board of Directors of Coal India Ltd., and the subsidiary Companies should take a policy decision committing the enterprise to a programme of development of ancillary industries in accordance with the guidelines laid down by BPE and this Committee within a period of six months from the date of approval of this Report by Government.	Accepted, Coal India Limited have been advised that they should evolve a strategy for implementing the recommendations contained in this Report, and place the matter before their Board of Directors for taking a policy decision as recommended. In support of this, a copy of this Department's D.O. letter No. 55018/1/78—CPM dated 7-4-1977 to chairman, CIL may be seen at Appx. 'A'.
22.1.2.	A Committee should be constituted in each of the subsidiary companies to be headed by senior executive officers which should include the Director SSISI, head of the lead Bank of the District and State Finance Corporation in that area. The Committee should periodically review the progress of ancillary development.	Accepted. As reported by Coal India, all its subsidary companies have taken positive initiative for encurraging the ancillary industries by setting up committees. In support of this, a copy of CIL's D.O. No. CIL/G. 2(B)/24094/1269 dated 11-10-1977 may be seen at Appx. 'B'.
22.1.3.	Each of the subsidiary companies should appoint a full time officer in the senior management level as Ancillary Development officer who should be primarily responsible for developing ancillary industries. He will have to work in close coordination with the Materials Manager or Controller of Purchase/Stores and other technical officers. He should undertake a survey to ascertain the existing ancillary units and taking into account the products to be obtained through such units, the available resources be checked and a list of priority for development should be drawn up which should indicate what new units need be set up and what improvements need be made in the existing units. This activity should be undertaken on high priority and in association with CMPDI and the Department of Coal, Government of India.	Accepted. The Coal India and its subsidiary companies have been decided to implement this recommendation, as per Appx 'A' CIL have been asked to indicate progress of implementation as per Appx 'C'.

12.1.4	In the existing units, a through scrutiny of aparts and components required by each company should be made by competent Technical personnel with a view to determining:— (a) The specific items whose import although presently inescapable, should be given the first and top priority for developing indigenous capacity. (b) the items that would be conveniently allocated the ancillary units in and around the parent organisation. (c) the items which could be farmed out to the existing units proposed.	Accepted. Same position as for recommendation 12.1.3.
12.1.5.	Periodic Seminar-*cum*-Exhibition or Workshop should be organised by the CMPDI where safety items, other imported items and insurance items, for which entrepreneurship has to be developed, should be displayed. This should be organised jointly by the subsidiary companies and in association with the Central Mining Research Station, Dhanbad.	Accepted. The CMPDI already arranges such seminars/workshops. Further progress is being ascertained from CIL.
12.1.6.	Each subsidiary Co. should set up a Committee for the purpose of (a) identifying the spare parts, components, consumable stores etc. to be procured from ancillary industries; (b) Selection of entrepreneurs; (c) Liaising with the State Authorities for development of infra-structure facilities like land, power, water, road and communication; (d) providing assistance in the way of technical know-how, supply of scarce raw material imported or indigenous; (e) entering into long-term contract with ancillary units; and; (f) coordination with the ancillary units;	Accepted. A list of the items presently manufactured/supplied by SSI Units, which broadly cover spares for Coal cutting machinery, Coal drills, conveyor etc. has been prepared. Ad-hoc technical services/advice for manufacture of special items are being rendered where called for in support of this, CIL's letter No. CIL/C-2/B/24094/1152 dated 21-9-1977 may be seen at Appex. 'D'.

No. of Recommendation	Recommendation made	Present position of action taken.
12.1.7.	A separate pricing committee should be constituted to finalise prices to be paid to ancillary units to obviate tendering.	Whereas it has not been considered necessary at this stage to set up a separate pricing committee as recommended the Coal India and its subsidiary companies have been advised that the pricing mechanism for the funished products of the ancillary Units should be evolved in such a way that while it provides adequate incentives for the establishment of such industries it avoids the cost plus basis of pricing and provides adequate incentives to the entrepreneurs to achieve a high level of efficiency. In support of this, letter at Appx. 'A' may be seen.
12.1.8.	After the survey has been made, the Ancillary Development Committee should review the position and consider whether or not a fullfledged industrial estate should be set up near about the parent organisation or wherever feasible. As and when it is decided that establishment or an industrial estate would be desirable for development of ancilary units, all concerned agencies should be approached to provide the necessary infrastructure facilities.	Accepted. CIL has been asked to report the progress of action taken (Appx 'C').
12.1.9.	An Ancillary Development Wing (ADW) should be set up in the CMPDI whose function will be to coordinate the ancillary development activities in the subsidiary companies. This Wing should work in close coordination with Subsidiary Companies and advise them on what lines the future growth of ancillaries should be undertaken considering the future plans of intake of equipment and machinery etc.	Same as for item 12.1.8.
12.1.10.	CIL should take upon themselves to provide necessary assistance in the way of tooling, design etc. facilities to the ancillary units.	Same as for item 12.1.8.
12.1.11.	Efforts of publicity and propaganda for disseminating information on ancillary development including availability of assistance available from different agencies of the Government should be enhanced by the subsidiary companies.	Accepted. The Coal Companies hold periodic discussions with the State Governments on promotion of ancillary Industries. In support of this, Appx 'D' may be seen.

APPENDIX 'D'

COPY

Copy of letter No. CII|C-2024094|1152, dated 20|21-9-1977 from Shri H. Srinivasan, Coal India Limited, addressed to Shri R. P. Khosla, Joint Secretary, Department of Coal, New Delhi.

Kindly refer to your letter No. 55018|1|76-CPM, dated 9th August, 1977 regarding indigenous manufacture of spare parts for mining machinery and equipment. I have already sent my comments *vide* letter No. CIL|C-2|200882|77|1565, dated 27th July, 1977, to you regarding development of Ancillary Industries for providing essential inputs to the Coal Mining Industry.

As desired by you I am appending below the observations:—

(a) A list of the items presently manufactured|supplied by the Small Scale Industrial Units alongwith other registered manufacturers have been prepared by the companies. These items covered broadly spare parts of coal cutting machines, Coal drills, conveyor spares etc.

(b) The approximate value of annual demand of such items are as below:—

WCL—(i) M.P.	Rs. 100 Lakhs in 76-77.
(ii) Maharashtra	Rs. 150 Lakhs in 76-77.
ECL	Rs. 110 Lakhs in 76-77.

(c) In respect of our having to provide designs and specifications of the various items to be manufactured by such ancillary units, this is to confirm that such technical services are rendered by the companies.

(d) Discussions with different Directorate of Small Scale Industries are in progress.

(e) Support for manufacture of special items of spare parts are extended by the workshops of WCL and ECL.

I shall be glad to give you any further clarification which may kindly require.

Annexure 'C'

M. JHA MOST IMMEDIATE

DIRECTOR D.O. No. 55018|1|76-CPM

13th *February,* 1978

My dear Srinivasan,

Will you please refer to the correspondence resting with your D.O. letter No. CIL|C-2(B)|24094|1269, dated the 11th October, 1977 regarding the follow-up action taken on Phase-I Report of the Expert Committee on development of ancillaries by Coal companies?

Since progress of action taken to implement each of the eleven recommendations made in Chapter 12 of the Report is to be reported to COPU, I shall be grateful if you could please indicate the latest position against each item in the enclosed statements and return the same immediately thereafter.

Yours sincerely,

Sd|-

(M. JHA),

Director.

Shri H. Srinivasan,
Chief of Equipment and Engg. Division,
Coal India Limited,
10-Netaji Subhas Road,
Calcutta.

Copy for similar action to Shri B. N. Raman, Chairman-*cum*-Managing Director, Singareni Collieries Company Ltd., Kothagudem.

Sd|-

(M. JHA),

Director.

Annexure 'A'

COPY

R. P. Khosla,
Joint Secretary,

D.O. No. 55018|1|76-CPM

MINISTRY OF ENERGY
DEPARTMENT OF COAL
New Delhi, the 7th April, 1977.

My dear Garewal,

Will you kindly refer to the correspondence resting with Shri Mahendru's D. O. letter No. C-1|100001|1523|76, dated 31st August, 1976 furnishing CIL's comments on phase I of the Report of the Expert Committee for development of ancillaries by the coal industry Government have carefully considered the recommndations of the Expert Committee and have accepted them.

2. You will note that recommendations favour the promotion of ancillary units outside the coal companies rather than as an integral part of the companies. The Committee has recommended that each company should identify the parts and components needed by it and make an assessment of the available manufacturing capacity for such components. Thereafter it should identify the areas in which the development of manufacturing capacity for ancillaries is required and actively promote such development in consultation with the State Governments concerned. The coal companies therefore will have to act as promoters of ancillary industries and after identifying the items for being manufactured by entrepreneurs should pursue with the State Governments the provision of necessary infrastructural facilities and also provide design and specification for the items required as well as quality inspection services for the finished products including regional testing facilities where necessary. In all such matters the companies will have to work in close consultation with the State Government concerned. I would therefore request that Coal India should clearly identify the items for being manufactured by entrepreneurs who might be interested in setting up ancillary industries and also identify the types of promotional facilities that would be required to encourage the establishment of these industries. After this exercise has been done, it would be

useful for Coal India to call a meeting of the representatives of various State Industrial Development Corporations so as to formulate a strategy for promoting the development of such ancillaries.

3. Para 12.1.7 of Part I of the Report relates to the constitution of a separate Pricing Committee for ancillaries. While it is not necessary at this stage to set up such a Pricing Committee, it would be borne in mind that the pricing mechanism for the finished products of the ancillary units should be evolved in such a way that while it provides adequate incentives for the establishment of such industries, it avoids the cost plus basis of pricing and provides adequate incentives to the entrepreneurs to achieve a high level of efficiency.

4. As soon as Coal India have evolved a strategy for implementing the recommendations contained in this Report, they may like to place the matter for consideration before their Board of Directors.

Yours sincerely,
Sd|-
(R. P. Khosla)

Lt. Gen. K. S. Garewal,
Chairman,
Coal India Ltd.,
10-Netaji Subhas Road, Calcutta.

Annexure 'B'

COPY

Copy of letter No. D.O. CIL|C-2(B)|24094|1269, dated 11th October, 1977, from Shri H. Srinivasan, Coal India Limited, addressed to Shri M. Jha, Director, Ministry of Energy, Department of Coal, New Delhi.

SUBJECT:—*Phase I Report of the Expert Committee on development of ancillaries by Coal Companies.*

Please refer to your letter No. 55018|1|76-CPM, dated 3-10-1977 on the above subject.

In this connection I am to say that in my earlier D.O. No. CIL|C-2|20082|77|1565, dated 28-7-1977 and CIL|C-2(B)|24049|1152, dated 21-9-1977, observations were made on the basis of information received from the subsidiary companies. Incidentally, I have clarified all the points raised by your department *vide* letter No. 55018|1|76-CPM, dated 9-8-1977.

2. However, I am again placing below the value of items manufactured by different Small Scale Industries of State Government and purchased by different subsidiary companies as desired by you.

	1975-76	1976-77
Madhya Pradesh . .	40 lakhs	100 lakhs
Maharashtra . . .	100 lakhs	150 lakhs
West Bengal . .		110 lakhs
Bihar	..	168·57 lakhs

3. I would like to emphasise that all the subsidiary companies of Coal India Ltd., have taken positive initiative for encouraging the Small Scale Industries by setting up of a Committee, having a member from different State Government Industries department, to keep close liaison with State Government Industries and the entrepreneurs to watch the progress of developments of industries in Small Scale Industries.

APPENDIX IV

(*Vide* Reply to Recommendation at Serial No. 12)

IMMEDIATE

GOVERNMENT OF INDIA

MINISTRY OF ENERGY

(Department of Coal)

No. 54012|4|76-CAF|CPM *New Delhi, the 25th March,* 1977

To

Shri C. S. Jha,
Director (Tech. and Prodn.),
Bharat Coking Coal Limited,
Bhugatdih Building,
Jharia (Dhanbad).

SUBJECT:—*75th Report of COPU on erstwhile NCDC relating to delay in the supply of essential P & M by MAMC—Follow up action.*

Sir,

I am directed to invite your attention to the correspondence resting with your letter No. D(T)|F-28|3616, dated the 2nd November, 1976 on the above subject and to forward herewith a copy of D.O. letter No. 6(14)|76-HEP-I, dated 9|11-3-1977 (with enclosures) from Shri R. N. Kalia, Deputy Secretary, Department of Heavy Industry, which is self-contained

In view of the fact that difference of opinion between MAMC and Bharat Coking Coal Limited in fixing the responsibility on the question of delay in the supply of plant and Machinery in this case still persists, it has been suggested by the Department of Heavy Industry that representatives of both MAMC and Bharat Coking Coal Limited may be called to clarify the factual position and to prepare joint comments on the COPU's recommendation. We are inclined to accept the proposal and would request you to kindly take up the matter with MAMC.

Since the reply to COPU's recommendation has been delayed considerably, it is requested that early action is taken in the matter and this Department is informed within a month's time.

Yours faithfully,

Sd|-

(S. R. A. RIZVI)

Director.

Copy forwarded to:—

1. Chairman, Coal India Limited, 10-Netaji Subhas Road, Calcutta.
2. Shri R. N. Kalia, Deputy Secretary, Department of Heavy Industry, New Delhi, with a request that MAMC may kindly be instructed to reconcile this matter directly in consultation with BCCL.

Sd|-

(S. R. A. RIZVI)

Director.

COPY

R. N. Kalia

Deputy Secretary,
(T. No. 374049)

D.O. No. 6(14)|76-HEP.I

Ministry of Industry and Civil Supplies
Department of Heavy Industry,

New Delhi, the 11th March, 1977

Dear Dr. Razvi,

Kindly refer to D.O letter No. 54012|4|76-CAF|CPM, dated the 3|6th January, 1977 from Shri R. P. Khosla, Joint Secretary regarding 75th Report of the COPU on NCDC relating to the investigation of the cases of delay on the part of MAMC in supplying essential|

items of plants and equipment to NCDC. As suggested therein, a back reference was made to MAMC. I enclose a copy of reply now received from that Organisation. It will be seen that the original order for coal equipment was placed on them as per polish design whereas they had offered quotations on the basis of the Russian design. As difference of opinion on factual matters still exist, was suggest that representatives of both MAMC and CIL may be called to clarify factual position and to prepare joint comments on the COPU recommendations.

This also refers to your D.O. letter No. 54012|4|76-CAF|CPM, dated 7-3-1977 to Shri H. L. Ahuja.

Yours sincerely,
Sd|-
.. (R. N. Kalia)

Encl: As above.

Dr. S. R. A. Rizvi,
Director,
Department of Coal,
Shastri Bhawan, New Delhi.

APPENDIX V

(*Vide* Reply in recommendation at Serial No. 13).

Statement showing the supply position of equipment against outstanding order with Mamch for Sudamdih & Monidih projects.

Sl. No.	Item	Quantity	Approx. value of the ordered Qty. (in lakhs)	Delivery Schedule as per letter of indent/ Supply Order	Revised date of supply committed to Secy., Min. of Steel, on 5-9-71	Actual supply position on date
1	2	3	4	5	6	7
1	Winder .	2 sets	160	First set to be supplied by Jan., 69.	March 1972	Electrical components have been received in full from BHEL in 1975/76. Supply of mechanical components have been completed only in '69.
2	Main ventilation fan for Monidih Project.	2 nos.	30		December '72	1st fan received without electricals in Dec. '72. Electricals for both fans as well as mechanicals for 2nd fan completed in May '76. In June '76 fans installed which subsequently failed while testing.
3	Pontoon mounted sand Dredger.	4 nos. (10"—2 Nos.) (8"—2 nos.)	25	8"-2 nos. in August, 1957 & 10"—2 nos. in March, 1969.	Oct. '71—1 no. Nov. '71—1 no. March '72—1 no. June '72—1 no.	1st Pontoon supplied in January '72. 2nd Pontoon supplied in Nov./Dec. 72. 3rd Pontoon supplied in August/Sept. '74 4th Pontoon supply completed in the year 1974/75. Supply of 2nd Scraper not yet completed.

1	2	3	4	5	6	7
4	(a) Auxilliary Fan	79 nos.	8	42 nos. spread over in 1969/70 Balance in 70/72.	42 nos. to be supplied in October, 1971.	30% in 73/74. 30% in 74/75. 40% in 75/76.
	(b) Battery Locomotive 8 tons capacity	10 nos.	9	1966/67		Supply started in 1970 and completed in 1976.
	(c) Battery for Locomotive.	11 nos.	6	March, 1969	March—May, 70	Supply started in 1970 and completed in 1976.
5	Coal cutting machine.	10 sets	23	1971	1 no. in 1971 6 nos. in 1972 8 nos. in 1973 4 nos. in 1974	One machine received only in 1973.
6	13 ton Battery Locomotives.	14 nos.	112	1973/76	1973/76	No supply received.
7	Double chain Scraper Conveyor (Type SCSP-150)	19 nos.	114	3 nos. in 1970/71	3 nos. in 1972 3 nos. in 1973 4 nos. in 1974 5 nos. in 1975 4 nos. in 1976	First consignment received in middle of 1973 and supply completed onl in 1975.
8	Double chain Scraper Conveyor (Type STL-62)	20 nos.	30	..	3 nos. in 1972 3 nos. in 1973 4 nos. in 1974 5 nos. in 1975 5 nos. in 1976	First consignment received middle of 1973 and supply completed only in 1975.
9	Bolt Conveyor Type KG-B	800 mm 49 nos.	80	3 nos. in 71 4 nos. in 72 5 nos. in 73 18 nos. in 74 15 nos. in 75 4 nos. in 76	3 nos. between Dec. 71 to March 72 Rest as per earlier schedule	First consignment received in 1973. Firm order was placed for 12 nos. and all 12 nos. supplied during 1973 to 1975. 2nd order placed for 27 nos. against which 22 received in 1976.

APPENDIX VI

(*Vide* Reply to Recommendation at Serial No. 16)

Report of the Committee appointed vide *Recommendation No. 16 of COPU—75th Report*

1.0. INTRODUCTION:

The Recommendation No. 16 of COPU—75th Report reads as under:—

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

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

This Report is being elaborated in pursuance of the requirement of this Recommendation.

The specific task as required under the recommendations are:—

(i) Investigate into the various reasons for delay.

(ii) Extent to which each of these factors contributed to the delay; and

(iii) Extent to which delays could have been avoided with proper planning and foresight. ..

2.0. ANALYSIS OF THE DELAYS

2.1. Various major activities with their scheduled programme of execution and the actual period during which the same where executed, are shown in Annexure—I. In case of the activities still in hand, the expected date of completion is shown in this Annexure.

2.2. *Various Activities and the Analysis of Delay*:

2.2.1. *Shaft Sinking*

There was 7 months delay in completion of shaft sinking. Reasons attributed to the delay were difficult hydrological conditions met at the commencement and from different horizons. On enquiry it is found that in those days it was not usual practice in India to carry out the hydrological investigations. Even today, this is not widely in use. In Monidih, one bore hole in between 2 shafts was drilled and hydrological tests carried out. The results were interpreted by the Polish Experts, who had opined that the data provided were scanty and could not be conclusive. In actual practice, 1.5 mg per minute of water was met with in the shaft. This is considered high inflow from Indian Standards.

2.2 2. *Fitting of Shaft Armouring, Tower and Winder in No. 1 Shaft*

It has been found that there was delay of 5 years and 10 months in regard to one winder and 7 years and 9 months in regard to the second winder.

Reasons for delay are as under :

(a) Non-completion of foundation for winder in time as drawings for foundations were not received in time from MAMC.

(b) Delay from Triveni Structural side to complete the tower by one year.

(c) About one year delay in assembling the winder due to non-availability of crance required for the purpose.

(d) For the period from removal of temporary head gear to installation of permanent head gear, emergency winding arrangements had to be made in shaft No. 1. This was not contemplated in the P.R. but was enforced by the D.G.M.S. Later on these arrangements had to be dismantled and there was a delay of about one year due to this.

(e) There was delay in receipt of permanent pumps for pit bottom. As a result, the sinking pumps had to be kept suspended in Shaft No. 1 and the Shaft could not be made free for fitting. As it was decided to fit No. 2 shaft earlier the pumps of this shaft also had to be transferred to No. 1 shaft, which resulted in delay of about 6 months. The same pumps had to be dismantled later, which resulted in a further delay of six months.

(f) The temporary shaft collar put up for sinking had to be removed to make room for the permanent shaft collar. This took about one year time to complete.

(g) The second winder from MAMC could not be installed till date as equipment were delivered MAMC only in 1976 as against the scheduled date of January, 1969. The revised target date for completion of this job is March 1977 and the job is under execution.

2.2.3. *Shaft Armouring. Modification of Shaft tower and installation of temporary winder in No. 2 shaft.*

There was a delay of 9 months in the above job which was due to delay in receipt of components from Poland.

2.2.4. *Installation of Permanent Headgear and Winding Engineer.*

Delivery of equipment from MAMC has been delayed and this work is expected to be completed only in March 1979 and thus there is delay of 8 years and 9 months.

2.2.5. *Installation of Fans* :

The mine was scheduled to have two fans of 16000 c.m. per minute capacity running in parallel to deliver 24000 c.m. per minute. This job was to be complete by May, 1969. Installation of first fan was delayed by 3 years and 8 months due to late delivery of fans by MAMC. This fan was also delivered without electricals. Even then the colliery made full use of these fans by installing a smaller horse power motor available to them. With this motor, the fan is able to deliver 9000 c.m. per minute, which is very much below the required quantity. The second fan was also delivered very late and it was commissioned and given a trial run in June, 1976.. The blades of the some were broken in this run and MAMC is still to supply replacement for these blades. The motor of the first fan cannot be changed till these blades are received and they run satisfactorily for atleast 3 months. The later work is expected to be completed by March, 1977. Replacement of smaller motor of first fan by a normal size motor is expected by September, 1977. Thus, the complete fan installation is delayed by about 8 years.

2.2.6. *Delay in Development* :

It may be noted, however, that the colliery made full use of the facilities and equipment made available to it. Inspite of the above delays, work of development, which was scheduled to start in October, 1969, started only six months late, *i.e.*, in March, 1970. However, because of the fact that shaft No. 1 was not yet ready as scheduled and the limitation of the ventilation as described above, the scale of drivage and the number of faces could not kept as per schedule. A statement of the progress achieved in each year compared to the plan is given in Annexure III.

2.2.7. Starting of first longwall face has been delayed by 4 years and 9 months due to combination of above factors and the total was by about 9 years, as the project is now scheduled to reach full production by 1972 instead of 1973.

3.0. THE DELAYS THAT COULD HAVE BEEN AVOIDED WITH PROPER PLANNING AND FORESIGHT.

3.1. Emergency winding arrangements, as required at Shaft No. 1 were not envisaged in the original plan. This was enforced by the DGMS and the entire arrangement caused a delay of about 1 year. This delay could possibly have been avoided if DGMS was consulted before the plans were made.

3.2. The temporary shaft collar in Shaft No. 1 had to be replaced by a permanent shaft collar resulting in a delay of about 1 year. A part of this delay could have been avoided if permanent shaft collar was installed in place of temporary shaft collar right from the beginning.

3.3. Thus, both of these delays put together could have been avoided resulting in a overall estimated saving of aobut 1½ year time.

4.0. CONCLUSION :

Project has been delayed on account of the following factors:—

(i) Heavy make of water in the shafts during sinking operations.

(ii) Delay in delivery of equipment mainly by MAMC, which has done very late delivery of winders, fans and other equipment by as much as 8 years. A statement showing supply position of equipment against oustanding orders with MAMC is given in Annexure-II.

5.0. SUGGESTIONS :

The following recommendations are made to check such delays in future:—

(i) The method of geological investigations should be improved to bring them in line with modern practice in the world. These days modern geophysical aids are available for borehole and other aids for hydrological investigations. All desired information about the strata to be passed through must be obtained. Drilling as per I.A.P. should be conducted to determine the exact structure. CMPDI is already taking steps in this direction.

(ii) A separate company for shaft sinking and tunnelling should be formed so that it develops the expertise and trained manpower for this job.

(iii) A separate company for mine construction should be formed who should develop the necessary expertise for this purpose, so that construction of mines can be accomplished in time.

(iv) PERT|CPM should be introduced in all projects so that it is properly monitored and if there be delays these can be highlighted in terms of the harm in production and money and centres of responsibility can be fixed in that case. Corrective actions in the form of crash activities and even import of equipment should be taken to stick to time schedule.

(v) Most of the delays in the project could have been avoided if the equipment would have arrived in time. Emphasis on development of indegenous equipment resulted in heavy delays in supply of such equipment to this Project, some of them can be solved as follows:—

(a) The losses during construction period in this Project should be borne from R&D fund of the Government.

(b) In future, an effective deterent penalty cause should be introduced in supply agreements.

(c) If there is undue delay, import of equipment should be be permitted.

(d) The equipment and outs should be standardised as soon as possible so that manufacture becomes easier.

(e) Proper system of incentive should be introduced right from Project stage for completion of work in time.

Annexure-II

Statement showing the supply position on equipment against outstanding orders with M.A.M.C. for Sudamdih & Moondih projects.

S. No.	Items	Quantity	Approx. Value of the ordered quantity (in lakh.)	Delivery Scheduled as per letter of intent/ supply orders.	Revised date of supply committed to the Secretary Ministry of Steel & Mines on 7-9-71.	Actual supply position on date
1.	Winder	2 sets	160	First set to be supplied by Jan. '69.	March, 1972	Electrical components have been received in full from BHEL in 1975-76. Supply of mechanical components have been completed only in 1976.
2.	Main Ventilation Fan for Moon dih Project.	2 Nos.	30		December, 1973	1st Fan received without electricals in December '72, Electricals for both fans as well as mechanicals for 2nd fan completed in May '76. In June '76 fans installed which subsequently failed while testing.
3.	Pontoon mounted Sand Dredger.	4 Nos. (10"—2 nos.) (8"—2 nos.)	25	8"—2 Nos., in August 10"—2 nos. in March, 69.	Oct./71—1 No.	1st Pontoon supplied in January, 72 2nd Pontoon supplied in Nov./Dec. 72. 3rd Pontoon supplied in August/September, 74. 4th Pontoon supply completed in the year '74-75. Supply of 2nd Scraper not yet completed.
4.	(a) Auxiliary Fan .	79 Nos.	8	42 Nos. spread over in 1969-70 Balance in 1970-72.	42 Nos. to be supplied in October, 71.	30% in 1973-74. 30 %in 1974-75. 40% in 1975-76.

1	2	3	4	5	6	7
	(b) Battery Locomotive 8 tonnes capacity.	10 Nos.	9	1966-67		Supply started in 1970 & completed in 1976.
	(c) Battery for Locomotive.	11 nos.	6	March, 1969	March—May, 1970	Supply started in 1970 & completed in 1976.
5.	Coal Cutting Machine .	10 sets	23	1971	1 no. in 1971	Ohe Machine received only in
5.	Coal Cutting Machine .	10 sets	23	1971	1 no. in 1971 6 nos. in 1972 8 nos. in 1973 4 nos. in 1974.	One Machine received only in 1973
6.	13 Ton Battery Locomotives.	14 nos.	112	1973-76	1973-76	No supply received.
7.	Double chain Scrapper Conveyor (type SCSP-150).	19 Nos.	114	3 nos. in 1970-71.	3 nos. in 1972 3 nos. in 1973 4 nos. in 1974 5 nos. in 1975 4 nos. in 1976.	First consignment received in middle of 1973 and supply completed only in 1975.
8.	Double chain Scrapper Conveyor (type STL-62)	20 nos.	30		3 nos. in 1972 3 nos. in 1973 4 nos. in 1974 5 nos. in 1975 5 nos. in 1976.	Do.
9.	Belt Conveyor 800 mm Type KG-8.	49 nos.	80	3 nos. in 1971 4 nos. in 1972 5 nos. in 1973 18 nos. in 1974 15 nos. in 1975 4 nos. in 1976.	3 nos. between December, 1971 to March, 72. Rest as per earlier schedule.	1st consignment received in 1973 Firm order was placed for 12 nos. and all 12 nos. supplied during 1973 to 1975. 2nd order placed for 27 nos. against which 2 nos. received in 1976.

MOONIDIH PROJECT

Norms for Development Progress

(Figures in metres/months)

	Stone Cross Cuts.	Coal Stones Gallaries.	Coal Gallaries.	Coal Stone Rises.	Rise in Coal.	Dips in coal seams	Rise in Stone.
Original Project Report	30	60	70	60	70	50	40
Reappraisal.	25	35	25	20	35	25	15
Draft Revised; Project Report.	25	30	50 (40 M. for Ist two years).	30	50 (40 m. in Ist two years).	50 (40 m in 1st two years).	—
Achievement.	25	25	50	20 (45 Rise Drift)	60	60	—

ANNEXURE—III

MOONIDIH SHAFT MINE

1. Progress in Development in Km.
2. Number of Development Faces.

	1971	1972	1973	1974	1975	1976	1977	1978	1979
As per 1970 Reappraisal;	4·20	5·25	6·65	2·45		..			..
As per the Draft Revised									
Project Report									
Progress. .	10·5	10·7	10·2	10·00	11·25	0·50	8·25	6·00	5·00
No. of Faces. .	28	26	26	25	27	25	23	15	13
Achievement.									
Progress. .	3·40	3·83	3·87	5·25	7·28				
No. of Faces . .	15	15	16	17	18	..	..		

APPENDIX—VII

(*vide* Reply to Recommendation at Serial No. 35)

ANNEXURE

Report of the Committee for investigation into purchase; under utilisation and non-repairs of equipment.

A High Powered Technical Committee had visited U.S.A. in 1953 and based on their recommendations shuttle cars, gathering Arm Loaders and continuous miners were procured for the Projects planned during Second and Third Plan periods.

(a) *Shuttle*

Out of the 73 shuttle cars provided for in the second and third plan periods, 57 nos. were procured and supplied to the projects. Immediately after the second plan period (mostly during 1962—65) there was a recession in coal demand and 8 nos. of shuttle cars procured for projects in the Central India Coalfields were sold to Singareni Coal Co. Ltd. to meet their requirements against replacement and further one no. was sold to pyrites Chemical and Phosphates Limited also from Central India Coalfields. It may thus be seen that the management was aware that on one hand since these machines would not be deployed in the projects for which they were procured on accounts of slump in coal demand, the management decided to dispose of few nos. to meet the requirement of other consumers, on the other hand where the performance of the shuttle cars were not satisfactory (mainly in Karanpura Coalfield) the shuttle cars were progressively withdrawn and sent to Central Stores|Central Workshop for their rehabilitation and subsequent use in other projects during the subsequent period. In clarification to the reference in the Committee's Report that on 27th September 1972 19 nos. shuttle cars were under repairs, C.E. (E&M) COL mentions that out of these 14 nos. were held in Central stores|Central Workshop at Barkakana and 5 nos. in field at churcha, Duman Hill and Pather Khera. The shuttle cars which were in use in Central India Coalfields and at Patherkhera gave good performance.

The first set of spares lasted for the first two years. The period between indenting and actual delivery of spares took nearly two years. In the meanwhile, the Indo-Pakistan Conflict in September, 1965 disrupted the whole channel of supply when the import was banned Again the Indo-Pak. war in 1971 disrupted the supply of spares from U.S.A. and the spares against indents of 1970 were received during 1972. MAMC's plan to undertake manufacture of spares of shuttle car did not materialise so the limited foreign exchange available during 1966-70 were utilised for importing spares for shuttle cars actually in operation and the shuttle cars lying in Central Stores|Central Workshop, Barkakana could not be rehabilitated in view of meagre resources of foreign exchange.

(b) *Gathering Arm loaders*:

As against the provision of 107 nos. of gathering arm loaders for projects planned during the second and third plan periods, only 81 nos. were procured. Out of these 18 nos. were of 1½ tonnes per minute capacity and the balance were of 4 tonnes per minute capacity. The smaller capacity loaders were provided for projects where at the basement and percolation of water underground, they were not found suitable. The loaders Procured during 1958-59 deployed in the mines of Karanpura, Korba and Kurasia, 12 nos. of these were returned to Central Workshop, Barkakana and six nos. to Central Workshop, Korba. The some remarks applied here too regarding the availability of spares and rehabilitation of lookers under breakdown.

A committee of experts has been set up to determines as to what extent these loaders and shuttle cars lying in workshops could be utilised after reconditioning them.

(c) *Continuous Miners*:

Two nos. JOY 5 CM Make continuous Miners were proposed for Chalkari Project against approved Project Report provision and were put in operation in December 1964. The Continuous Miners were deployed for fastor dirivages of development headings about 15,000 metres long of size 4.27 Mx2.75M. After the development work in Chalkari was over they were taken out for use elsewhere but could not be reconditioned immediately due to paucity of foreign exchange as well as slum pin coal demand.

Now one of the continuous miners has been sent to patherkhera Project while the other is under overhaul at Giridih Workshop and is proposed to be used in Kedla (UG) Project in CLL.

Conclusion.

Based on the Available facts and figures, it appears that the management did not keep the imported machineries under-utilise rather it judiciously sold some of them to other Public Undertaking to meet their requirements against replacement, while others were kept in Central Workshops. Had the two accompanied by recession in coal demand not confronted the management, the management, would have utilised them to their best of ability. The management tried its utmost to conserve and utilise the meagre available foreign exchange in maintaining the machinery in operation.

APPENDIX—VIII

(*Vide* Reply to Recommendation at Serial No. 44)

Report of the High Powered Committee on investigation regarding loss of fines in Kargali Washery.

1. *Introduction*

Vide M. D. (CCL)'s Memo MD(CCL)|COPU|76|680, dated 19th April, '76, a high powered committee was constituted with the Approval of Chairman, Coal India Ltd., to investigate into the question of loss of fines and other matters in Kargali Washery.

This was done in accordance with the recommendation No. 44. Para 7.71 of the seventy-fifth report on N.C.D.C.Ltd., by the Committee on Public Undertakings (1975-76), which read as follows:—

"7.71. The Committee strongly deprecate the continued lack of concern shown by the Management over the huge loss suffered by the Corporation since 1958 on account of their inability to check the outflow of fines. They recommend that the entire matter regarding loss of fines starting from 1958 should be thoroughly investigated by a high powered committee which should inter alia have representatives of Audit, Fuel Research Institute, Finance etc. in order to determine precisely the extent of loss of coal fines, to pinpoint lapses and fix responsibility and recommend action against arring officials and others concerned for the huge losses suffered by the Corporation. The Committee would like this investigation to be completed within six months and they should be informed of the outcome of the investigation and action taken in the matter."

2. *Constitution of the high powered committee*

Shri H. B. Ghose, Managing Director, CMPDIL.

Sri R. C. Shekhur, Chief of Finance, Coal India Ltd. (Represented by Sri Ved Prakash Bhatia, Jt. Controller of Accounts, Coal Ltd.)

3. Sri Brij Bhushan. G.M.(Plg.), CCL (Later transferred to R.I.— CMPDI as Reg. Director).

Sri U. Narain, COA(IA), CCL.

Sri S. Ghose, Scientist-Charge, Geology Division C.F.R.I. (Nominated by Director, CFRI).

3. *Deliberations of the Committee*

After collecting and examining the available background informations and data, a brief write-up on the subject was circulated to all the members and the first meeting of the Committee was held on 9th July, 1976 in the office of Sri H. B. Ghose, M.D. CMPDI at Ranchi.

In this meeting a preliminary examination of the matter was done. Sri G. G. Sarkar, Chief of Coal washing Division, C.F.R.I., who happened to be present at Ranchi was also requested to join the meeting for some time. Sri Sarkar very kindly answered all the queries of the Committee Members on this subject. Sri B. K. Saran, Chief Engineer (Washeries), CCL was also requested to join this meeting and he expressed his views on this subject:—

The second meeting of the Committee was held on 31st July, '76 Kargali Rest House. Sri U. K. Raja Rao, General Manager (B&K) Sri B. K. Srivastava, Superintendent, Kargali Washery and Dr. R. N. Singh, Addl. C. E. (Washeries), CMPDIL also joined during the discussions.

The Committee members visited the site of discharge of kargali washery drain into the Damodar River, where from a sample of the slurry water was collected. The members then visited the Slurry Ponds near the Kargali Washery and here also a sample of the slurry water incoming to the ponds was collected. The two samples were later analysed in the Washery Laboratory and results obtained. The member thereafter visited the Kargali Washery and examined the working of the Slurry Circuit including the Thickener, Drum Filetes etc. They also inspected the R. O. M. picking belt and observed the quantity of hand picked rejects lying near the site.

The third and final meeting of the committee was held at Ranchi on 31st August, '76. During this meeting it was desired that the figures of raw-coal, clean, coal, middlings and rejects in respect of the Kargali Washery for the various years, starting from 1958, should be carefully examined. The figures earlier given by the

Kargali washery authorities to this Committee should be reconciled with the figures appearing in the Annual Cost and Performance Report of the N.C.D.C.

The month-wise data was scrutinised in detail with the help of the Accounts Department of the Headquarters, Ranchi. After making the necessary corrections, the finally corrected set of figures in respect of the annual raw coal feed, production of clean coal, middlings and rejects was got certified by the Superintendent, Kargali Washery.

3. *Remarks*

4.1. *Statistics*:

Annexure—1 gives the figures of raw coal feed, clean coal, middlings and rejects for each year starting from 1959-60 till 1975-76. The remarks in respect of the corrections made in the various figures is also given on page 2 of the annexure. The overall losses have been computed under column 11 of the table given in Annexure—I.

The capacity utilisation of the washeries in the successive periods was as below:

Year	Percentage raw coal input to rated capacity (1·94 m.t./a. increased to 2·72 m.t./w.e.f. 67-68).
1	2
1959-60	58 %
1960-61	55 %
1961-62	75·5 %
1962-63	80 %
1963-64	92·1 %
1964-65	86·2 %
1965-66	90·8 %
1966-67	100 %
1967-68	71 %
1968-69	79·7 %

1	2
1969-70	80 %
1970-71	74·1 %
1971-72	76·8 %
1972-73	76·7 %
1973-74	73 %
1974-75	76·9 %
1975-76	78·5 %

By the time capacity utilisation increased to proportions which could not be handled without a setting pond etc., alternative arrangements for recovery of fines had been made,

4.2. *Extent of Loss of Fines*

4.2.1. 1958—*December,* 1963

During this initial period the slurry was being recovered only by mechanical means. It was also noted that the rejects were not being weighed during this period.

The Kamath Committee in its final report (August, 1958) had estimated the loss of fine coal during this period to be about 6,80,000 tonnes which valued at Rs. 30|- per tonne amounted to Rs. 2.04 crores. This was based on the assumption that about 10 per cent of the slurry was getting lost.

The Committee tried to ascertain the basis on which 10 per cent estimate was made, but could not get the break-up calculations to support this.

As rejects were not weighed, it is possible to estimate the loss only by an indirect method. Shri G. G. Sarkar, Chief of Coal Washing Division, DFRI in his report of the Technical Probe on the sulurry recovery at Kargali washery (July, 1971) has stated in this connection—"In one year period (1964) immediately following the construction of the Setting Pond, the manual recovery of the slurry amounted to about 2 per cent of the total raw coal input, implying that about 5 to 6 per cent of the slurry below 0.5 mm) was being recovered by mechanical means. This revealed incidently that prior to the provision of the setting Ponds, about 2 per cent of the slurry (and not 10 per cent as indicated by the Kamath Committee) was going to waste."

4.2.2. Effect of moisture on raw coal, clean coal rejects and middlings and the consequent calculation of the input|output—quantity and balance.

The Committee was aware of the possibility of error in working out quantity and balance on account of differential in moisture content of the input output. The moisture content also would have varied in different periods. The Committee, also recognised that there was no method to reduce all the figures on dry basis.

4 2.3. *January* 1964—1966-67

During this period the rejects were still not being weighed. Hence it is difficult to ascertain the actual loss of fines. Slurry ponds were constructed in January, 1964 and the manual collection of the slurry was started.

4.2.4. 1968-69—1969-70

Though the overall losses during these two years have been indicated as 3.95 and 2.51 per cent, the Committee found that these are based on part weighment of the rejects. A small part of the rejects was transported by tipping tubs without weighment and hence the actual loss can not be accurately ascertained.

4.2.5. 1970-71—1975-76

During this period the rejects have been weighed and the data are available. After allowing for the hand picked rejects, the losses are found to be all along less than 2 per cent.

After carefully examing the working of the Kargali Washery and its past history, the Committee finds that the Washery is functioning on Open Circuit principle. It's equipment are getting old and inspite of the modifications|replacement carried out from time to time, some basic defects have not yet been rectified fully.

4.3. *Handling Losses*

The Committee has noticed that no allowance for handling loss is being made in the Kargali Washery.

4.4. *Present position of extent of loss.*

The results of the random samples of the slurry water entering into the slurry ponds and finally owing into the Damodar River are given below. These samples were taken by the Committee during their visit to the Kargali Washery on 31st July 1976.

Solid content of the slurry water entering into the slurry Ponds— 17.46 gms./litre. Solid content of the final effluent to the River—1.24 gms.|litre.

The quantity of water flowing into the river was roughly estimate as about 1000 G.P.M.

4.5. *Use of Flocculent*

While examining the Slurry Circuit of the Kargali Washery it was learnt that the use of Flocculent was tried in the past.

5. *Conclusions* : Seriatim

5.1. *Relationship between capacity utilisation and recovery of fines.*

After taking into account the estimates of fines lost from time to time, the Committee came to the conclusion that the possibility of loss in fines got higher with increasing capacity utilisation of the washeries.

5.2.1. Considering the lower load factor at which the Washery was operating in the initial years and the fact that the slurry recovery plant was new, the Committee feels that the actual recovery of fines must have been better than that observed in 1964 when the manual recovery started. The Committee, therefore, concludes that during this period the actual loss of coal fines must have been much less than 2 per cent and may be considered technically within permissible limits.

5.2.2. The effect of moisture could not be appreciable, as the middlings were already taken at 2 per cent equivalent moisture.

5.2.3. The Committee feels that the loss of fines during this period must have been lesser as compared to the earlier period. This may be considered negligible.

5.2.4. Judging from the trend of overall losses noticed in the year (1967-68) immediately preceding and thereafter, the Committee feels that there might not have been any significant loss of fine during this period.

5.2.5. It is felt that for a Washery of this type, a loss of 1½ to 2 per cent is within the expected norms of operational efficiency of the Plant.

5.3. The Committee Members are of the view that about 0.5 per cent loss should be considered as handling loss.

5.4. On this basis, the amount of solids flowing into the river is only 1320 tonnes/annum. This is considered negligible.

5.5. The Committee recommends that the use of flocculent should be given another trial as they are of the view that this will help in the mechanical recovery of coal fines in a more efficient manner.

Sd/-	Sd/-	Sd/-
(H. B. Ghose)	(R. C. Shekhar)	(Brij Bhusan)
Managing Director,	Chief of Finance,	Regional Director (RI-3)
C.M.P.D.I. Ltd.	Coal India Ltd.	C.M.P.D.I. Ltd.
Sd/-	Sd./-	
(U. Narian)	(S. Ghose)	
C.D.A. (IA),	Scientist-incharge,	
C.C. Ltd.	Geology Division	
	C.F.R.I.	

Appendix IX

(*Vide* Reply to Recommendation at Serial No. 57)

Government of India

MINISTRY OF ENERGY

DEPARTMENT OF COAL

No. 54012/10/76-CDT *New Delhi, the 21st July, 1976.*

To

The Chief Secretary to the Government of states

SUBJECT.—*Purchase of coal by Government Department/Public Undertakings from Coal India Limited and its subsidiaries and Singareni Collieries Limited.*

Sir,

I am directed to say that the Government of India had requested in June, 1968 all the State Governments to issue suitable instructions to Departments|Undertakings of the State to make thier purchases of coal directly from the National Coal Development Corporation and not to employ middlemen for the purpose. It is, however, noticed that inspite of the exhortation, a number of Government Departments and State Government Undertakings including State Electricity Boards are still employing middlemen for the purchase of coal from public sector coal companies. Since both the parties to the transaction are public undertakings, it is neither desirable nor necessary that any middlemen should be employed for the purpose. This practice has been adversely commented upon by the Committee on Public Undertakings in their 75th Report. An extract from their report is reproduced below:—

"The Committee are surprised to note that even with the change in the complextion of market and the nationalisation of coal industry the public sector undertakings|institutions should still prefer to deal with the National Coal Development Corporation, also a public sector undertaking, not directly, but through the middlemen in private sector....The Committee are unhappy to note that in spite of their earlier recommendation the services of middlemen continued to be utilised in dealing with other Public Sector Undertakings. They would like that the matter should be thoroughly investigated and responsibility fixed. They recommend that Government should issue suitable instructions so that the public undertakings|State Governments concerned are required to give up the practice of dealing with another public sector undertaking (NCDC) through the agency of middlemen."

I am therefore, the request you once again to instruct all Departments and public undertakings under the State Government not to employ middlemen or transport agents for the purchase of coal from any of the public sector coal companies. Coal India Limited would be writing separately, to the undertakings|departments which are still employing middlemen requesting them to desist from this practice. It is requested that the State Governments may also issue suitable directives to all concerned.

Yours faithfully
Sd/- G.V.G. Raman
Officer on Special Duty.

Copy to:

1. Ministry of Industrial Development (Deptt. of Heavy Industry Deptt. of Industrial Development, Deptt. of Civil Supplies, D.G.T.D.).
2. Ministry of Agriculture (Deptt. of Food) (Deptt. of Agriculture).
3. Ministry of Steel & Mines (Deptt. of Steel, Deptt. of Mines).
4. Department of Power.
5. Central Electricity Authority.
6. Ministry of Works and Housing.
7. Ministry of Defence.
8. Ministry of Chemicals & Fertilisers.

For favour of similar action in respect of Departments|Undertakings in their administrative controls.

Copy for information and necessary action to:—

9. Chairman, Coal India Limited, Calcutta.
10. Chairman-*cum*-Managing Director, Singareni Collieries Company Ltd., Kothaduem.
11. Managing Director, Bharat Coking Coal Limited, Dhanbad.
12. Managing Director, Central Coalfields Limited, Ranchi.
13. Managing Director, Western Coalfields Limited, Nagpur.
14. Managing Director, Eastern Coalfields Limited, Sanctoria.
15. Director (Commercial), Coal Limited, Calcutta.

Appendix X

(*Vide* Reply to Recommendation at Serial No.)

GOVERNMENT OF INDIA

MINISTRY OF ENREGY

(Department of Coal)

No. 54012|10|76-CDT. Pt. *New Delhi, the 20th September,* 1976

To

Shri A. R. Kidwai,

General Manager(s),

Delhi Development Corporation Ltd.,

N—36, Connaught Circus,

New Delhi—10001.

SUBJECT:—*Appointment of Handling Agents for procurement of Coal from the Coal India Limited or its subsidiaries.*

Dear Sir,

I am directed to refer to your letter No. 5 (11).CDT|76-77|12400 dated the 23rd July, 1976 to the Joint Director Transportation (Coal), Eastern Railways House, Calcutta, intimating the appointment by you M|s. Karam Chand Thapar & Bros. (CS) Ltd., Calcutta as your Handling Agents for Coal|Coke, and to say that the employment of middlemen (Handling Agents) by the Public Undertakings has been very adversely commented upon by the Committee on Public Undertakings of the Parliament. The Committee on Public Undertakings have emphasised that such consumers should have a direct deal with the Coal Producers for the procurement of their coal requirements. In this context, I am forwarding a copy of this Department's circular letter No. 54012|10|76-CDT, dated the 21st July, 1979 addressed to the Chief Secretaries of all the State Governments. In the light of this letter the appointment of the Handling Agents by you is in contravention of the stand taken by the Committee on Public Undertakings. I am, therefore, to request you that steps may kindly be taken to do away completely with the Handling Agents and to have a direct deal with the Coal Producers in respect of all matters connected with the procurement of Coal.

I am also to request you that action taken by you on this letter may please be reported to this Department as soon as possible.

.. Yours faithfully

Sd|- (S. Chattopadhya)

Director

Copy forwarded to Shri D. N. Purkayastha, Chief Sales Officer (HQ), Coal India Limited, 10, Nataji Subhas Road, Calcutta, with reference to this office letter No. CIL/C-4A/41588, dated 11-8-1976.

Copy also to the Joint Director, Transportation (Coal), Eastern Railway House, 17, Netaji Subhas Road, Calcutta.

Sd|- (S. Chattopadhya)

Director

Copy of letter No. 5(CU)|CDT|16|A|71|18349, dated 21-9-1976, from Shri A. R. Kidwai, General Manager (S), Delhi State Industrial Development Corporation Limited, New Delhi, to Shri S. Chattopadhya, Director, Ministry of Energy, (Department of Coal) New Delhi.

Subject: Appointment of Handling Agents for procurement of coal from the Coal India Limited or the subsidiaries.

This has a reference to your letter No. 54012|10|76-CDT-Pt., dated 20th September, 1976 on the above noted subject, I am to inform you that we have already terminated the service of Handling Agent M/s. Karam Chand Thapar & Bros. (CS) Ltd., Calcutta *vide* our Telegram, dated 20-9-1976. A copy of Telegram is also enclosed for your kind perusal.

Thanking you.

COPY OF TELEGRAM

DELHI STATE INDUSTRIAL DEVELOPMENT CORPORATION

LIMITED NEW DELHI—11000

EXPRESS TELEGRAM

No. 5(39)|CTD|76-77| Dated: 20th Sept., 1976

Shri K. K. Bhatnagar
Manager
Kaycette
DELHI

Shri K. D. Arora
General Manager
Kaycettee
CALCUTTA

MESSAGE:

Our handling contract for coal|coke is hereby terminated with immediate effect

Sd|-
A. R. Kidwai
General Manager
LAGHUNIGAM

APPENDIX--XI

(*Vide* Reply to Recommendations as Serial No. 19)

Surakachhar project was one of the prestigious collaboration projects with the USSR. Various uncontrolable, unexpected and adverse factors compelled the Corporation to revise the construction schedule more then twice and the last construction schedule envisaged the completion of the construction by the end of 1968.

2. On the basis of the construction report, manpower was recruited and the last batch recruited was in the year 1966-67. By utilising the full manpower the development work of sectoin-1 was completed in 1969. Originally the recuritment of manpower was made to utilise the service of them in regular production after the entire developmental work of the mine was over in 1969, the following additional developmental work were necessary for further increase in the production:—

(a) making drivage of loco road in east and west including showing work;

(b) to make permanent junction of roadways and erection of heavy duty steel supports and laying permanent track in the roadways;

(c) equipping battery station in underground and drivage of gate road for keeping longwal panels;

(d) recovery work in No. 2 pit and other associated work;

(e) permanent roadway support;

(f) stowing arrangements—laying pipe ranges;

(g) laying of permanent tracks;

(h) gate road drivage to keep the panel ready;

(i) building of 7 Dams and reinforcing them further:—

(i) cleaning of flase and supporting of approach road to the site of Dams;

(ii) laying of track upto the Dam;

(iii) cutting of recess for Dam;

(iv) Transport of bricks, cement and sand upto the site of Dam;

(v) actual construction;

(vi) raising of mine entries like shaft, main incline No. 1 Pit, No. 1 incline No. 2 Pit, No. 2 Drift due to the change in high flood level and installation of automatic alarms;

(vii) commissioning of the main belt, tippler and shaker feeder etc.

(viii) equipment battery station underground;

(ix) other incompleted works like—stores, road, sand gathering plant, meter gauge line regarding etc. etc.

3. The Director General of Mines Safety also had given notice under regulation 129 for construction of Water Dams which required additional manpower. Copy of the letter from Jt. DGMS is enclosed.

4. Unabated recession in Coal Industry even after 1965 forced the management to peg-down the production and to use the manpower resources for increasing production capacity of the mine by taking additional developmental works. Extracts of the letters written by the then DGM(T) and extracts of the reply received from the Deputy Secretary is enclosed for your kind perusal. It may be seen from the letters that there was recession in coal industry even after 1965.

Assessment by the Committee, and in the Planning Department's report is as under:—

	Assessed by the Committee	Assessed by the Planning Department
(a) Manpower required for working of the colliery during 1969-70	900	900
(b) Civil Engg. Construction and Surface works .	91	100
(c) Other developmental works . .	230	—
(d) Surplus workers . . .	140	400
Total	1361	1400

As per Project Report, manpower had been worked out envisaging that all development works will be done mechanically by us of continuous miners|mechanical leaders etc. But due to adverse and unexpected geological conditions and change in mining methods, the required manpower for development was in excess of what was envisaged in the Project Report for the following jobs:—

(i) Making drivage of loco road in east and west including store works;

(ii) to make permanent junction of roadways and erection of heavy duty steel supports and laying permanent track in the roadways;

(iii) Equipping battery charging station in underground;

(iv) Recovery work in No. 2 Pit and other associated works and in addition sealing of Section-II.

(v) Making of settling tank etc. for main pump and Pucca drain throughout the loco road for flow of stowing water;

(vi) Making gate roads and settling gallaries keep panels ready for production.

The Committee had under taken detailed study of development works undertaking during that year and the manpower deployed on these works. It was estimated that about 230 workers had been deployed on these additional development works. This was in order to make this mine suitable for increased production in future when market was likely to go up. These development works were essentially to be undertaken. It may also be mentioned that from next year when the market had improved, there had been continuous increase in production with the increased productivity from that mine and part of it could be attributed to increased development work done during the period 1969-70.

Perhaps, the manpower required for development work was overlooked by the Planning Department as the assessment was not based on any detailed study."

3 In the light of the detailed investigations now made by the Committee and coroborated by the Chairman-cum-Managing Director, the Government is of the view that excessive manpower in Surakachhar in 1970 was 140 only and not 500 as reported earlier to the Committee. These excess workers had since been transferred

to other collieries. The difference in the two assessments appears to be due to the fact that the earlier assessment had not been made after detailed consultation with the project authorities and apparently the manpower required for development works was over-looked. It is being impressed upon the coal companies that whenever they make any review of the manpower or any other aspect of the working of a project the assessment should be finalised after examining all aspects and giving an opportunity to the project authorities to put forth all facts before the reviewing officer or team. In view of these facts it is felt that there is no question of fixing responsibility on any individual officer of the N.C.D.C.

APPENDIX—XII

(*Vide* Reply of Recommendations at Serial No. 29)

SUBJECT:—*COPU Recommendation* (1975-76) *No.* BT *regarding supply of coal to Patratu Thermal Power Station.*

A Committee was formed by the M.D., CCL consisting of the following members to enquire into the observations of the Committee on Public Undertaking regarding supply of coal to Patratu Power Station (Please refer to Annexure I):—

1. Shri Brij Bhushan, Regional Director, R. I-III

Shri U. Narain, Controller of Accounts (IA) CCL.

The Enquiry Committee has tried to investigate the following observations of the Committee on Public Undertaking (the summary of the COPU's recommendation is annexed herewith as Annexure II).

1. "Though NCDC proposed to supply coal to Patratu Thermal Power Station from Naditoli mine and the boilers of the thermal station were designed on the basis of that proposal, the coal reserves of Naditoli Opencast mine were subsequently found inadequate for meeting the requirements of PTPS. They cannot but conclude with regret that:—

(a) The original proposal to supply coal was made without making a thorough survey of the Naditoli mine and

(b) As a result of which the power station was forced to use high grade coal which caused serious operational complications and necessitated modifications in the boilers of the power station.

2. The Government should have persuaded the BSED to finalise the agreement with NCDC so that development of the colliery could have been taken up much earlier.

3. The Committee have recommended that in order to avoid such situation which affect production in vital sectors like that of power, Government should set up a standing machinery for sorting out

various problems which might arise before the Corporation and the consuming agencies like power station, steel plants etc."

The enquiry in hand relates to the period 1960-61 to 1973. The enquiry committee could not locate all the relevant files but with whatever the papers could be located, the history of the case goes as under:—

1. N.C.D.C. Limited was knowing the existence of huge reserves of Argada L.M.N.O. seems which had combined in a part of Karanpura area and it was given the name of Naditoli seam. Quarriable reserves of this seam was known in Gidi 'C' Naditoli patch and in Argada Colliery Block. In Argada Colliery area existence of about 45,000 million tonnes quarriable coal reserves within 1: 2 coal: OB ratio was indicated in 1959. Subsequently, a Geological Report was compiled in 1974 by S|Shri R. V. Savanur and Singh—Exploration period 1959—65. In the report, total reserve in Naditoli was estimated to be 143.05 million tonnes which includes 45 million of quarriable coal. Besides Naditoli seam was available in a small patch in Gidi 'C' block also and the reserve within 1: 3 ratio was 8.66 million tonnes. If Bihar State Electricity Board would have entered into a long-term agreement, a full-fledged Project could have taken shape in Argada area also for a production of about 1.00 million tonnes of coal per annum. However, since the BSEB did not enter into any long-term agreement, a short-term measure was taken to prepare a Project Report for Working Naditoli seam in Gidi 'C' block as infrastructure for working a mechanised quarry was available there. The idea was that slight delay in long-term agreement with BSEB should not be a cause of non-supply of coal to PTPS. This was a very constructive gesture on the part of NCDC.

As such it is not correct to say that original proposal to supply coal was made without asking a thorough survey of Naditoli mines. Delay entering into a long term agreement was mainly responsible for not projecting or intiating a mine for 1.00 million tonne at Argade Mine based on Naditoli seam. However, subsequently NCDC found another project namely Balrampur (in Urimari Patanga block) and this was suggested for coal supply to PTPS in preference to Naditoli seam of Argada seam in view of nearness of the project to PTPS. All these conclusively prove that in the three block viz. Gidi 'C' Argada and Urimari Patanga blocks NCDC had proved much more resrves than what was required by PTPS merely to ensure that a thermal power station does not suffer for want of coal.

If these projects were not started the delay was on the PTPS side who have not entered into a long-term agreement even till date.

The requirement of coal is indicated by PTPS is indicated in Annexure III. As against the total requirement of 3.43 million tonnes/year coal (2.15 million tonnes Grade-III and 2.28 million tonnes Grade I coal) for their 350 MW capacity boilers by June, 1967, the actual consumption is only 1-1.2 mt/yr, for its 400 MW capacity at present. NCDC would have opened these new mines on the verbal assurance of PTPS and built up the capacity of mines if they desired, but this would have meant heavy loss to NCDC if the Project would have remained under-utilised.

Judging from the above background, it is clear that PTPS management was not forced to use high grade coal because of any fault of NCDC, rather PTPS had indicated in 1964 that it could consume as much as 1,07,322 tonnes per month (i.e. 1.28 million tonnes per year of Grade-I coal—38.5 per cent its total requirement) for generating 204400 x 103 KWH (by 330 MW unit) by July, 1967 (please refer to Annexure III).

2. BSEB had preferred to purchase requirement of coal on year-to-year basis by calling of competitive tenders and therefore, they were not really interested to enter into a long-term agreement with NCDC. Even after meeting of the Minister of Steel and Mines, Chief Minister of Bihar and Bihar State Electricity Board's management of Patratu on 28th and 29th of April, 1972, only suitability of coal of Naditoli and Balrampur appears to have been indicated by BSEB representative. But no agreement was made. Even till date when all the non-coking coal mines have been nationalised, BSEB have not entered into a long-term agreement. With the background, it is not correct to say that Government did not persuade the BSEB to finalise the agreement. It was only their unwillingness to enter into a contract.

3. The reply to this para has already been given by the Ministry and is enclosed as Annexure—IV.

The enquiry relates to the period 1960-61 onwards and only one relevant file could be located regarding it which contained correspondence during 1964—1967 and 1971—75 only. However, based on the facts brought out in the above enquiry report the committee is of the unanimous decision that even with whatever the papers were made available to them, it is evident that the fault did not lie with NCDC.

Sd|- U. NARAIN
Controller of Accounts (IA) CCL
8.4.77.

Sd|- Brij Bhushan
Regional Director, R.I-III
8.4.77.

ANNEXURE

CENTRAL COALFIELDS LIMITED
DARBHANGA HOUSE, RANCHI

Ref. No. MD|CCL|COPU|76|0—19|817 3rd May, 1976.

SUBJECT:—*Committee on Public Undertakings—75th Report on NCDC (now CCL).*

I am directed to invite reference to item No. 29 sub-para 3 of the summary of conclusions|recommendations of COPU (75-76) and M.D's remarks thereon "Shri U. Narain and G.M. Plg to please examine and submit a report within two months". G.M. (Plg) and COAL (IA) are therefore, requested to kindly forward the Report to enable M.D. to send a reply to the Government|COPU at the earliest.

Sd|-T.S. to M.D.

(Para 4.69 to 4.72)

Annexure II

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

It has been contended that NCDC had been insisting on entering into long term agreement on the issue of supplies to Patratu Power Station so that effective steps might be taken by NCDC for the development of new mines for producing inferior quality coal.

But the Bihar State Electricity Board did not come forward for entering into an agreement and preferred to make purchases of coal on year to year basis by calling of competitive tenders.

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

The Committee regret to observe that the earlier reluctance on the part of Bihar State Electricity Board to enter into a long term commitment with the NCDC for the supply of requisite quantity of coal has resulted in delay in the development of Naditoli Colliery. The Committee feel that Government should have persuaded the

Bihar State Electricity Board to finalise the agreement with NCDC so that the development of the colliery could have been taken up much earlier. They find that no formal long term agreement has so far been concluded with the Bihar State Electricity Board. Two essential points namely suitability of Naditoli seam coal and price thereof have since been accepted by the Bihar State Electricity Board. They hope that at least now the Company should go ahead with the execution of the project linked with the Patratu Thermal Power Station and should not allow any further slippage in the execution of these projects beyond 1975-76 as scheduled.

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

APPENDIX XIII

(*Vide* Reply to Recommendation at Serial No. 30)

In para 31 of the summary conclusions|recommendations (*i.e.*, para 4.87 and 4.88 of the text) the Committee on Public Undertakings had observed and recommended as in the enclosure-A.

In pursuance of their recommendations the investigations were made into the subject of grant of leasehold for 676 acres of land for collection of sand required by erstwhile NCDC in Karanpura coalfield. These investigations were made by a Committee consisting of:

1. Shri U. Narain, Controller of Accounts (Internal Audit), Central Coalfields Limited;

2. Shri A. N. Sinha, Dy. Chief Mining Engineer, Central Mine Planning & Design Institute.

The Committee met on the 12th, 17th, 22nd and 23rd March 1976 and perused the relevant records made available by the Revenue Department of Central Coalfields Limited. After going through the relevant papers put up before the Committee, their findings are as follows.

The Corporation had applied to the Government of Bihar for mining lease for sand under provisions of the Mines & Minerals (Regulation and Development) Act, 1957, relating to this 676.16 acres of land on different dates during the period 1969 to 1972 as indicated in Annexure—1. The matter relating to grant of lease of the aforesaid areas as well as certain other areas required by the Corporation had been discussed in a series of meetings held with the State Government officials at Hazaribagh and Patna. Amongst the matters concerning Public Sector Undertakings of the Government of India, the aforesaid issue was also discussed in the meeting held in the chamber of the then Chief Minister of Bihar, Shri Kedar Pandey on 20-3-1972, when the then Union Minister for Steel and Mines. Late Mohan Kumaramangalam was also present, besides the officials of the Corporation. In this meeting, it was intimated by the Mines Commissioner, Government of Bihar that a decision had already been taken that the mining lease will not be renewed after expiry of the term of the present lease and NCDC should make a formal application to the State Government for grant of lease in their favour. It is pertinent to point out in this connection that none of the areas included in the aforesaid 676.16 acres were covered by any lease to any outside parties as per information given by the State Government officials than and these areas were free for grant of lease and, therefore, in accordance with the implied decision of the State Government as communicated by the Mines Commissioner in the aforesaid meeting, there should have been no difficulty for the State Government to grant lease of such areas to the NCDC. Keeping this aspect in view, this matter was further pursued by the Corporation in the meeting held on 2-5-72 with the Dy. Director of Mines and the DMO, Hazaribagh, when for the first time, the question of payment of royalty on despatch value instead of sale value was raised by the DMO, Hazaribagh, without however, making any specific demand relating to dues, if any, with this Corporation. This issue of lease was further discussed in the meeting held with the Mines Commissioner, Government of Bihar, Patna on 17-6-72 and the then State Government officials expressed that all the areas containing sand could not be leased out to NCDC in view of other massive construction programmes undertaken by the State, besides meeting the needs of the private parties by the State Government. However, the then State Minister of Mines, Government of Bihar had assured that utmost help would be provided to the Corporation for meeting its overall requirements of sand, because of its being in Public Sector and in view of the national interest.

In view of the repeated assurances of the State Government conveyed to the officials of the Corporation in the aforesaid meetings of even after filing of the Affidavit and other connected papers in August, 1972, the DMO, Hazaribagh did not issue Royalty Clearance Certificate and it was only in January, 1973 that he, *vide* his letter dated 17-1-1972 (copy placed at Annexure-B) raised a demand for Rs. 2,06,130.52 towards royalty|dead rent outstanding against NCDC as per their records and advising the Corporation to pay the amount for issue of the Royalty Clearance Certificate. As the demand of Rs. 2,06,130.52 received in terms of DMO's letter dated 17-1-73 needed verification at the Project and examination of the justification of the demand in terms of the provisions of the law, the Corporation requested the then DC, Hazaribagh *vide* the then Director (Administration)'s letter dated 3-2-73 that as all the dues had already been paid up-to-date by the NCDC, the Royalty Clearance Certificate may be issued to NCDC with reference to the Corporation's application for grant of mining lease for sand and whatever additional demands are submitted by the DMO, Hazaribagh and if found justified, the NCDC will make payments accordingly. It is pertinent to mention in this connection that while on the one hand, there is specific provision in the M.C. Rules, 1960, Rule 22(3) (ia) that the State Government can waive the production of Royalty Clearance Certificate for grant of leases and on the other hand, in none of the meetings held with the high officials and Ministers of the State Government at Patna as referred to above, filing of the Royalty Clearance Certificate was ever insisted upon by them. It is also pertinent to mention in this connection that for an area of 46.84 acres which forms the part of 676.16 acres, lease was granted to NCDC by the State Government on 28-1-1975 even without production|filing of royalty clearance certificate.

In view of the facts stated above and as no communication is stated to have been received from the State Government that any of the lease applications of the Corporation has been rejected for non-filing|production of the royalty clearance certificate, the Committee feels that non-payment of the amount of Rs. 2,06,130.52 has not been the main reason for non-grant of the lease by the State Government to Corporation.

Keeping in view the fact that inspite of the repeated assurances given by the high officials and Ministers of the State Government as there was no tangible progress in the matter of grant of lease to the Corporation of the areas applied for with special reference to the areas of 676.16 acres as detailed at Annexure 'A', the Corporation initiated action for acquiring the areas of 786.81 acres (including the aforesaid area of 676.16 acres) under the provisions of the coal Bearing Areas (Acquisition and Development) Act, 1957 and accordingly, moved the Coal Controller on 12-2-73 for his clearance for issue of notification under Section 4 of the Act. The views of the Coal Controller were received by the Corporation on 17-9-73 under his letter dated 11-9-73 and subsequently, the Corporation sent proposal for notification of the said area under Section 4 of the Act to the Government of India on 19-11-73. Notification under section 4 of the Act was published in the Gazette on 16-2-74 and 3-7-74, the proposal for notiying the area of 599.52 acres under Section 7 was sent to the Government of India and the area was reduced by 187.89 acres from the original notification under Section 4 as this area of 187.29 acres was covered by another notification under Section 9 for Balrampur Project. The notification under Section 7 was issued by the Ministry on 20-8-74 which was published in the Gazette of India dated 31-8-74. The proposal for notification of this area under Section 9 was sent to the Government of India on 23-11-74. This notification under Section 9 was published in the Gazette of India on 27-9-75. Possession of this area was taken on 28th and 29th December. 1975. The Corporation has also moved the Government of India for vesting of this area in the Corporation on 29-1-76 under Section 11 of the Act.

As regards the balance area of 187.29 acres referred to above the same had also been acquired in similar process and final notification on under Section 9 of the Act was published by the Government of India on 24-1-75 for Balrampur Project. Possession of this area was taken on 24-3-75 and vesting order under section 11 of the Act for this area has also been issued in favour of the Corporation on 23-9-75.

It may not be out of place to mention in this context that the Corporation had kept the concerned Ministry of the Government of India informed of the developmets in this regard *vide* letters dated 9/12th June, 1972, 7th July, 1972, 22nd August, 1972, 24th August, 1972, 5th April, 1974, 12th July, 1974, 17th August, 1974, 6th September, 1974, 26th September, 1974, 31st October, 1974, 8th January, 1975, 2nd April, 1975, and other reference made from time to time. Direction for termination of the existing leases granted in favour of Shri M. L. Jain was issued by the Government of India *vide* their letter dated 6-6-1975 to the State Government and though in pursuance of the aforesaid directive, the Corporation has applied for grant of leases of those areas also on 3-8-1975, neither these leases of Shri M. L. Jain have yet been terminated by the State Government nor such areas have been leased out to the Corporation. It may be mentioned in this context that for all these areas which are held by Shri M. L. Jain, the Corporation has already processed for acquisition under the Act and Notification under Section 9, after completion of proceedings under sections 4, 7, and 8 of the said Act, was sent to the Ministry on 12-8-1975 which is awaiting, publication in the Gazette of India.

From the facts stated above, the Committee feels that there has been neither any delay nor any negligence on the part of any officials of the Corporation in the matter under reference and the question of fixing responsibility and taking action against any officials, therefore, does not arise.

Sd/-	Sd/-
U. NARAIN,	A. N. SINHA,
Controller of Accounts (IA).	*Dy. Chief Mining Engineer CMPDI.*

APPENDIX XIV

(*Vide* reply to Recommendation at Serial No. 3)

GOVERNMENT OF BIHAR

DEPARTMENT OF MINES AND GEOLOGY

No. B|MS-1012|72|2064|M. Patna dated the 2nd April, 1975.

From

Shri M. M. Prasad,
Deputy Secretary to Government.

To

The Joint Secretary to the Govt. of India,
Ministry of Steel and Mines,
(Department of Mines)
New Delhi.

Subject:—Pre-mature termination of certain leases for sand and grant of fresh mining leases in favour of M|s. N.C.D.C. Ltd.

Sir,

I am directed to refer to your letter No. 38026|1674-C3 dated the 1st November, 1974 on the subject noted above and to say that on an application by Sri Madan Lal Jain in respect of the three Lease-deeds referred to in your letter, the State Government has already taken a decision as early as the 1st October, 1974 to extend the period of the present leases in favour of Shri M. L. Jain for a period of 20 years instead of ten years. At that time no proposal from Government of India had been received by the State Government. The State Government, in view of the facts stated below have issued orders to the Deputy Commissioner, Hazaribagh for implementing the decision already taken in respect of these leases by the Council of Ministers.

(i) M|s. N.C.D.C. are doing sand stowing from much before 1962. These sand areas were virgin to be exploited by M|s. NCDC even after 1962 till 1966, which obviously could not be done by them because of lack of eagerness on their part for safe exploitation of their coal resources for which they are now reported to have shown their eagerness after a gap of 12 years.

(ii) M|s. N.C.D.C. have substantial areas from much before these areas were leased out to Shri M. L. Jain M|s. NCDC neither have shown any anxiety in regard to settlement of further areas nor when the leases were granted to Shri Jain for these areas even during 1966 to 1974. Further, the supply of sand is being done through the agency of private parties including Shri Jain who is the registered contractor of NCDC. If, however, NCDC comes up for sand leases for other virgin areas, the State Government will consider their cases favourably.

(iii) Shri Madan Lal Jain was granted mining leases for sand for these areas in the year 1966-67 for ten years only. Shri Jain had applied on 18-1-1972 for extension of the period of the aforesaid leases from 10 to 20 years in accordance with section 8 of the said Act and the State Cabinet in its meeting held on 1-10-1974 has already decided to extend the lease period of the leases to 20 years. The decision to extend the leases for maximum period has been taken in the larger interest of the state revenue particularly when the State Government is anxiously exploring all possible avenues of financial resources to tide over the present financial crisis.

(iv) The amendment in the M.C. Rules, 1960 has revised the rate of dead rent which becomes increasible on the expiry of every fifth years of the lease and beoomes chargeable at the rate of Rs. 37.50 paise per hectares per annum from the eleventh year of the lease onwards.

(v) Bokaro Steel Ltd., and B.C.C.L. have been given sufficient areas under different leases for their exploitation but they do not appear to have been working to the extent desired with the consequential fall in the State revenue in the shape of mining rent|royalty etc.

(vi) It has been seen that NCDC never file complete application for grant of mining leases nor they file any revision application before the Central Government under rule 54 of the M.C. Rules, 1960 against deemed refusal of their application which happens on account of delay on the part of NCDC itself and protracted correspondence in the matter. Thus the delay in the final grant of the areas applied for result in huge lose of mining revenue to the State Ex-chequere.

The main consideration for which the State Government do not agree to the proposed termination of the sand leases is the substantial gain in shape of mining revenue which the State Government cannot afford to part with at the present financial crisis which will accrue to the State Government as a result of increasible rate of royalty chargeable at the rate of Rs. 37.50 paise per hectare per annum from the eleventh year of the lease, which, however, will not be chargeable if these areas are settled afresh.

2. The State Government trust that the NCDC will be advised to make application in respect of other areas.

Sd)

(M. M. Prasad)

Deputy Secretary to the Government of Bihar.

APPENDIX XV

(*Vide* Reply to Recommendation at Serial No. 43)

GOVERNMENT OF INDIA

MINISTRY OF ENERGY

DEPARTMENT OF COAL

No. 54012|47|76-CA New Delhi, the 23rd July 1977.

To

The Chairman,
Coal India Limited,
10, Netaji Subhas Road,
Calcutta 700001.

Subject:—Recommendation No. 43 of the 75th report of COPU regarding revision of contract.

Sir,

Please refer to recommendation No. 43 of the 75th Report of the COPU on NCDC and to the report of the export Committee appointment in pursuance of this recommendation. Examination of the case regarding engagement of contractors for the transport of slurry of Kargali Washery shows that the then Area General Manager had revised the rate of the old contractors after the expiry of their contract without going in for fresh tenders. In this specific instance it has been held by the Committee that the extension of the contract and the enhancing of the rate were not financially unsound decisions but there has been a breach of the procedure for award of contract and an oversteeping of the delegated powers. As such breaches of procedure are not conducive to the establishment of healthy practices in such matters, it is requested that the CIL may advise all the Area Managers as well as other officers concerned that they should not depart from the established practice of calling for tenders for every contract. In certain emergent situations it might not be feasible to observe the procedure of calling for tenders but, in such cases, the reasons should be reported to the next higher authority for regularisation as early as possible.

All concerned may also kindly be advised that where the contracts contain a stipulation that the contractors shall pay wages etc. at particular rates, the contractors should be asked to produce proof of having paid at such rates before their bills are settled.

3. A copy of the instruction issued may kindly be endorsed to this Department for record.

Yours faithfully

Sd|-

(G. V. G. RAMAN)

Deputy Secretary to the Govt. of India.

Copy to:—

1. Managing Director, Central Coalfield Ltd. Ranchi.
2. Managing Director, Western Coalfield Ltd. Nagpur.
3. Managing Director, Eastern Coalfields Ltd. Sanctoria.
4. Vice-Chairman and Managing Director Bharat Coking Coal Ltd. Dhanbad.
5. Managing Director, Central Mine Planning & Design Institute, Ranchi.

Sd|-

(G. V. G. RAMAN)

Deputy Secretary to the Govt. of India.

APPENDIX XVI

(*Vide* Reply to Recommendation at Serial No. 28)

No. 53|3|1|75-CF

GOVERNMENT OF INDIA
CABINET SECRETARIAT

DEPARTMENT OF CABINET AFFAIRS

New Delhi, the 19th Dec., 1975.

OFFICE MEMORANDUM

SUBJFCT:—*Settlement of disputes between one Government department and another and one Government Department and a public enterprise and one public enterprise and another.*

The undersigned is directed to refer to this Department's O.M. No. 53|1|1|CF-70 dated 25th August, 1970 on the above subject and to say that the Public Accounts Committee has had occasion to observe as follows in its 154th Report (1974-75):—

> "The Committee cannot understand why it has not been possible to resolve a dispute between two Government or organisations by mutual consultation. Instead the parties have had to resort to Litigation thus incurring avoidable expenditure. The Committee desire that the existing instructions for settlement of disputes between Government Departments and Public Sector Undertakings should be reviewed thoroughly and suitable machinery evolved for the resolution of interdepartmental and inter-governmental disputes. The Committee suggest that this recommendation may be brought to the notice of the Cabinet Secretariat."

4825 LS—17.

2. The instructions contained in the aforementioned Office Memorandum have accordingly been reviewed. The orders of the Cabinet have also been obtained. The directions given are as follows:—

(i) Insofar as disputes between one Government Department and another are concerned, there can be no question of taking recourse to litigation or even arbitration in seeking settlement of points at issue. If a discussion at the level of Ministers concerned does not result in agreement the problem can always be taken to the Cabinet for final decision.

(ii) Unresolved disputes between a Government Department and public sector enterprises and between one public sector enterprise and another would ordinarily fall in either of the two following categories:—

(a) those relating to statutory matters; and

(b) those relating to or other agreements.

Regardless of the type of dispute, it has been decided that all disputes should be resolved amicably by mutual consultation or through the good offices of empowered agencies of the Government or through arbitration and recourse to litigation should be eliminated.

(iii) Where arbitration is decided upon, the arbitrator will be a serving law officer of the rank of Joint Secretary selected from a panel of names proposed by the Law Ministry. No lawyer should ordinarily be appointed by either party to argue the case. In complicated cases, where the arbitration himself considers that outside assistance is necessary for elucidation of knotty legal points, Govt. Standing Counsels may be engaged for this limited purpose on lumpsum payment. There should be no appeal in a Court of Law against the decision of the arbitrator which should be accepted as final. A directive may be issued to this effect to all public sector institutions (including banks and insurance companies) as also any other company in which Government has a majority share holding. Whenever the award of the arbitrator discloses a patent error or if it be challenged for any other reasons mentioned in clauses (16) and (30) of the Arbitration Act, reference may be made to the Secretary, Ministry of Law for further consideration.

3. The directives above are brought to the notice of all Ministries| Departments for guidance and compliance subject to the clarifications below: —

Note I. Departments of Govt. which have to enter into large scale business transactions, such as the CPWD and the DGS&D, have already made provision for arbitration by a single arbitrator in their condition of contract. Public Sector Enterprises which have to enter into commercial and other agreements should also be advised to do the same. No amendment of their Articles of Association is necessary.

Note II. The volume of work relating to the DGS&D and the CPWD, being large, a system of 'standing arbitrator is in effect. Under this system a designated Government Officer acts as the sole arbitrator. Advantage should be taken of this system where practicable.

Note III. Disputes relating to settlement of prices will continue to be regulated by O.M.No. BPE|46|ADV|F|68|25, dated 27-12-1968 and O.M. No. BPE|1|52|ADV|F|71, dated 19-6-1971 issued by the Bureau of Public Enterprises.

Note IV. The instructions for settlement of income-tax disputes are laid down in BPE's O.M.No. BPE|1|20|ADV|F|72, dated 18-9-1972. These will continue to be operative.

4. O.M. No. 53|1|1|CF-70, dated 25th August, 1970, may kindly be treated as cancelled.

Sd/-

(K. Ramiah)
for Cabinet Secretary.

To

Secretary, Ministry of Law, for information and necessary action.

All other Secretaries|Additional Secretaries to the Govt. for information and necessary action.

APPENDIX XVII

(*Vide* Reply to Recommendations at Serial No. 59)

REPORT OF THE COMMITTEE APPOINTED TO LOOK INTO THE TRANSACTIONS OF NCDC WITH M|S. S. K. KAHANSONS AND OTHER MIDDLEMAN.

1. *INTRODUCTION*

1.1. The Committee on Public Undertaking (1975-76) had commented upon the NCDC's handling of the outstandings against M|s. S. K. Kahansons and recommended that the sale of coal through this firm and the accumulation of outstandings from March 1971 onwards should be thoroughly examined by the Government in order to find out as to what extent the outstandings could have been avoided by taking suitable action at the appropriate time. They also recommended that immediate action should be taken to recover the balance amount from M|s. Kahansons.

1.2. Further, the Committee had recommended that the Government should investigate the cases of other middlemen where the outstandings had been allowed by the management to exceed the limits set by the Corporation with a view to fixing the responsibility.

1.3. The Department of Coal, after having considered the recommendations of the Committee and the report received from the Central Coalfields Limited thereon, decided to set up a Committee with the following composition and terms of reference:—

1. *Composition.*

1. Shri S. P. Gugnani, Joint Secretary and Financial, Adviser, Department of Coal. *Chairman.*

2. Shri R. P. Khosla, Joint Secretary. Department of Coal. *Member.*

3. Shri G. V. G. Raman, Deputy Secretary. Department of Coal. *Secretary.*

II. *Terms of Reference.*

(1) To examine in what circumstances such a heavy amount as reported remained unpaid by M|s. S. K. Kahansons & Co. and whether there were any procedural or other commissions which led to the above situation.

(2) To investigate as to what extent business through M|s. S. K. Kahansons & Co. was unavoidable for the NCDC from March 1971 onwards.

(3) To find out as to what extent the outstandings against M|s. S. K. Kahansons & Co. could have been avoided by taking suitable action at the appropriate time.

(4) To consider the various measures adopted by the management so far in safeguarding Corporation's interests and for recovery of its dues from M|s. Kahansons and to recommend what immediate action should be taken by the Central Coalfields Ltd., Coal India Ltd. to recover the balance amount outstanding against the firm.

(5) To fix responsibility, if warranted, for any lapses or failure on the part of functionaries concerned that may have contributed to the accumulation of such large overdues, and also responsibility for continuing business by the NCDC with M|s. S. K. Kahansons & Co. after 1971.

(6) To investigate the cases of other middlemen where the outstanding dues have been allowed to exceed the limits set by the Corporation itself and related matters including the fixing of responsibility for such actions.

(7) To examine the existing procedure in the Sales Department for watching and controlling recovery of dues from middlemen, etc. and to recommend suitable measures which would guard against accumulation of substantial dues by the parties.

(8) To examine existing marketing procedure and to recommend suitable measures for dispending with the services of intermediaries of private middlemen.

2. *Circumstances leading to the accumulation of the large outstandings by Kahansons.*

2.1. During the early days of NCDC the Corporation experienced difficulty in finding a ready market for slack coal which constituted about 40 per cent of the total production. The principal consumers of slack coal at that time were in the private sector and the market was dominated by the private colliery owners operating through middlemen|agents. It has been stated that there were also other limitations which inhibited the sales of the NCDC such as.

(a) Absence of any Branch Office of the NCDC which could canvass orders and maintain liaison with consumers in different parts of the country.

(b) The hesitation of consumers to place orders in a big way except through the middlemen who rendered them various services.

(c) The delay in building up the require degree of quality consciousness and after sale service in NCDC.

(d) Concentration of the production of selected grades of coal in private sector which the latter used for promoting the sale of the lower varieties through package deals.

(e) Offering of rebates by private collieries.

(f) The preference of the customers for slack coal from Raniganj Area where NCDC did not operate.

2.2. In view of the factors stated aboven NCDC appears to have had recourse to the services of a number of middlemen including M|s. S. K. Kahansons for promoting their sales particularly of slack coal, on the lines of the then prevailing practice in the case of organised sector of private coal companies. A statement showing the year-wise despatches of steam and slack coal by NCDC through Kahansons and through other middlemen together with the total despatches of these sizes of coal is given in the statement at Annexure-I. It is noticed that Kahansons who started their business with NCDC in a small way in 1959-60 had increased the volume of their business to above one-third of the total quantity handled through middlemen by 1970-71. It is also noticed that most of the business transacted through Kahansons was for the sale of slack coal despatches through them was an inducement to the consumers to take the slack coal of NCDC in preference to competing private sector collieries. The manner in which the transaction through Kahansons was conducted has been commented upon at great length in the Kamath Committee's Report (August, 1968). The Corporation had allowed the middlemen to collect the price of the coal and kept it without proper authority for unduly long periods. Even as early as in 1963 the outstandings from Kahansons totalled Rs. 48.09 lakhs of which Rs. 14.86 lakhs was beyond the credit period (Annexure XII Guha Committee Report). This amount was not covered by the bank guarantee. It is seen from a note recorded by the then Managing Director on 24-1-1963 that even six months before the date *i.e.*, in July, 1962 it had been noticed that the value of supplies made through Kahansons fare exceeded the value of the bank guarantee offered by them. The outstanding amount was sought to be covered by the hypothecation of their properties and not by increasing the bank guarantee. After consideration of the question the Managing Director had decided that as far as possible the Sales Department should distribute the bussiness among the middlemen in proportion to the bank guarantee and other accepted mortgages given by them. It was further decided that in the case of all middlemen except Kahansons the business should not exceed double the amount of bank guarantee and in the case of Kahansons who had offered to hypothecate all their properties and to pay interest on the outstanding amount the limit should be Rs. 30 lakhs i.e. about double the financial coverage offered by them. It was also decided that an attempt should be made with all middlemen who had exceeded the bank guarantee to have the excess covered by an insurance taken out by them. The MD's note also mentioned that the Sales Department should make every effort, particularly in respect of Government Departments and semi-Government undertakings to deal direct with them and not through middlemen at all. It is mentioned in the report of Guha Committee (December 1967) that in August 1965, the Managing Director had informed the Board of Directors that the outstandings beyond the credit period of M|s. Kahansons had been progressively coming down and that it then stood Rs. 12 lakhs. The Committee has also stated that on verification, the figures was found to be Rs. 17.43 lakhs and not Rs. 12 lakhs. Apparently all the measures mentioned in the Managing Director's Note of 2-4-1963 were not implemented very strictly and in February 1966 when the Board of Directors considered the question again, the Managing Director informed the Board that he had issued instructions to the Sales Manager not to transact further business with Kahansons and to recover the amount due from them as early as possible. In the next-meeting of the Board held in April 1966 the Managing Director informed the Board that because of the "possibility of heavy fall in sales, business had been continued with Kahansons at the old rate but it had been decided to keep their business close to the financial coverage and to make efforts to increase the same." The decision to continue business with Kahansons was reiterated at the subsequent meeting of the Board held on 20th June, 1966. Thereafter it is found that periodically the Board reviewed the matter and decided that outstandings against Kahansons should be brought down. Their decision of 23rd August, 1966 is reproduced below:—

> "After considerable discussion, the Board decided that the the outstanding against this firm should be brought down to the level of Rs. 15 lakhs immediately even at the cost loss of orders for slack coal from Karanpura. Steps should also be taken to see that the total business with this firm in any quarter does not exceed Rupees Fifteen lakhs unless the firm is willing to give additional bank guaantees or arrange for direct payment by consumers of the bills of the firm to NCDC. For the purpose of these arrangements the possibilities of 'tripartite agreements between Kahansons, the actual consumers and the NCDC should be examined. Also, the possibility of increasing the sale of slack coal through other middlemen should be actively explored. The Board held that these matter require prompt and resolute action and desired that direct sales should be effected with consumers purchasing NCDC coal from Kahansons.

Kahansons were not initially willing for the direct payment arrangement but finally agreed in March|April 1967 in respect of supplies to Harduaganj Power house. On 31-3-1967 at about the time this arrangement came into force, the outstanding from Kahansons including the dues of Harduaganj Power House stood at Rs. 59.46 lakhs. Thereafter with some monthly fluctuations the outstandings remained round about this level.

2.3. It would therefore, be observed that the accoumulation of outstandings against Kahansons took place very rapidly even in the first three years of their commencing business with NCDC, mostly in 1962-63. The First record of the company is top managements concern in the matter as brought to our notice is the Managing Director's note dated 14-1-1963. Subsequent events show that even by that time things were getting out of hand. There was a fourfold increase in the business with Kahansons during 1962-73 and the safeguarding measures suggested in the Managing Director's note were perhaps a little too late. It is difficult for this Committee to conclude after the lapse of 15 years whether there was a failure, proceedural or otherwise, on the part of the NCDC mangement to check the rapid accumulation of dues by Kahansons especially as records of what period could not be located. The Committee would only observe that in the enthusiasm over the rapid increase in business for slack coal which could perhaps have been due to the efforts of Kahansons, the need to observe the normal financial and commercial safeguards were lost slight of and by the time the Managing Director and the Board took notice of it, the damage had been done. Thereafter the Board passed an number of resolutions for action to bring down the outstandings but these were not firmly followed up on the plea that such action would result in loss of business to the NCDC especially as there was a lump in coal demand during the year following 1963-64. The trying up of direct payment arrangement by Harduaganj Power House and the adjustment of the commission earned by Kahansons helped no doubt, to prevent further accumulations but did not materially bring down, the outstandings The outstandings against Kahansons had reached a peak level of Rs. 63.11 lakhs on 31-3-1966. Direct payment was introduced in respect of all Government parties in November 1969 and for private parties in December, 1969. In November, 1969 the outstanding against Kahansons totalled Rs. 67.63 lakhs including Rs. 16.47 lakhs due from direct payment parties. From January 1970 the dues of the direct payment parties increased rapidly to Rs. 43.96 lakhs in March 1970. Rs. 68.85 lakhs in February, 1970. Rs. 62.11 lakhs in March, 1970 and Rs. 68.37 lakhs in June, 1970. The outstandings of Kahansons remained at practically the same level of about Rs. 53 lakhs till June, 1970. Thereafter the outstandings decreased very slowly (due to the adjustment of the commission amount) and in March, 1971 to Rs. 102.46 lakhs (Rs. 52.06 lakhs from direct payment parties and Rs. 50.40 lakhs from Kahansons) as against Rs. 121.58 lakhs in June, 1970.

3. Business with Kahansons from March 1971 onwards.

3.1. The outstandings of Kahansons in March, 1971 was Rs. 102.46 lakhs including Rs. 52.06 lakhs from direct payment parties. The outstandings against Kahansons alone was Rs. 50.40 lakhs. After December 1969 all the sale of coal through Kahansons was covered by direct payment agreements. Hence the amount due from the firm itself represented only the past arrears. This amount was being reduced by a few thousand rupees every month by adjustment of the commission earned by the middlemen till it reached the level of Rs. 43.91 lakhs in January 1974 when the services of all middlemen were terminated as all collieries had been nationalised and a systematic planning of production and despatches had become possible. We do not find that there was any accumulation of dues with Kahansons after January 1970 as all the business was covered by direct payment agreements.

4. *Extent to which business with Kahansons could have been avoided*

4.1. While commenting on the accumulation of outstandings against Kahansons, the Ramanathan Committee (Feb. 1971) had observed as follows:—

> "It is also likely that by showing patience, the Corporation is in a position now to secure most of the present outstandings through hypothecation of various assets and putting all further business with the party on direct payment arrangement so that the recovery of the balance dues may be considered fairly secure."

The hopes expressed by the Ramanathan Committee that the NCDC was able to secure the current outstandings through hypothecation of assets have not been realised. The Bank Guarantee of a value of Rs. 8.5 lakhs furnished by Kahansons had not been honoured by the concerned Bank and the consent decree assigned in favour of NCDC has been successfully stayed by the opposite party. In retrospect it is possible to disagree with the observations of that Committee. In all probability, the views expressed by them were the best possible on the basis of the information and papers made available to them and today after the passage of seven more years and colossal changes in the organisation of the NCDC, we have no material to comment on it. The opinion of the Legal Adviser NCDC dated 17-1-1967 was that it would not be advisable to get an assignment of the consent decree. However, NCDC appears to have consulted some other Lawyers including the then Advocate General of W. Bengal and then decided to go in for the assignment. Subsequent events have justified the Legal Adviser's view point. It is, therefore, possible to hold the view that the

NCDC would not have lost any thing by stopping all business with Kahansons even in 1967 and filing a suit against them for recovery of the full amounts which they ultimately had to do in 1975. No evidence is available to show whether any individual officer was responsible for the delay in taking legal action as the decisions were being taken after consideration by the Board of Directors and even the Ramanathan Committee had endorsed the line of action taken by the NCDC.

5. *Adequacy of measures taken by NCDC to Safeguard its interests and recover its dues from Kahansons*

5.1. As observed earlier by us and by the previous Committees, the NCDC had not taken the safeguards which normal commercial prudence dictates due to the anxiety of the management to secure adequate market for slack coal. The financial coverage and the outstandings from time to time shown in the table below:—

Date	Outstandings of Kahansons	Financial coverage of Kahansons.
		(In lakhs of Rs.)
31-3-63	48·07	5·00
31-3-67	64·52	7·00
31-3-70	53·26	7·00
31-3-71	50·40	8·50+17·50X
31-3-73	45·48	8·50—17·50X

X Arrangement of decree & Mortgage of property.

The situation had got out of hand even as early as 1962-63 but the Board of Directors was influenced to a very great extent by the Sales Manager's advice that stoppage of business with Kahansons was likely to lead to a heavy fall in sales. It is not possible after the lapse of so many years to say whether this apprehension was justified or not. We would only repeat out observation that the Sales Department of NCDC had not taken the normal commercial precaution of covering at least a substantial portion of the sales to Kahansons by Financial guarantees and that this led to the situation reapidly getting out of hand.

5.2. As regards recovery of dues, when the problem was posed before the Board of Directors in 1966, they perhaps acted in the interests of the Corporation is not precipitating matters. We have no means of verifying how far the advice of the Sales Manager given to the Board at its meeting on 30-4-1966 that stoppage of business with Kahansons would lead to heavy fall in sales was correct but, given this advice, the Board had perhaps no alternative. After considering the Ramanathan Committee's report, the Board of Directors directed that the dues should be got covered at least partially by mortgage of certain preparties, assignment of a consent decree and increase in bank guarantee. Central Coalfields Limited has not been able to get the amount of Rs. 15 lakhs due on the consent decree assigned in their favour by Kahansons due to a suit filed by S. I. Roy (the debtor) who has challenged the consent decree. Central Coalfields Limited is also a defendent in the suit, but the main defendent Kahansons is not interested in defending.

5.3. It is also noted that it was only in May 1975 that the Board of Directors of Coal Mines Authority Limited (on which NCDC had become unit division in June, 1973) decided to file a civil suit for the recovery of the full amount due from Kahansons. There is no material to show whether the suit if filed earlier, would have produced better results even though it is obvious that the NCDC has not gained anything by delaying the firm action.

6.1. Central Coalfields Limited has filed a suit against Kahansons for the outstanding amount of Rs. 43.15 lakhs. In addition, they have also filed a suit against Hindustan Commercial Bank, Kanpur and Kahansons for payments of the Bank Guarantee amount of Rs. 8.50 lakhs. One of the points brought out in the course of this litigation is that the suit challenging the consent decree had been pending even when the assignment of this decree in favour of the NCDC was obtained. It is not clear to this Committee show the NCDC thought that they could obtain any satisfaction from a consent decree which had been repudiated by one of the consenting parties and the matter was under litigation. No doubt they had consulted eminent lowyers including the Advocate General West Bengal but the legal opinion only advised on the form of the assignment which would safeguard that in the event of the consent decree being set aside, the liability would revert to Kahansons. It is not evident, if the lawyers know that if the event of the liability reverting to Kahansons, the latter had no means to pay the amount. We do not suggest that NCDC should not have gone in for the assignment of the decree, for without it they did not have anything and this held out prospect of recovering some amount. But we are not sure that this was on acceptable financial coverage. The alternative would have been to file the suit for recovery of dues in 1971 itself instead of waiting till 1975. At present we can only recommend that all the suits should be pressed with the utmost vigour and whatever is possible salvaged out of the amount outstanding. Our terms of reference require us to fix responsibility, if warranted, for any lapses or failure which have contributed to the accumulation of the dues and for continuing business with Kahansons after 1971. We do not think that the continuance of business with Kahansons after 1969 contributed in any way to accumulation of dues as all sales through Kahansons had been put on direct payment basis from 1970. For the earlier period we have already observed that the top managements become aware of the problem in January 1963 and the Board started discussing it is earnest from 1966. But all their decisions were influenced by the consideration that discontinuance of business with Kahansons was likely to lead to heavy drop in sales. As NCDC was already at a disadvantage in the market in comparison with the private sector, the Board did not put any alternative to the test and decided to allow such sales to continue. In the circumstances we do not think that any individual officer could be considered responsible for any lapses or failure which contributed to the accumulations of the overdues. The top management seems to have relied entirely on the Sales Manager's assessment of the situation and did not make any independent assessment about the *pros and cons* of continuing business with the firm. It is not practicable after a lapse of so many years for the committee to make any further enquiry into the matter.

7. *Other Middlemen of NCDC*

7.1. A number of other middlemen were also employed by NCDC for promoting the sale of coal especially slack coal. The reasons for the continuance of business with them and for the accumulation of dues are the same as in the case of Kahansons. The only difference is that the volume of sales through each one of them was much less than through Kahansons and hence the outstanding amount was also correspondingly less. Even though the Government of India in the Department of Mines had issued a circular in June 1968 exhorting consumers in the public sector to purchase coal directly from NCDC, they preferred to route their transactions through middlemen who used to render various services. Even today, after the nationalisation of the coal Industry when Coal India Limited is the only supplier of coal in the country some consumers prefer to employ middlemen as it is more economical to them then maintaining an organisation to liaise with the mines. Railways etc. of Course, now the middlemen are not paid any commission by Coal India Limited but they receive remuneration from the consumers.

7.2. The Committee's enquiry reveals that M/s. Translinks started business with NCDC in 1966 round about the time pressure was being applied by the Government to reduce the outstandings of Kahansons. In spite of the experience with Kahansons and the disapproval expressed by the Government of the accumulation of outstandings with middlemen, the Committee find that Translinks were allowed to defaults in payments on a similar scales till June, 1971, their outstandings were Rs. 37.27 lakhs against a bank guarantee of Rs. 3 lakhs and deposit of Rs. 0.77 lakhs.

In October 1971 the bank guarantee was increased to Rs. 6 lakhs and in 1972 a revolving letter of credit for Rs. 5.50 lakhs was opened but the outstandings never went down below Rs. 35 lakhs till the last quarter of 1973. Even now an amount of Rs. 6.21 lakhs is due from this middlemen. It is stated that a demand has been made against the bank guarantee followed by a suit in the Calcutta High Court. The fact that a suit had to be filed perhaps shows that the bank guarantee in this case also was deficient as in the case of Kahansons. It appears that in this case also, adequate importance was not attached to the need to safeguard the interests of the company in the matter of coal sales.

7.3. Coal Mines Authority Limited (of which NCDC became a subsidiary in June 1973) terminated the services of all middlemen w.e.f. 1st January, 1974. A statement showing the amount outstanding against the middlemen is enclosed at Annexure II. It will be noticed from the statement that on 31-10-77, the last date for which information was made available by Coal India Limited, that large amount were still outstanding from many of them particularly K. C. Thapar & Sons. Tanslinks etc. The company was asked to intimate the latest position and the steps taken to recover the dues, encash the bank guarantee file suits etc. in respect of other middlemen. The Company's reply is that "the dues are being reviewed with reference to their claims on the Central Coalfields Limited" and that "as and when the review is completed a further improvement in the position will follows". The Committee regret to observe that the Central Coalfields Limited is only in the process of reviewing the dues which amount to about Rs. 66 lakhs even though it is now 4 years since dealings with middlemen had been terminated. The Committee recommend that the Board of Directors of Central Coalfields Limited should call for the relevant records, take a decision about counter claims if any, and proceed to encash the bank guarantee which now cover the amounts directly owned by the middlemen.

8. Existing procedure and measures to guard against accumulation of dues by parties.

8.1. As stated earlier services of all middlemen have been terminated from 1st January 1974. There is thus no possibility of any dues being accumulated by middlemen as in the past. The present sale procedure of Coal India Limited requires that private parties who take coal should deposit the entire amount in advance or open letters of credit or furnish bank guarantees for the requisite amount. There are however, considerable outstanding dues from Government Departments and public sector organisations. The Department of Coal is seized of this problem and steps to reduce the outstandings are being considered by Government at the highest level. As this is not within the terms of reference of this Committee we have not examined this question further.

9. Existing Marketing system and measures for dispensing with the Services of middlemen.

9.1. Middlemen are no longer being employed by Coal India Limited Direct negotiations are undertaken with the parties interested in purchasing coal. Regional and Branch Offices have been set up at a number of places for maintaining Liaison with the consumers. We do not find any place for intermediaries or private middlemen in the present marketing set up.

(S. P. GUGNANI) (G. V. G. RAMAN) (R. P. KHOSLA)

ANNEXURE I

Year	Total desptatches by NCDC		Despattechies through Kahansons		Despatches through other middlemen	
	Steam coal	Slack coal	Steam coal	Slack coal	Steam coal	Slack coal
1	2	3	4	5	6	7
	(In million tonnes)					
1961-62 . .	3·60	2·45		0·23		
1962-63 .	5·05	3·37		0·48		
1963-64	5·40	3·56		0·49		
1964-65 . . .	4·94	3·30		0·47	Not available.	

1	2	3	4	5	6	7
1965-66 . . .	5·79	3·86		0·61		
1966-67 . . .	5·70	3·79	0·08	0·37	0·17	0·89
1967-68 . . .	6·21	4·14	0·04	0·42	0·15	0·83
1968-69 . .	7·57	5·04	0·04	0·53	0·27	0·69
1969-70 . . .	8·25	5·50	0·03	0·59	0·28	1·21
1970-71 . .	8·26	5·51	0·04	0·57	0·23	1·01
1971-72 .	8·44	5·69	0·05	0·55	0·26	1·02
1972-73 . . .	9·56	6·32	0·05	0·48	0·32	1·30
1973-74 . (upto Dec.)	7·40	4·95	0·02	0·25	0·30	1·08

ANNEXURE II

Statement Showing The Outstanding Of Middlemen Of N.C.D.C.

Sl. No.	Name of Middle men.	*Outstanding [illegible] Bank Outstanding guarantee*								
		31-3-1963	31-3-1967	31-3-71	31-3-72	31-3-73	31-12-73	31-3-76	31-10-76	31-10-77
1	2	3	4	5	6	7	8	9	10	11
1.	Kahansons									
	(a) Due directly from consumers	—	—	52·06	50·94	40·13	19·75	19·75	11·90	—
	(b) Due from Khanson	48·09	64·52	50·40	74·94	45·48	43·91	43·91	42·57"	
2.	K. C. Thapar & Bros.									
	(a) Due directly from consumers	—	—	—	37·96	28·75	40·96	16·60	16·60	7·00
	(b) Due from K.C.T. Brose.	16·38	46·92	54·90	23·54	24·93	9·90	6·75	6·75	—
3.	S.D. Shethia & Co.	4·38	23·51	26·99	23·72	13·49	7·13	0·41	0·41	2·50
4.	Ikrah Nandi Coal Co.	2·63	14·04	7·40*	13·44*	16·17*	9·32	0·11	0·11	—
5.	Jaiswal Coal Co.	0·08	16·18	10·35*	9·66*	7·09*	7·09	4·44"	4·44"	—
6.	Natwarlal Shamaldas & Co.	15·03	11·69	Included under others						
7.	Khas Dharmalband Colliery.	0·42	9·71	16·33	18·29	20·30	17·79	1·30	1·30	—
8.	Shigram Singh & Co.	8·26	2·16	Included under others						
9.	Coal Shipments.	4·34	6·67	-Do-						

1	2	3	4	5	6	7	8	9	10	11
10.	Nandlal Varma .	0·19	7·39	12·05	5·96	2·92	2·00	—	—	6·00
11.	Translinks . .	—	—	41·22	36·92	42·34	28·09	6·21"	7·21 +	1·00
12.	Shah & Vora	—	—	4·80	4·80	3·50	2·70	1·20"	1·20"	—
13.	Eastern Associated Coal Corp. .	—	—	10·40	5·44	3·04	3·68	—	—	—
14.	Ideal Coal Agency .	—	—	2·60*	5·26*	4·74*	7·74	3·01"	3·01"	—
15.	Others . .			68·46	87·92	67·72	30·31	25·84	27·71x	43·17
	TOTAL : .	99·80	202·79	327·87	372·79	320·60	234·46	129·53	119·21	59·67

*Due from direct payment parties. "Covered by Court cases in full.

*Covered by Court cases in part..

APPENDIX XVIII

(*Vide* Para 2 of Introduction)

Statement showing the comments of Audit on the Government's replies to the 75th Report of the Committee on Public Undertakings on National Coal Development Corporation and action taken thereon.

(a) No comments on replies No. 2, 7, 15, 16, 17, 19, 23, 27, 29, 31, 33, 35, 37, 40, 42, 43, 44, 46, 47, 58, 59, 60, 62 and 68

(b) Recommendation No.	Audit Comment	Action taken
3.	Final reply of the Govt. to the above recommendation has not been enclosed with the papers sent to this office. A copy of the same may please be sent.	Since sent to Audit.
5 & 25	It is not clear whether the files in support of the reply have since been made available to Member, Audit Board and Ex-officio Director of Commercial (Coal), Calcutta, for verification of reply.	*Regarding Recommendation No. 5* Coal India Ltd. has been asked to show the reports of the Railway study teams and the minutes of discussions for their implementation to the Director of Commercial Audit. *Regarding Recommendation No. 25* Western Coal-fields Ltd. had written to Dirlctor (Commercial) Audit stating that the relevant documents are available at Kurasia Collier for inspection and to depute any auditor to verify the same.
6.	Copies of letters sanctioning new projects have not been received in this office so far for vetting of the replies.	Being sent to Audit.
12.	Reasons for likely delay in achieving the target output of 6,000 tonnes envisaged by 1978-79 have not been given in the revised reply.	The reply has been revised and sent separately.
14.	No papers have been sent in support of the statement made in the concluding para of reply to item(e) to the effect that the Ministry of Railways are of the view that there is no question of fixing responsibility.	Copy of O. M. No. 76/TT. II/55/CAL dated 21-9-1976 from Ministry of Railways which contains this information has been sent to Audit with this Department letter No. 54012 1/76-CA dated 24-11-1978.

	Audit Comments	Action taken
	As already mentioned, the statement made in the reply that "The Railways, therefore, submitted a revised estimate of cost" could not also be verified for want of relevant Papers.	
18.	The remarks of the Member, Audit Board and *Ex-offici* Director of Commercial (Coal) on the local verification of the reply to this recommendation are awaited.	Reply has been revised.
20.	*Sub-paras* 13 *and* 14	
	As already mentioned, Ministry's reply is not susceptible of verification as no papers have been received for vetting of the material contained in the reply.	The required information has since been furnished to Audit.
28.	Comments of this office on the reply were intimated to the Ministry in August 1977 and have not been taken into account in the final reply.	A copy of this Departmet's letter dated 18-3-1976 to Madhya Pradesh Govt. has been furnished to Audit.
38.	Against productivity OMS, the figure of 13 has not been corrected to 15 in the final reply.	The figure may please be corrected in the final reply.
39.	Item(e). Although it has been mentioned that observations of audit have been incorporated in the final reply, it is seen from the final reply that no change has been made in the text of original reply. Consequently, the remarks of audit regarding the fact of a non-reconciliation between cost accounts and financial accounts, remain unattended to.	The reply has since been revised to incorporate the observation of Audit. The Company has been advised to effect the reconciliation without further delay if not already done.
41.	(a) The figure of £15·357 has not been corrected to 15,27.	The figure of £15·357 may please be corrected to 15,27.
	(c) It is not clear whether the papers have been made available to Member, Audit Board and Ex-officio Director of Commercial & Audit (Coal), Calcutta for verification.	Regarding item (c) papers have been shown to the Resident Audit Officers Ranchi.
45.	(i) It is not clear whether the papers in support of the reply to item (a) have since been made available to Member, Audit Board and Ex-officio Director of Commercial Audit (Coal), Calcutta.	The orginal file of 1961 in which the decision was taken regarding Gidi washery is not readily available. Efforts are being made to trace it and the same will be shown to Audit as soon as it becomes available.

Recommendation No.	Audit Comments	Action taken
	(ii) The revised reply in respect of item (d) incorporates fresh facts. The reply has therefore been referred to Member, Audit Board and Ex-officio Director of Commercial (Coal), Calcutta for local verification.	
48.	The last para needs to be re-numbered as 5.	The last para may please be renumbered as 5.
51.	(i) Although it has been stated that necessary amendments have been made, it is noticed from the final reply that the position regarding Korba and Giridih Work shops has not been indicated therein.	The reply has been revised incorporating information. about Korba and Giridih Workshops.
54.	Information in respect of audit comments Nos. (i) and (ii) intimated earlier has not been included in the final reply.	The reply has been revised.
6.	The data relaing to production and productivity given in the revised reply needs local verification. The reply has therefore been referred to Member, Audit Board and Ex-officio Director of Commercial Audit (Coal), Calcutta, for local verification.	..
65.	The Ministry have given the figures of outstanding advance as on 30-3-1977 as Rs. 27·94 lakhs as against Rs. 37·91 lakhs as on 31-8-1976'. Member, Audit Board and Ex-officio Director of Commercial Audit (Coal) is being requested to verify the revised figure and result of verification will be intimated in due course.	..

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