

**PUBLIC ACCOUNTS COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

EIGHTY-NINTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 54th Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1966-67 and Audit Report (Civil), 1968 relating to the Ministry of Petroleum & Chemicals and Mines and Metals (Department of Mines & Metals)].



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**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1970/Pausa 1891 (Saka),

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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1969-70)	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Recommendations/Observations that have been accepted by Government	14
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the replies of Government	32
CHAPTER IV Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration	33
CHAPTER V Recommendations/Observations in respect of which Government have furnished interim replies	36
APPENDIX Summary of Conclusions/Recommendations	37

**PUBLIC ACCOUNTS COMMITTEE
(1969-70)**

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SECRETARIAT

Shri A.L. Rai—Deputy Secretary.

Shri K. Seshadri—Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Eighty-Ninth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 54th Report (Fourth Lok Sabha) on Appropriation Accounts (Civil), 1966-67 and Audit Report (Civil), 1968 relating to the Ministry of Petroleum and Chemicals and Mines and Metals (Department of Mines and Metals).

2. On 7th June, 1969, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members :

1. Shri N.R.M. Swamy—*Convener*
2. Shri H.N. Mukerjee
3. Shri K.M. Koushik
4. Shri Tayappa Hari Sonavane
5. Prof Shanti Kothari
6. Shrimati Sushila Rohatgi

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 8th December, 1969 and finally adopted by the Public Accounts Committee on 25 December 1969.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix).

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI;
January 6, 1970/Pausa 16, 1891(S)

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report deals with action taken by Government on the recommendations contained in the 54th Report of the Public Accounts Committee (Fourth Lok Sabha) relating to the Department of Mines and Metals which was presented to the House on 19-3-1969.

1.2. The Action taken notes/statements on the recommendations of the Committee contained in the 54th Report have been categorised under the following heads :—

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

S. Nos. 3, 4, 6, 7, 9, 10, 11 and 12.

(ii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration :*

S. Nos. 1, 2, 5.

(iii) *Recommendations/observations in respect of which Government have furnished interim replies :*

S. No. 8.

Delay in recovery of dues—Paragraphs 1-10, 1-11 and 1-14 (S. Nos. 1, 2 and 5)

1.3. Commenting upon the delay in recovery of dues from the various parties for the work done by the Geological Survey of India or the Indian Bureau of Mines, the Committee made the following observations in paragraphs 1-10, 1-11 and 1-14:

1-10: The Committee are not impressed with the manner in which Government have tackled the question of recovery of dues from parties for whom work has done by the Geological Survey of India or the Indian Bureau of Mines. From the fact that the dues amounted to as much as Rs. 4.32 crores in December, 1967, the Committee are forced to conclude that effective action was not taken by Government in implementation of the observations made by the Committee in para 47 of their 39th Report (Third Lok Sabha) where they had drawn attention to this situation. What is distressing is the fact that, out of Rs. 4.32 crores, as much as Rs. 3.80 crores relate to two public sector undertakings National Coal Development Corporation and National Mineral Development Corporation which are administrative under the control of the Department of Mines and Metals. The view of the Department that these "public sector undertakings are also under own Government" and that they are "like two children

of the same parents" shows, in the Committee opinion, an irresponsible attitude for which the Committee can find no justification. The Committee trust that the recovery of dues from these and other undertakings will be pursued by Government in an energetic and business like manner.

1-11: The Committee note that the basis of billing by the Geological Survey and the Indian Bureau of Mines has been disputed in a number of cases and that Government have constituted a departmental Committee to go into the matter and rationalise the billing structure. The Committee feel that if a departmental inquiry was necessary to determine the basis for the charges to be levied by the Geological Survey and the Indian Bureau of Mines for the services rendered, it should have been initiated in 1965, if not earlier, when the Public Accounts Committee had specifically commented on these heavy arrears. The Committee also regret to observe that the departmental committee have not finalised their report yet though it was due in August, 1968 as per original schedule. The Committee trust that the report will be finalised soon and action thereon taken by Government expeditiously.

1-14: The Committee would also like Government to take steps to eliminate delay in billing which apparently still persists.

1.4 In their reply dated 21-10-1969, the Department of Mines and Metals have stated :

Para 1-10 : The question of recovering the dues from parties for whom work was done by the Geological Survey of India/ Indian Bureau of Mines, was re-examined and out of the total amount of Rs. 4.32 crores mentioned in the Report, an amount of about Rs. 4 crores has since either been received adjusted or withdrawn. In regard to the recovery of the remaining amount, the matter is being pursued vigorously with the concerned Departments/Organisations.

Para 1-11 : The work of revising the schedule of charges on flat rates for the work done by the Geological Survey of India for Government, private parties etc., was initiated in 1965 itself and a draft, after calculating all the details, was prepared by the Geological Survey of India in 1966. While the rates were being examined, it was felt that they were very much on the high side. According a decision taken by the then Minister for Steel, Mines and Metals in May, 1968, a Study Group was set up to suggest fair and reasonable rates for various operations carried out by the Geological Survey of India/Indian Bureau of Mines. The report of the Study Group has been received and the matter is under examination in consultation with the Ministry of Finance.

Para 1-14: In order to eliminate delay in billing, the Director General, Geological Survey of India has been instructed that pending finalisation of the schedule of charges, 90% of the cost of the investigations should be recovered immediately on the com-

pletion of the work, on the basis of the draft schedule of charges on flat rates, prepared by him and the remaining amount within one month after the finalisation of the schedule of charges."

1.5. In a further note dated the 2nd December, 1969, the Department of Mines and Metals have stated that the claims amounting to Rs. 4.09 crores have since been settled—claims amounting to Rs. 2.23 crores by adjustment (payments) and Rs. 1.86 crores by withdrawal of claims originally preferred.

1.6. The Department of Mines and Metals have also furnished a copy of the Report of Study Group which was appointed to determine the basis of charges to be levied by the Geological Survey of India/Indian Bureau of Mines. It has been stated that in addition to the rates suggested in the Report for various types of work done by the Geological Survey of India/Indian Bureau of Mines on payment basis, the Study Group has also recommended various principles for adoption in recovery of charges. The rates suggested by the Study Group are under consideration, and it is likely to take at least 3 months more to settle the issue.

1.7. From a perusal of the Study Group's report, the Committee observe that in addition to working out rates for various types of geological investigations, the Study Group have recommended that the Geological Survey of India should review in 1970-71 or 1971-72, the actual costs against the fixed charges that may be finally approved by Government on the basis of the Group's suggestions."

1.8. The Committee note that claims amounting to Rs. 4.09 crores which were outstanding as in December, 1967, have since been settled. The settlement has involved the withdrawal of claims amounting to as much as Rs. 1.86 crores on the ground that they are either not due or not yet become due. This position indicates that billing procedures in the Department have been far from realistic and unsatisfactory.

1.9. The Committee regret to note in this respect that the work of revising the schedule of charges which was initiated in 1965 has not so far reached finality. The report of a Study Group appointed in 1968 to suggest fair and reasonable rates for the various operations is still under the consideration of Government. The Committee desire that decisions of Government on the recommendations of the Study Group should be expedited and necessary steps taken to finalise the schedule of charges. The Committee hope, that after finalisation of the schedule of charges speedy action will be taken to recover/adjust the balance of dues from the parties from whom 90 per cent of cost of investigation has been recovered provisionally.

1.10. The Committee note that the Study Group has recommended that the Geological Survey of India should review in 1970-71 or 1971-72, the actual cost against the fixed charges that may be finally approved by Government on the basis of the Groups' suggestions. The Committee suggest that reviews of actual cost should be carried out periodically with a view to ensuring that the schedule of charges is both fair and equitable.

Zinc Smelter Project—Paragraphs 2.17—2.19 and 2.20 (S. Nos. 6, 7 and 10).

1.11. In paras 2.1 to 2.16 of their Fifty-Fourth Report (Fourth Lok Sabha), the Committee had examined a case in which a contract had been

concluded with a foreign firm for preparation of a project report for setting up a Zinc Smelter at Visakhapatnam with foreign financial and technical assistance with a capacity of 30,000 tons per annum. As the project was not included in the draft outline of the Fourth Five Year Plan, the Ministry of Mines and Metals informed the foreign firm in September, 1966, when about 59.3 per cent of the work on the project report had been done, that it would not be possible to proceed with the project and that preparation of the project report should be stopped. It was decided in March, 1968 to revive the work of preparation of the project report. The Public Accounts Committee made the following observations in paragraphs 2.17, 2.18 and 2.21.

“2.17. The Committee consider it unfortunate that Government should have committed itself to an expenditure of Rs. 25.67 lakhs for the preparation of project Report for setting up a Zinc Smelter Unit, without taking a firm decision on the necessity for the unit. The decision to undertake the preparation of the Project Report was taken after the Planning Commission had accepted the scheme in principle, but within two months of the commencement of the work, the Planning Commission dropped the Project from the Plan, on the ground that it was not attractive enough from the point of view of import saving and that, in any case, instead of going in for a new unit based on imported concentrates it was preferable to expand the capacity of the existing Public Sector smelting unit based on richer ores at Zawar. The Committee note that, in point of time, it was only after the Audit Paragraph on the case was initiated that it was decided by Government that the work on the Project Report should be resumed. However, a firm decision on the inclusion of the project in the Plan has been deferred, pending an examination of the economics of the scheme on the basis of the Project Report and the location of regular sources of supply of concentrates for the project.”

“2.18. The Committee cannot help feeling that the whole scheme was planned in a haphazard manner and that Government allowed events to overtake them. In their opinion, before considering the case for a new smelting unit, Government should have carefully assessed the country's ore potential and the possibilities of developing and expanding the two existing smelters at Zawar and Alwaye. A new smelting unit should have been considered only if the expansion of the existing units still left a gap to be covered. The Committee, however, notice that Government have only recently in principle accepted the proposal for expansion of the private smelter at Alwaye and that an integrated scheme for the expansion of the public sector project at Zawar, covering both the expansion of the mines and smelting unit, is still to be drawn up. In the Committee's opinion, it was premature to have embarked on a project for a new unit till plans for developing the existing units had been drawn up and their potentialities for meeting the country's demand for zinc carefully assessed. Even if a new unit was considered necessary, the feasibility of the project should have been adequately established through a prior survey. However, the feasibility report that was prepared in the case “did not give any data regarding the capital cost of the project and the economics of its operation.” The Committee

hope that Government will draw the necessary lessons from this experience and ensure that planning in respect of non-ferrous metals is done in a more systematic, organised and business-like way in future."

"2.21. Another aspect of the case to which the Committee would like to draw attention is the question of association of Indian personnel with the preparation of the detailed Project Report and the use of indigenous equipment in the Project. The Committee are distressed to observe that the question was raised by Government with the Polish firm responsible for the preparation of the project report belatedly in May, 1968. The Committee feel that the matter should have been thrashed out at the very beginning before the agreement with the firm for the preparation of the project Report was signed in February, 1966. From copies of correspondence furnished by Government, the Committee note that the Polish firm have hinted at not only a revision in contract price but also extension of time for completion of the report on this account. They would like to be informed of the decision ultimately taken in this regard."

1.12. In their reply dated 21-10-1969, the Department of Mines and Metals have stated :

"Paras 2.17 & 2.18. The recommendation has been noted."

"Para 2.20. The work on the preparation of the Detailed Project Report was suspended on 23-9-1966. But in the context of the wide gap between demand of zinc metal and its indigenous availability, the question of creating additional zinc smelting capacity was considered in March, 1968, and the need for creating additional capacity was recognised. Accordingly, the Polish Agency, was asked to complete the remaining work on the project report subject to the maximum utilisation of Indian skills and available indigenous plant and machinery in the construction of the zinc smelter. For this purpose, a supplementary agreement (copy at Annexure—I) between the Polish Agency and the Hindustan Zinc Limited was finalised and signed on the 8th September, 1969. The Detailed Project Report is likely to be completed by the Polish Agency by March/April, 1970. The Polish agency have agreed to complete the remaining work on the preparation of the Detailed Project Report without asking for increase in the contract price."

1.13. The Committee had desired the Department of Mines and Metals to furnish information on the following points :

- (i) whether plans for expansion of the Public sector project at Zawar, covering both mines and the smelter, have been drawn up and if so, the details thereof ;
- (ii) whether any expansion in capacity of the private sector unit at Alwaye has been allowed and if so, the details thereof ;
- (iii) the gap between anticipated demand and indigenous production of zinc during the Fourth Plan and the steps being taken to meet the gap;

- (iv) whether the proposal for setting up a public sector smelter at Vizag has been approved by the Planning Commission and if not, for what reasons.

1.14. Information in respect of the above points has been furnished as under :—

- “(i) A scheme for doubling the capacity of the existing Zinc Smelter of the Hindustan Zinc Ltd. from 18,000 tonnes to 36,000 tonnes per annum has been included in the Fourth Five Year Plan. As a preliminary step, the Company has entered into an agreement with M/s. Krebs-Penarroya of Paris and Krebs of India for the preparation of the Detailed Project Report. The question of implementation of the project would be taken up for consideration on receipt of the Project Report which is likely to be available by April, 1970. The new smelter may go on stream by early 1974.

As regards the expansion plan for the Zawar Mines, it may be stated that apart from the development of Mochia-Magra mine for the production of 2,000 tonnes of ore per day for keeping the existing Smelter in full production, the Planning Commission have agreed to an allocation of Rs. 9.5 crores in the Fourth Five Year Plan to develop a second mine with the rated capacity of 2000 tonnes of ore per day to meet the requirements of zinc concentrates for the doubled capacity of the Smelter at Debari.

The lead-zinc deposits in Zawar and Rajpura-Debari areas are known to contain large reserves capable of sustaining metal production of 80,000 to 1,00,000 tonnes per annum. The Hindustan Zinc Ltd. is accordingly planning to open a few more projects in Balaria, Zawar Nala, Baroi and Rajpura-Debari areas. Before a project is actually planned or detailed estimates of cost could be prepared, it is necessary to carry out preliminary operations, such as drilling, prospecting and exploratory mining to obtain adequate data and information regarding the ore deposits. For this purpose, a provision of Rs. 2.02 crores has been made in the Fourth Five Year Plan.

“To implement the above projects, the Hindustan Zinc Ltd. have drawn up plans according to which the production of lead-zinc ore has been envisaged as under :—

	1969-70	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Balaria	250	500	800	1200	2000	2500	3000
East Mochia	..	200	300	500	800	1200	2000
West Mochia	..	200	300	500	800	1200	2000
Zawar Mala	..	200	400	600	1000	1500	3000
	250	1100	1800	2800	4600	6400	10000

"The above production programme is in addition to the production of 2000 tonnes of ore per day from Central Mochia planned for early 1972. Proposals of the Board of Hindustan Zinc Ltd. who are presently examining the schemes will be considered by Government on receipt. So far as planning for smelting and metal production is concerned, as already stated in para (1), the existing smelter capacity is expected to be doubled by 1973-74. Addition to capacity beyond 36,000 tonnes upto the full potential of about 1,00,000 tonnes per annum is envisaged during the fifth plan period. Preliminary studies for this purpose are proposed to be initiated during the Fourth Plan period so that detailed schemes for implementation could be taken up in due course.

- (ii) Proposal of M/s. Cominco Binani Zinc Ltd., who have set up a Zinc Smelter at Alwaye (Kerala) of a capacity of 20,000 tonnes of zinc metal per annum based on imported zinc concentrates, for its expansion from 20,000 tonnes to 60,000 tonnes in two stages of 20,000 tonnes each, is presently under consideration of the Government.
- (iii) Based on the estimated demand and production programme, the year-wise shortfall of zinc during the Fourth Plan period is estimated as under :—

Year	Estimated demand (tonnes)	Estimated production (tonnes)	Short-fall (tonnes)
1969-70	96,800	38,000	58,800
1970-71	106,500	38,000	68,500
1971-72	117,100	38,000	79,100
1972-73	128,900	38,000	90,900
1973-74	142,000	76,000	66,000

"There was till recently no internal production of zinc metal as such. A zinc smelter set up by M/s. Cominco Binani Zinc Ltd. at Alwaye (Kerala) went into production in May/June, 1967. The Smelter is based on imported concentrates. Hindustan Zinc Ltd., a Central Government Company has also set up a zinc smelter at Debari (near Udaipur) with a capacity of 18,000 tonnes per annum. This smelter is based on the indigenous ore deposits in Zawar area in Rajasthan. The smelter commenced production in January, 1968.

"The present installed capacity of 38,000 tonnes per annum is expected to be doubled by the end of the Fourth Plan period; the phasing will be known clearly after Detailed Project Reports for the expansion of the two smelters are finalised. The shortfall in production of zinc metal as against estimated demand will have to be met by imports.

"In addition to the above, there is also a proposal under consideration of the Government to set up a Zinc Smelter of 30,000 tonnes per annum capacity based on imported concentrates at Visakhapatnam. The Detailed Project Report for the smelter is at present under preparation by the Polish Technical Consultants and the question of implementing the project will be examined on receipt of the report. In the meantime, the Planning Commission have been requested for the inclusion of this project in the Fourth Five Year Plan. If the project is included in the Fourth Plan, the shortfall in Zinc metal will be narrowed down to 36,000 tonnes only.

- (iv) The Vizag Zinc Smelter Project was included in the proposals of the Department of Mines and Metals sent to the Planning Commission in December, 1968 for inclusion in the Fourth Five Year Plan (1969-74). But due to limitation of the resources, the Planning Commission, while not including the project in the Fourth Plan for the present, have, however, agreed to provide funds for the completion of the Detailed Project Report. This has since been arranged to be completed by "Centrozap"—a Polish Agency and the report is expected to be received by March/April, 1970. The question of implementation of the project will be taken up for consideration if the economic viability and feasibility are established in the Project Report and also depending on the availability of resources during the Fourth Five Year Plan."

1.15. At the instance of the Committee, the Planning Commission have also furnished a note on the subject stating :

1. Planning Group on Non-ferrous metals assessed the demand pattern of zinc, in the country during the Fourth Plan period based on projections derived by utilising the end-use and the growth rate methods. The Planning Group has come to the conclusion that the demand by 1973-74 would be of the order of 142,000 tonnes.
2. Presently, there are two smelters which are producing zinc, in the country. Hindustan Zinc Ltd. at Debari near Udaipur Distt. Rajasthan in the Public Sector utilises indigenous ores from Zawar mines. Its present capacity is 18,000 tonnes of zinc per annum. The second Smelter at Alwaye, Kerala, in the private sector is owned by M/s. BINANI-COMINCO and it utilises the imported zinc concentrates. Its present capacity is 20,000 tonnes of metal per annum.
3. The mines at Zawar are owned and worked by the HZL and are unable to meet the total requirements of the smelter. The present output from the mines is about 850 tonnes per day whereas the smelter requires about 2000 tons per day of a grade with a minimum of 3% Zn. As such in order to run the smelter to its full capacity, zinc concentrates will have to be imported, arrangements for which are being made. Simultaneously arrangements are also being made to increase the production of ore to meet the requirements of the Smelter. Proposals for increasing the capacity of the Debari Smelter to 36,000 tonnes and that of Alwaye Smelters

to 40,000 tonnes by 1973-74 have been made. A provision of Rs. 16.62 crores has already been made in the Fourth Plan for doubling the capacity of the smelter at Debari as well as for enhancing the present production capacity of the mine from a level of 850 tonnes per day to 4000 tonnes per day by 1973-74.

As stated earlier the demand for zinc has been estimated at 1,42,000 tonnes in 1973-74, whereas if the proposals for expansion of the smelter capacity both at Debari and at Alwaye materialise, the total production capacity of zinc, in the country, will yet be of the order of 76,000 tonnes. There will be a gap of 66,000 tonnes. In case, this demand materialises, then it has to be met by the import of the metal. There is also a proposal to set up a port-based smelter utilising imported zinc concentrates. With this in view, allocations have been provided in the Fourth Plan to get the project report completed by the Polish experts for setting up a Zinc Smelter at Vizag.

4. London Metal Exchange price for Zinc is about £100 per ton. If the demand of 142,000 tonnes of zinc materialises by 1973-74 and the indigenous production is only 76,000 tonnes during the same year then the deficiency will have to be met by imports and the import bill in F.E. will amount to about £6.6 million (Rs. 11.88 crores) in 1973-74 based on prevailing prices today.
5. In the context of the gap between the estimated demand and anticipated production within the country, imports of zinc will have to continue. It is true that it would be preferable to have a smelter in the country, but the feasibility, collaboration, availability of resources, concentrates etc. have to be looked into before a decision on a new smelter can be taken up. Even the question of the present expansion programme, included in the Fourth Plan, has its problems like availability of indigenous resources, availability of concentrates in the world market and its regular supply, availability of cheap electricity to run the smelter etc. In view of all these difficulties, the proposal to get only the project report completed for setting up the Vizac-smelter has been accepted. After the project report is completed, then the economics in all its aspects and viability have to be studied. It is only then that a firm decision for setting up this smelter can be taken, provided resources are available and supply of zinc concentrates from world market is assured on long-term basis.

“Even though the anticipated ore reserves in Rajasthan can probably sustain a smelting capacity of 80,000 tonnes to 100,000 tonnes per annum, there are difficulties in developing a mine even to meet the current demand of the Smelter at Debari apart from the question of the expansion contemplated. The present production rate is only 850 tonnes per day and efforts are being made to increase it to 4000 tonnes per day by 1973-74. The development of metalliferous mines is a time-consuming process. Despite the deployment of substantial manpower, machinery and equipment, certain minimum time is required to develop the mine, depending, on the type of mine,

method of mining, size/scale of operating etc. As such the possibility of increasing the capacity at both the smelters any further is very limited at least during the Fourth Plan. Further even at present, there is considerable shortage of power supply in Rajasthan which limits the capacity of the smelter.

Thus, if circumstances are favourable, and the full potential in Rajasthan is developed in about 7 to 8 years time, even then the demand for zinc would have also increased well beyond to about 80,000 to 1,00,000 tonnes and there would yet be need for additional smelters. In the normal course the shortfall would be met through imports of either metal/concentrates. In such a situation, the practice followed in other countries, e.g. Japan, is to import either raw material or semi-finished products for further processing within the country, is of significance in view of saving in foreign exchange. In the case of Zinc, this procedure, if adopted, is estimated to yield a savings of about 35 to 40% of the value per tonne of Zinc metal.

Thus, the proposal for a custom smelter based on the imported concentrates is with a view to creating a supplementary minimum capacity in addition to those based on indigenous ore and it is not intended to inhibit or jeopardise, in any way, the prospects of developing the indigenous resources.

1.16. The Committee observe from the data furnished to them that there is a lot of leeway to be made up in the field of zinc production in the country. The demand for zinc is expected to be 142,000 tonnes by 1973-74, as against which the two existing smelters are not likely to produce even after expansion more than 76,000 tonnes. The gap between demand and anticipated indigenous production will necessitate imports which at current level of prices, will be to the tune of Rs. 11.88 crores in 1973-74. While this may indicate the need for a new smelter, the Committee would like to point out that there are several difficulties which have first to be sorted out, such as availability of concentrates for the smelter in the world market on a long-term basis and provision of cheap electricity to run the smelter. Besides, the basic question of the viability and economics of the new smelter still remains to be investigated. The Committee note that work in this respect has been resumed and hope that this would be completed expeditiously.

1.17. In the meanwhile, the Committee would like the question of availability and fuller utilisation of the lead-zinc deposits in the Zawar, Rajpura Debaci areas to be thoroughly investigated. According to the information furnished to the Committee, these areas are known to contain large reserves capable of sustaining metal production of 80,000 to 1,00,000 tonnes per annum, but prospecting and mining have to be carried out to obtain "adequate data and information regarding ore deposits." In view of their potentiality, a time-targeted programme for the prospecting of these areas should be drawn up immediately for implementation. Based on the results of this investigation, it should be possible for Government to come to a correct assessment of the need for a new smelter, taking due note of the results of the study regarding its viability.

Project "Operation Hard Rock"

1.18. Referring to the steps taken by Government to locate the deposits of minerals in the country, the Committee made the following observations in paragraph 2-22. :

"The Committee would also like to refer to the efforts now being made on an emergency basis under the Scheme 'Operation Hard Rock' to locate deposits of minerals in the country, particularly non-ferrous metals. They hope that close coordination will be maintained between the field agencies responsible for the operation of the Scheme and the Governmental agency responsible for the exploration of ores, so that the objective of developing adequate capacity within the country of these scarce metals is achieved without delay."

1.19. In their reply dated 21-10-1969, the Department of Mines & Metals have stated:

"The recommendation of the Committee has been noted.

"The project 'Operation Hard Rock' is being executed by Airborne Mineral Surveys and Exploration Organisation of the Ministry of Petroleum & Chemicals and Mines & Metals (Department of Mines & Metals) in close collaboration with a team of American technicians under U.S.A.I.D. (United States Agency for International Development (argement)). A considerable amount of geophysical data which may possibly lead to the location of ore deposits of copper, lead and zinc and other rare metals has accrued as a result of the airborne geophysical survey which formed the first phase of this project. Based on analysis of these airborne geophysical data, round follow up work including drilling in selected targets is in progress. There is free exchange of data between the Airborne Mineral Survey and Exploration and other Government organisations such as the Geological Survey of India, Department of Atomic Energy and State Government agencies. Radiometric data obtained during these airborne operations have been passed on *in toto* to the atomic Energy Department (Minerals Division). Similarly, there is exchange of information whenever technical officers of other departments contact technical personnel of Airborne Mineral Survey and Exploration. As and when any ore deposit of consequence is located and proving operations started, Airborne Mineral Survey and Exploration will work in close collaboration with the concerned public Sector exploitation agency like the Hindustan Copper Ltd. or Hindustan Zinc Limited in order to complete the proving operations expeditiously."

1.20. The Committee asked for further information on certain points regarding the work done under project "Operation Hard Rock". From a note given by the Department of Mines & Metals, the Committee note the following position:

- (i) The total expenditure so far incurred on the project since its inception in 1965-66 amount to Rs. 3,39,36,868 upto October, 1969. The expenditure on pay and allowances of officers and establish-

ment increased from Rs. 56,103 in 1966-67 to Rs. 2,49,270 in 1967-68 and Rs. 7,82,195 in 1968-69.

- (ii) Area surveys have been completed in Andhra Pradesh, Rajasthan and Bihar—West Bengal.
- (iii) Based on the electromagnetic and magnetic characteristics, 6,204 anomalies have been classified as worth checking by immediate ground exploration. Of these 3,000 anomalies selected for reconnaissance ground follow-up to be accomplished by the end of field season 1970, taking into consideration, the geological environment of these anomaly intercepts. Of these at least 10 per cent are expected to be covered by detailed ground evaluation adopting photogeological, geophysical, geochemical and geological techniques.
- (iv) As against 3,000 anomalies selected for reconnaissance, work has been accomplished in respect of 1005 upto 31st October, 1969. Out of 390 anomalies so far selected for detailed ground work (the figure is likely to be more based on reconnaissance survey) work has been accomplished in respect of 222 anomalies upto 31st October, 1969.
- (v) Against the target of 16,000 metres of drilling originally fixed upto August, 1970 (by which time the present operation hardrock contract is to come to an end), 1900 metres of drilling has been completed upto October, 1969 in Rajasthan and West Bengal. Drilling has not commenced in Andhra Pradesh.
- (vi) In respect of Rajasthan and Andhra Pradesh, 1360 and 3492 ore samples respectively have been analysed quantitatively or semi-quantitatively. 802 samples from Rajasthan and 1179 samples from Andhra Pradesh are awaiting analyses.

Lot of samples flow in for analyses from various field parties day to day and certainly in any laboratory there will be a back-log of work to be undertaken. Efforts are being made to recruit the required staff to cope up with this work. Furthermore we have recently procured some sophisticated equipment for speeding up analytical work.

In addition, a very large number of samples (nearly 1000) have been analysed by rapid geochemical methods during the course of field work.

In addition to the above, some samples have been analysed by other agencies like National Physical laboratory, Defence Science Laboratories, Indian Bureau of Mines and Geological Survey of India.

Quantitative analyses have revealed the presence of copper in many samples and molybdenum in some of the samples.

1.21. It has been stated by the Department of Mines and Metals that it will not be possible at this stage to arrive at any overall evaluation of the results. However, the validity of the scientific data accrued during the

airborne geophysical surveys and ground follow up work and the basic concepts governing this exploration programme have justified themselves. The results of drilling so far done have shown the presence of disseminated sulphide mineralisation of copper and molybdenum in the Ajit Sagar area in Rajasthan.

1.22. The Committee find from the information furnished to them that the scheme 'Operation Hard Rock' is behind schedule in several respects. While the airborne survey part of the Scheme has been completed, the follow-up work has been lagging behind schedule. As on 31st October, 1969, reconnaissance work in 'anomaly zones' located after aerial survey has been completed only in 1,005 zones, against 3,000 zones, which are planned to be covered by March, 1970. This has hampered progress on detailed ground follow-up work in these areas, as well as on drilling, in respect of which the target has been scaled down from 16,000 metres to 10,000 metres. There would also appear to be a backlog of ore samples awaiting analysis in the laboratories. Considering that the project is scheduled for completion by August, 1970, the Committee trust that Government will take steps to accelerate the progress of work at all the stages.

1.23. The Committee note that analysis of ore samples has revealed the presence of copper in many samples and molybdenum in a few others. The Committee hope that, in the light of these test results, Government will draw up a programme for detailed prospecting which would be speedily implemented.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee would like Government to consider whether, as part of the scheme of rationalisation of charges, it would be possible for the Geological Survey and the Indian Bureau of Mines to recover a suitable proportion of the charges in advance in all cases, instead of from only private parties as hitherto and also whether penal interest could be charged on overdues. The Committee would also like it to be examined whether an agreement should not be signed in advance about the terms and conditions for the services to be rendered by the Geological Survey of India and the Indian Bureau of Mines so as to avoid any subsequent controversy.

[S. No. 3 Para 1.12 of Appendix to 54th Report of the P.A.C. (4th Lok Sabha)]

Action Taken

Orders have been issued recently asking the D.G., G.S.I. to take an advance from Commercial Departments also in addition to the Corporations. Undertakings, private parties before work on their behalf is undertaken by the Geological Survey of India. It is, however, not considered necessary to take advance from other State/Central Government Departments so long as an agreement is executed by them for paying the cost of investigations. According to Government instructions, an agreement is required to be executed by all the concerned parties in advance about the terms and conditions for the service to be rendered by the Geological Survey of India. D.G., G.S.I. has been asked to ensure strict compliance with these instructions. So far as penal interest for overdues is concerned in accordance with the orders the Director General, Geological Survey of India is required to charge interest on the amount of the bill @ 6½% per annum if the amount is not paid by the party concerned within 30 days of the receipt of the bill.

[Department of Mines and Metals O.M. No. 2/13/69-M.I (i) dated 21-10-1969]

Recommendation

For the past arrears, the Committee would like Government to examine whether it is not possible to persuade the Public Sector Undertakings to pay straightaway at least the portion of dues which is not in dispute pending settlement of the disputed items.

(S. No. 4 para 1.13 of Appendix to 54th Report of the P.A.C. (4th Lok Sabha)

Action taken

Pending settlement of the disputed items, almost all the Public Sector Undertakings have paid the portion of the dues which are not in dispute. The matters relating to disputed dues are being pursued vigorously.

[Department of Mines and Metals O.M. No. 2/13/69-MI (i) dated 21-10-1969]

Recommendation

The Committee consider it unfortunate that Government should have committed itself to an expenditure of Rs. 25.67 lakhs for the preparation of a Project Report for setting up a Zinc Smelter Unit, without taking a firm decision on the necessity for the unit. The decision to undertake the preparation of the Project Report was taken after the Planning Commission had accepted the scheme in principle, but within two months of the commencement of the work, the Planning Commission dropped the Project from the Plan, on the ground that it was not attractive enough from the point of view of import saving and that, in any case, instead of going in for a new unit based on imported concentrates, it was preferable to expand the capacity of the existing Public Sector smelting unit based on richer ores at Zawar. The Committee note that, in point of time, it was only after the Audit paragraph on the case was initiated that it was decided by Government that the work on the Project Report should be resumed. However, a firm decision on the inclusion of the project in the Plan has been deferred, pending an examination of the economics of the scheme on the basis of the Project Report and the location of regular sources of supply of concentrates for the project.

[S. No. 6 para 2.17 of Appendix to 54th Report of the P.A. to (4th Lok Sabha)]

Action taken

The recommendation has been noted.

[Department of Mines and Metals. O.M. No. 10(1)/69-MIV/ dated 21-10-69]

Recommendation

The Committee cannot help feeling that the whole scheme was planned in a haphazard manner and that Government allowed events to overtake them. In their opinion, before considering the case for a new smelting unit/ Government should have carefully assessed the country's ore potential and the possibilities of developing and expanding the two existing smelters at Zawar and Always. A new smelting unit should have been considered only if the expansion of the existing units still left a gap to be covered. The Committee, however, notice that Government have only recently in principle accepted the proposal for expansion of the private smelter at Always and that an integrated scheme for the expansion of the public sector project at Zawar, covering both the expansion of the mines and smelting unit, is still to be drawn up. In the Committee's opinion, it was premature to have embarked on a project for a new unit till plans for developing the existing units had been drawn up and their potentialities for meeting the country's demand for zinc carefully assessed. Even if a new unit was considered

necessary, the feasibility of the project should have been adequately established through a prior survey. However, the feasibility report that was prepared in the case "did not give any data regarding the capital cost of the project and the economics of its operation." The Committee hopes that Government will draw the necessary lessons from this experience and ensure that planning in respect of non-ferrous metals is done in a more systematic, organised and business-like way in future.

[S. No. 7 Para 2.18 of Appendix to 54th Report of the P.A. C (4th Lok Sabha)]

Action taken

The recommendation has been noted.

[Deptt. of Mines & Metals O.M. No. 10(1)/69-MIV, dated 10-1-1969]

Further Information

Please state :

- (i) whether plans for expansion of the Public sector Project at Zawar, covering both mines and the smelter, have been drawn up and if so, the details thereof;
- (ii) whether any expansion in capacity of the private sector unit at Always has been allowed and if so, the details thereof ;
- (iii) the gap between anticipated demand and indigenous production of zinc during the Fourth Plan and the steps being taken to meet the gap ;
- (iv) whether the proposal for setting up a public sector smelter at Vizag has been approved by the Planning Commission and if not, for what reasons?

Reply

Information in respect of the above points is furnished below seriatim :—

- (1) A scheme for doubling the capacity of the existing Zinc Smelter of the Hindustan Zinc Ltd. from 18,000 tonnes to 36,000 tonnes per annum has been included in the Fourth Five Year Plan. As a preliminary step, the Company has entered in to an agreement with M/s. Krebs-Penarroya of Paris and Krebs of India for the preparation of the Detailed Project Report. The question of implementation of the project would be taken up for consideration on receipt of the Project Report which is likely to be available by April 1970. The new smelter may go on stream by early 1974.

As regards the expansion plan for the Zawar Mines, it may be stated that apart from the development of Mochia-Magra mine for the production of 2,000 tonnes of ore per day for keeping the existing Smelter in full production, the Planning Commission have agreed to an allocation of Rs. 9.5 crores in the Fourth Five Year Plan to develop a second mine with the rated capacity of 2000 tonnes of ore per day to meet the requirements of zinc concentrates for the doubled capacity of the smelter at Debari.

The lead-zinc deposits in Zawar and Rajpura-Debari areas are known to contain large reserves capable of sustaining metal production of 80,000 to 1,00,000 tonnes per annum. The Hindustan Zinc Ltd. is accordingly planning to open a few more projects in Balaria, Zawar Mala, Baroi and Debari-Rajpura areas. Before a project is actually planned or detailed estimates of cost could be prepared, it is necessary to carry out preliminary operations, such as drilling, prospecting and exploratory mining to obtain adequate data and information regarding the ore deposits. For this purpose, a provision of Rs. 2.02 crores has been made in the Fourth Five Year Plan.

To implement the above projects, the Hindustan Zinc Ltd. have drawn up plans according to which the production of lead-zinc ore has been envisaged as under :—

	1969-70	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Balaria	250	500	800	1200	2000	2500	3000
East Mochia		200	300	500	800	1200	2000
West Mochia		200	300	500	800	1200	2000
Zawar Mala		200	400	600	1000	1500	3000
	250	1100	1800	2800	4600	6400	10000

The above production programme is in addition to the production of 2000 tonnes of ore per day from Central Mochia planned for early 1972. Proposals of the Board of Hindustan Zinc Ltd. who are presently examining the schemes will be considered by Govt. on receipt. So far as planning for smelting and metal production is concerned, as already stated in para (1), the existing smelter capacity is expected to be doubled by 1973-74. Addition to capacity beyond 36,000 tonnes upto the full potential of about 1,00,000 tonnes per annum is envisaged during the fifth plan period. Preliminary studies for this purpose are proposed to be initiated during the Fourth Plan period so that detailed schemes for implementation could be taken up in due course.

(ii) Proposal of M/s. Cominco Binani Zinc Ltd., who have set up a Zinc Smelter at Alwaye (Kerala) of a capacity of 20,000 tonnes of zinc metal per annum based on imported zinc concentrates, for its expansion from 20,000 tonnes to 60,000 tonnes in two stages of 20,000 tonnes each, is presently under consideration of the Government.

(iii) Based on the estimated demand and production programme, the year wise shortfall of zinc during the Fourth Plan period is estimated as under :—

Year	Estimated demand (tonnes)	Estimated production (tonnes)	Short fall (tonnes)
1969-70	96,800	38,000	58,800
1970-71	106,500	38,000	68,500
1971-72	117,100	38,000	79,100
1972-73	128,900	38,000	90,900
1973-74	142,000	76,000	66,000

There was till recently no internal production of zinc metal as such. A zinc smelter set up by M/s. Cominco Binani Zinc Ltd. at Alwaye (Kerala) went into production in May/June, 1967. The Smelter is based on imported concentrates. Hindustan Zinc Ltd., a Central Government Company has also set up a zinc smelter at Debari (near Udaipur) with a capacity of 18,000 tonnes per annum. This smelter is based on the indigenous ore deposits in Zawar area in Rajasthan. The smelter commenced production in January, 1968.

The present installed capacity of 38,000 tonnes per annum is expected to be doubled by the end of the Fourth Plan period; the phasing will be known clearly after Detailed Project Reports for the expansion of the two smelters are finalised. The shortfall in production of zinc metal as against estimated demand will have to be met by imports.

In addition to the above, there is also a proposal under consideration of the Government to set up a Zinc Smelter of 30,000 tonnes per annum capacity based on imported concentrates at Visakhapatnam. The detailed Project Report for the smelter is at present under preparation by the Polish Technical Consultants and the question of implementing the project will be examined on receipt of the report. In the meantime, the Planning Commission have been requested for the inclusion of this project in the Fourth Five Year Plan. If the project is included in the Fourth Five Year Plan, the shortfall in Zinc metal will be narrowed down to 36,000 tonnes only.

(iv) The Vizag Zinc Smelter Project was included in the proposals of the Department of Mines & Metals sent to the Planning Commission in December, 1968 for inclusion in the Fourth Five Year Plan (1969-74). But due to limitation of the resources, the Planning Commission, while not including the project in the Fourth Plan for the present, have, however, agreed to provide funds for the completion of the Detailed Project Report. This has since been arranged to be completed by "Centrozap"—a Polish Agency and the report is expected to be received by March/April, 1970. The question of implementation of the project will be taken up for consideration if the economic viability and feasibility are established in the Project Report and also depending on the availability of resources during the Fourth Five Year Plan.

[Department of Mines & Metals O. M. No. 10 (1)/69-MIV dated 29th January 1970]

Further Information

1. Planning Group on Non-ferrous metals assessed the demand pattern of zinc in the country during the Fourth Plan period, based on projections derived by utilising the end-use and the growth rate methods. The Planning Group has come to the conclusion that the demand by 1973-74 would be of the order of 142,000 tonnes.

2. Presently, there are two smelters which are producing zinc in the country. Hindustan Zinc Ltd. at Debari, near Udaipur Distt., Rajasthan in the Public Sector utilises indigenous ores from Zawar mines. Its present capacity is 18,000 tonnes of zinc per annum. The second Smelter at Alwaye, Kerala, in the private sector is owned by M/s. BINANI-COMINCO and it utilises the imported zinc concentrates. Its present capacity is 20,000 tonnes of metal per annum.

3. The mines at Zawar are owned and worked by the HZL and are unable to meet the total requirements of the smelter. The present output from the mines is about 850 tonnes per day whereas the smelter requires about 2000 tonnes per day of a grade with a minimum of 3% Zn. As such in order to run the smelter to its full capacity, zinc concentrates will have to be imported, arrangements for which are being made. Simultaneously arrangements are also being made to increase the production of ore to meet the requirements of the smelter. Proposals for increasing the capacity of the Debari Smelter to 36,000 tonnes and that of Always Smelter to 40,000 tonnes by 1973-74 have been made. A provision of Rs. 16.52 crores has already been made in the Fourth Plan for doubling the capacity of the smelter at Debari as well as for enhancing the present production capacity of the mine from a level of 850 tonnes per day to 4000 tonnes per day by 1973-74.

As stated earlier the demand for zinc has been estimated at 1,42,000 tonnes in 1973-74, whereas if the proposals for expansion of the smelter capacity both at Debari and at Always materialise, the total production capacity of zinc in the country, will yet be of the order of 76,000 tonnes. There will be a gap of 66,000 tonnes. In case, this demand materialises, then it has to be met by the import of the metal. There is also a proposal to set up a port-based smelter utilising imported zinc concentrates. With this in view, allocations have been provided in the Fourth Plan, to get the project report completed by the Polish experts for setting up a Zinc Smelter at Vizag.

4. London Metal Exchange price for Zinc is about £100 per ton. If the demand of 142,000 tonnes of zinc materialises by 1973-74 and the indigenous production is only 76,000 tonnes during the same year then the deficiency will have to be met by imports and the import bill in F.E. will amount to about £6.6 million (Rs. 11.68 crores) in 1973-74 based on prevailing prices today.

5. In the context of the gap between the estimated demand and anticipated production within the country, imports of zinc will have to continue. It is true that it would be preferable to have a smelter in the country, but the feasibility, collaboration, availability of resources, concentrates etc. have to be looked into before a decision on a new smelter can be taken up. Even the question of the present expansion programme, included in the Fourth Plan, has its problems like availability of indigenous resources, availability of concentrates in the world market and its regular supply, availability of cheap electricity to run the smelter etc. In view of all these difficulties, the proposal to get only the project report completed for setting up the Vizag smelter has been accepted. After the project report is completed, then the economics in all its aspects and viability have to be studied. It is only then that a firm decision for setting up this smelter can be taken, provided resources are available and supply of zinc concentrates from world market is assured on long-term basis.

Even though the anticipated ore reserves in Rajasthan can probably sustain a smelting capacity of 80,000 tonnes to 1,00,000 tonnes per annum, there are difficulties in developing a mine even to meet the current demand of the Smelter at Debari apart from the question of the expansion contemplated. The present production rate is only 850 tonnes per day and efforts are being made to increase it to 4000 tonnes per day by 1973-74. The development of metalliferous mines is a time-consuming process. Despite the deployment of substantial manpower, machinery and equipment, certain

minimum time is required to develop the mine, depending on the type of mine, method of mining, size/scale of operating etc. As such the possibility of increasing the capacity at both the smelters any further is very limited at least during the Fourth Plan. Further even at present, there is considerable shortage of power supply in Rajasthan which limits the capacity of the smelter.

Thus, if circumstances are favourable, and the full potential in Rajasthan is developed in about 7 to 8 years time, even then the demand for zinc would have also increased well beyond to about 80,000 to 1,00,000 tonnes and there would yet be need for additional smelters. In the normal course the shortfall would be met through imports of either metal/concentrates. In such a situation, the practice followed in other countries, e.g. Japan, is to import either raw material or semi-finished products for further processing within the country, is of significance in view of saving in foreign exchange. In the case of Zinc, this procedure, if adopted, is estimated to yield a saving of about 35 to 40% of the value per tonne of Zinc metal.

Thus, the proposal for a custom smelter based on the imported concentrates is with a view to creating a supplementary minimum capacity in addition to those based on indigenous ore and it is not intended to inhibit or jeopardise, in any way, the prospects of developing the indigenous resources.

[Planning Commission U. O. No. I & M/23 (1)/68 dated the 28-11-69]

Recommendation

Another disconcerting fact to which the Committee would like to draw attention is the import of 51,000 tonnes of zinc in the first four months of the current year under the liberalised import policy without taking into account the capacity which had already been developed within the country for the manufacture of zinc. The result was that the consumers became reluctant to lift indigenous Zinc and the stock accumulated particularly with the Hindustan Zinc Limited, a public undertaking. The Committee note that since September, 1968, Government have taken action to restrict the imports under "Actual Users Restricted" category and have devised informal distribution arrangements in order to ensure full utilisation of the indigenous capacity for the manufacture of zinc. The Committee would like Government to make sure that such a situation does not recur and that not only the capacity developed in the country is fully utilised to obviate imports but that the price of indigenous zinc is made fully competitive with the price of imported zinc.

[S. No. 9—Para 2 20 of Appendix to 54th Report of the P. A. C (4th Lok Sabha)].

Action taken

The recommendation of the Committee has been noted.

2. Continuous efforts are being made to make the price of the indigenous zinc fully competitive with the price of imported zinc.

3. As regards import of 51,000 tonnes of zinc metal during the first few months of 1968-69 referred to above, it may be mentioned that the imports of this quantity took place as a result of the liberalised import policy

which was announced following the devaluation of rupee in June, 1966. Some of the licences issued during that period had protracted delivery periods and there was besides no value restriction on individual items. The imports during the four months of 1968-69 were attributable to these reasons. However, corrective measures have since been taken to ensure that future imports would be strictly limited to the gap between the demand and the indigenous availability from both the companies, viz., Hindustan Zinc Limited and M/s. Cominco Binani Zinc Ltd. Towards this end in view import of zinc has now been placed under "Actual Users Restricted" category. Steps have also been taken for rational distribution of the indigenous metal and to ensure its proper off-take before allowing import. It may, however, be mentioned that since the indigenous production falls short of the total requirement of the country, there would still be necessity for importing metal in the coming years.

[Deptt. of Mines & Metals O. M. No. 10(1) 69-MIV, dated 21-10-69].

Recommendation

Another aspect of the case to which the Committee would like to draw attention is the question of association of Indian personnel with the preparation of the detailed Project Report and the use of indigenous equipment in the Project. The Committee are distressed to observe that the question was raised by Government with the Polish firm responsible for the preparation of the project report belatedly in May, 1968. The Committee feel that the matter should have been thrashed out at the very beginning before the agreement with the firm for the preparation of the Project Report was signed in February, 1966. From copies of correspondence furnished by Government, the Committee note that the Polish firm have hinted at not only a revision in contract price but also extension of time for completion of the report on this account. They would like to be informed of the decision ultimately taken in this regard.

[S. No. 10-Para 2.21 of Appendix to 54 th Report of the P. A. C (4th Lok Sabha.)

Action taken

The work on the preparation of the Detailed Project Report was suspended on 23-9-1966. But in the context of the wide gap between demand of zinc metal and its indigenous availability, the question of creating additional zinc smelting capacity was considered in March, 1968, and the need for creating additional capacity was recognised. Accordingly, the Polish Agency, was asked to complete the remaining work on the project report subject to the maximum utilisation of Indian skills and available indigenous plant and machinery in the construction of the zinc smelter. For this purpose, a supplementary agreement (copy at Annexure-I) between the Polish Agency and the Hindustan Zinc Limited was finalised and signed on the 8th September, 1969. The Detailed Project Report is likely to be completed by the Polish Agency by March/April, 1970. The Polish agency have agreed to complete the remaining work on the preparation of the Detailed Project Report without asking for increase in the contract price.

[Deptt. of Mines & Metals O. M. No. 10(1) 69-MIV, dated 21-10-69].

ANNEXURE I**SUPPLEMENTARY CONTRACT NO. 14/24/65-MIV-2 TO CONTRACT
No. 14/24/65-MIV**

This contract is concluded and signed on this day of 8th September, 1969 in New Delhi between Centrala Handlu Zagranicznego Centrozap, Katowice/hereinafter referred to as "Centrozap"/an Enterprise incorporated and registered under the Polish Register of Foreign Trade Enterprises in Warsaw;

and

Messrs. Hindustan Zinc Limited, the Government of India Undertaking, Udaipur hereinafter referred to as "Buyer"/ on the other part.

This contract is supplemental to the Contract No. 14/24/65-MIV of 26th February, 1966 made between "Centrozap" and the Ministry of Mines and Metals of the Government of India for the supply of the Project Report for Zinc Smelting Plant at Vishakhapatnam/hereinafter called the "Principal Contract"/together with the Agreement No. 14/24/65-MIV signed between the said parties on 16th December, 1966.

The present contract refers to the decision of the Ministry of Steel, Mines and Metals of the Government of India (letter No. 10/20/66-MIV of 20th September, 1968) ordering for continuation of the Project Report elaboration and transferring all rights and obligations on its part derived from the "Principal Contract" to Messrs. Hindustan Zinc Limited, for the "Buyer".

According to the above, the parties have agreed upon mutually the following :

1. "Centrozap" will restart with designing works advanced in Poland under the "Principal Contract" and shall proceed with them to complete the project Report for Zinc Smelting Plant at Vishakhapatnam, providing that due to settlements made with the "Buyer" with regard to the plant technology and production data, the following adjustments are to be introduced to the Project Report elaboration :

- (a) as the pig iron foundry is considered unnecessary it is to be excluded from the project design.
- (b) as steam is to be produced in the plant from utilisation of heat of roasting gases, designing of the boiler is also considered unnecessary.
- (c) because of an increase of quantity of cakes for Waelz processing and simultaneously decrease of quantity of zinc concentrates to be supplied to the plant, sulphuric acid plant is to be designed for the production capacity of about 40,000 tons per year.
- (d) because of assumed unprofitability it is unnecessary designing of the installation for production of ammonium sulphate.
- (e) because of considerable demand in India for high metallic zinc dust, the installation for its production is to be designed for the output of 1,500 tons per year.

- (f) as there is the requirement of the Indian party to produce high-purity zinc in the plant, zinc rectification department for the nominal output 6,000 tons of SHG zinc per year, capable to produce upto 10,000 tons zinc per year is to be included in the project design.

2. As per the Agreement No. 14/24/65-MIV of 16th December, 1966, the total value on account of supplies and services under the "Principal Contract" adjusted as on the 6th June 1966, is equal to Rs. 2,566,856. From this account the sum of Rs. 1,000 000, has been paid by the "Buyer" to "Centrozap" in April, 1967. Remaining payment in "Centrozap's" favour i.e. Rs. 1,566,856 for the supply of the subject project Report, will be done by the "Buyer" as follows :

- (a) the outstanding payment i.e. Rs. 458,528/say : Indian Rupees four hundred fifty eight thousand five hundred twenty eight/due to "Centrozap" for designing works already done in Poland on preparation of the Project Report, will be paid by the "Buyer" in cash to "Centrozap's" account in Bank Handlowy, Katowice, within 30 days from the date of signing of this contract.
- (b) the rest of the contract value i.e. Rs. 1,108,328/say : Indian Rupees one million hundred and eight thousand three hundred twenty eight will be paid by the "Buyer" under the irrevocable Letter of Credit to be opened in "Centrozap's" favour through the first class bank in India with Bank Handlowy, Katowice, within 30 days from the date of signing of this Contract. Above letter of credit shall be valid for a period of 16 months. A payment of Rs. 8,31,246 will be made against Messrs. Centrozap's invoice accompanied by the carrier's Air Way Bill stating the despatch of the Project Report to the buyer. The balance of Rs. 2,77,082 will be paid on acceptance of the Project Report by the buyer, but in any case not later than 120 days from the date of delivery of the Project Report to the buyer.

3. "Centrozap" will complete and deliver the Project Report to the Buyer in 7 months from the date of restarting with designing works, providing that the time schedule and the manner of further cooperation of the parties for the project Report completion, settled in the "Detailed Design Data" to the above Project (Volume I, Part I) are duly followed.

In this respect efforts will be made by Centrozap to finish the elaboration of the Project Report in shorter time i.e. 6 months as above, if possible.

Restarting with designing works will be done by "Centrozap" immediately after effecting of the present contract, which will take place on the date of the last of the following facts: receipt by Centrozap" of the "Buyer" payment as per para "2'a", and opening of the Letter of Credit as per para "2'b".

4. M/s. Centrozap will use all their latest achievements and all their experience in the design engineering involved in the preparation of the Project Report. As the basis for designing works, Centrozap will use the data contained in the revised documents as per the protocol signed on 8th July, 1969. Centrozap undertake full responsibility for the accuracy and correctness of the engineering designs based on above data, as well as guarantee that their Project Report will be in accordance with the standard of good engineering practices.

5. All technical documents, drawings, data and other technical information relating to the Project Report to be supplied by Centrozap, will be used by the Buyer or a company in which he hold majority shares exclusively for the erection of zinc electrolysis plant at Vishakhapatnam or other similar project of the Buyer. There will be, however, no responsibility of Centrozap when the technical documents, etc. are used for projects other than the Vishakhapatnam smelter. In no case the technical documents etc. will be transferred or rendered accessible to any other person, physical or legal body, neither in India nor in any other countries, without the previous written consent of Centrozap.

This contract constitutes an integral part of the "Principal Contract". All clauses, terms and conditions of the "Principal Contract" except to the extent altered, modified or substituted as above remain valid, binding both parties.

As and when a request is made by the Buyer at his option, Messrs. Centrozap declare their willingness to render further technical assistance through providing experts for assisting the Buyer during the course of detailed engineering of the project, as well as erection and commissioning of the plant. The scope and terms of deputation of Centrozap's experts will, in such case, be agreed mutually at the appropriate time.

In the witness thereof, the parties have caused here to the present to be duly executed the day and year as written before.

For and on behalf of the "Buyer"	For and on behalf of "Centrozap"
Signed for and on behalf of Hindustan Zinc Limited.	Signed for and on behalf of "Centrozap" by Mr. H. Kalita, Polish Commercial Attache, in New Delhi.
(J. D. ADHIA)	(Henryk Kalita)
In the presence of	In the presence of
(A. KRISHNAN)	(Lucjan Marcinek)

Recommendation

The Committee would also like to refer to the efforts now being made on an emergency basis under the Scheme 'Operation Hard Rock' to locate deposits of minerals in the country, particularly non-ferrous metals. They hope that close coordination will be maintained between the field agencies responsible for the operation of the Scheme and the Governmental agency responsible for the exploration of ores, so that the objective of developing adequate capacity within the country of these scarce metals is achieved without delay.

[S. No. 11—Para 2·22 of Appendix to 54th Report of PAC (4th Lok Sabha)].

Action Taken

The recommendation of the Committee has been noted.

The project "Operation Hard Rock" is being executed by Airborne Mineral Surveys and Exploration Organisation of the Ministry of Petroleum

& Chemicals and Mines and Metals (Department of Mines & Metals) in close collaboration with a team of American technicians under United States Agency for International Development (U. S. A. I. D.) agreement. A considerable amount of geophysical data which may possibly lead to the location of ore deposits of copper/ lead and zinc and other rare metals has accrued as a result of the airborne geophysical survey which formed the first phase of this project. Based on analysis of these airborne geophysical data/round follow up work including drilling, in selected targets is in progress. There is free exchange of data between the Airborne Mineral Survey and Exploration and other Government organisations such as the Geological Survey of India, Department of Atomic Energy and State Government agencies. Radiometric data obtained during these airborne operations have been passed on *in-toto* to the Atomic Energy Department (Minerals Division). Similarly, there is exchange of information whenever technical officers of other departments contact technical personnel of Airborne Mineral Survey and Exploration. As and when any ore deposit of consequence is located and proving operations started, Airborne Mineral Survey and Exploration will work in close collaboration with the concerned public sector exploitation agency like the Hindustan Copper Ltd. or Hindustan Zinc Limited in order to complete the proving operations expeditiously.

[Department of Mines and Metals (O.M. No. 10(1) 69-MTV, dated 21-10-69].

Further Information

- (i) *The total expenditure so far incurred on the project with its break-up under broad heads of expenditure.*

Details furnished *vide* Annexure 'A'.

- (ii) *The extent of areas in each of the States of Andhra Pradesh, Rajasthan and Bihar which were to be covered by airborne survey (Phase-I).*

The areas covered by airborne surveys in Andhra Pradesh, Bihar-West Bengal and Rajasthan are as under :

Andhra Pradesh	30,500 sq. km.
Bihar-West Bengal	29,755 " "
Rajasthan	30,140 " "

- (iii) *When the survey was completed in each case—indicating also the original time schedule.*

The aerial survey was commenced and completed according to time schedule as indicated :

	Commencement	Completion	Time Schedule
Andhra Pradesh	19-7-1967	30-11-1967	10 months in all the three areas from the date of commencement.
Rajasthan	5-12-1967	3-4-1968	
Bihar-West Bengal	8-3-1968	14-5-1968	
Bengal			

(iv) *The number of anomaly zones located in each of the States indicating in each case :*

(a) *their location;*

(b) *their extent;*

Based on the electromagnetic and magnetic characteristics, the following number of anomalies have been classified as worth checking by immediate ground exploration :

Rajasthan	3073
Bihar	1308
Andhra Pradesh	
(a) Cuddapah	1214
(b) Khammam	709

Of these, 3000 anomalies were selected for reconnaissance ground follow-up to be accomplished by the end of field season 1970 taking into consideration the geological environment of these anomaly intercepts. Of these at atleast 10 per cent are expected to be covered by detailed ground evaluation adopting photogeological, geophysical, geochemical and geological techniques.

(v) *The time schedule drawn up in each of the States for ground follow-up work (Phase II) in respect of :*

(a) *reconnaissance of anomaly zones ;*

(b) *detailed ground work ;*

(c) *Photogeological interpretation and preparation of maps.*

(vi) *The actual progress in respect of work mentioned in (v) above.*

The progress of ground follow-up work in upto 31-10-1969 is as under :

<i>Area</i>	<i>Provisional target of work upto March'70</i>	<i>Work accomplished upto 31-10-1969</i>
RAJASTHAN		
(a) Reconnaissance	1200	472
(b) Detailed work	150*	108
ANDHRA PRADESH		
(a) Reconnaissance	1000	365
(b) Detailed work	75*	88
BIHAR-WEST BENGAL		
(a) Reconnaissance	800	168
(b) Detailed work	75*	46

*Likely to be more based on reconnaissance survey.

(c) Photogeological interpretation and preparation of maps have been completed for parts of Khammam, Gani Kalava, North Cuddapah basin of Andhra Pradesh, Eastern part of Singhbhum district of Bihar and Bhilwara Block of Rajasthan. Photo

interpretation for areas, where ground work is being carried out in all the three regions is in progress. On the spot photo interpretations are also being done by field parties.

Photogeological interpretations are made according to the requirements of the field parties. There is no target set for this nor a time schedule. However, regional photo interpretations on all the operational areas are being provided depending upon the requirements of the field parties.

(vii) *The time-schedule drawn up for drilling (Phase III) and the progress vis-a-vis time schedule in each of the States.*

Upto the end of October, 1969, 1900 metres of drilling has been accomplished and drilling is now in progress on four targets in Rajasthan and one in West Bengal. Drilling will commence in Andhra Pradesh very shortly. Following is the State-wise break-up :—

- | | |
|---------------------------------|----------------|
| (a) Rajasthan | 1811·13 metres |
| (b) Bihar-West Bengal | 97·34 metres. |

The procurement of 4 deep drilling machines equipped with wire line accessories from the United States was envisaged while drawing up a drilling programme under Phase-III of 'Operation Hardrock.' In middle of 1968, a decision was taken by the Government of India that the deep drilling machines should not be imported and should be procured from the indigenous manufacturers. Consequent upon this change in decision and due to certain delays in procuring the 4 indigenous drills, the drilling programme of 'Operation Hardrock' could only be initiated in February, 1969.

Wire line accessories could be procured from the indigenous suppliers for only one rig. The office of the Airborne Mineral Surveys & Exploration by a careful survey of the available drilling machinery in India managed to get together enough surplus equipment from the National Coal Development Corporation to start one more deep drilling rig with wire line equipment.

Wire line equipment could not be supplied by Voltas in response to our order as the Directorate General of Technical Development refused to give them clearance to import these equipment as they (Messrs Voltas) were in possession of quota licence. Ultimately this office had to obtain the clearance from the D.G.T.D. for import of wire line equipment etc. Simultaneously USAID was approached for utilising funds for procuring the same but this procedure took considerable time and final approval of USAID was received only in June, 1969. The orders for line equipment were immediately placed; they have just arrived at Bombay and will be put into use as expeditiously as possible.

During the period March, 1969 to November, 1969, the A.M.S.E. has been able to operate two rigs with wire line accessories and one by conventional methods. In addition two more light drills have already been commissioned into service for carrying out shallow probes. So far we have accomplished 1900 metres of core drilling. We expect to put all the four deep drilling rigs on wire line and during the period November, 1969 to August, 1970 by which time the present 'Operation Hardrock' contract is to come to an end, we expect to do about 8000 metres of drilling, thus bringing the total drilling target to about 10,000 metres.

It will thus be seen that the actual target of drilling that is likely to be accomplished in A.M.S.E. will be little over 60% of the original target of drilling of 16,000 metres. However, with 10,000 metres of drilling it is expected to probe at least 38 targets which are likely to merit such investigations.

The earlier target of 16,000 metres however appears to be based on the assumed capacity per year of a deep drilling machine fully equipped with wire line accessories of 4000 metres of drilling. However, even at that stage it was understood that the total meterage of drilling to be achieved can only be arrived at after carrying out a minimum quantum of detailed evaluation of aeroanomalies and establishing targets which merit a probe by drilling. No time schedule for Phase III on region wise *viz.* diamond core drilling, as contemplated.

(viii) *In how many areas preliminary drilling of anomaly points with portable drills has been completed and with what results.*

The drilling of anomaly targets is governed by the results of detailed integrated evaluation of aeroanomalies. It is contemplated that before the completion of the project which incidentally has been set on August, 1970, drilling on 38 targets will be completed, eight of these to be covered by deep drilling and 30 by shallow drill holes. It may be emphasised again that an attempt purely to fulfil a target of drilling cannot be justified unless the targets which deserve such a probe are established, based on data gathered from ground evaluation of aeroanomalies. So far, drilling in 8 targets has been completed in Rajasthan and drilling is in progress on 4 targets. In Bihar, drilling has been completed on two targets and is in progress on other targets. A portable diamond core drill is being moved to Andhra Pradesh very shortly to take up drilling in that region.

(ix) *How many cases there are where prospects are considered promising, with details thereof and time-schedule drawn up for drilling therein.*

Eighteen more targets *viz.* 12 in Khetri, Nalpura, Fatehpur Block of Rajasthan and 3 in the Tamakhun Block of West Bengal and 3 in Khamman and Guntur districts of Andhra Pradesh are likely to be taken up for drilling in all the 3 regions and more are expected to accrue after carrying out detailed integrated evaluation.

(x) *In how many cases chemical analysis and metallurgical tests of sample ore has been completed and with what results.*

(xi) *In how many cases analyses and tests as in (x) above are pending and for what reasons.*

In respect of Rajasthan and Andhra Pradesh, 1360 and 3492 samples respectively have been analysed quantitatively or semi-quantitatively. 802 samples from Rajasthan and 1179 samples from Andhra Pradesh are awaiting analyses.

Lot of samples flow in for analyses from various field parties day to day and certainly in any laboratory there will be a back-log of work to be undertaken. Efforts are being made to recruit the required staff to cope with this work. Furthermore we have recently procured some sophisticated equipment for speeding up analytical work.

In addition, a very large number of samples (nearly 1000) have been analysed by rapid geochemical methods during the course of field work.

In addition to the samples, some of the samples have been analysed by other agencies like National Physical Laboratory, Defence Science Laboratories, Indian Bureau of Mines and Geological Survey of India.

Quantitative analyses have revealed the presence of copper in many samples and molybdenum in some of the samples.

- (xii) *Whether any foreign agency is involved in work in Phase II and Phase III and if so, whether Government have examined whether this is consistent with security considerations.*

The whole work is done through 'Foreign agency'. The antecedents of the foreign technicians employed in the Project have been verified from the security point before their appointment in this Project.

During the actual aerial survey, an officer of the IAF was always present in the aircraft.

Photographs and toposheets of the restricted scales have not been sent out of India. Only geological maps with the minimum information have been sent to the United States to enable finalisation of the report on the aeromagnetic and electromagnetic survey. All these will be returned with the final report; no data accruing from our airborne operations will be left behind in the U.S.A.

All precautions are taken with regard to issue of photographs and maps to American technicians.

The U.S.A.I.D. is not provided with any technical details or maps of our work except the quarterly report which contains an objective statement of the work as required under the U.S.A.I.D. loan agreement.

- (xiii) *Whether any overall evaluation of the results achieved in the project has been made—if so, a copy of the report on evaluation in this regard may please be furnished.*

It will not be possible at this stage to arrive at any overall evaluation of the results. However, the validity of the scientific data accrued during the airborne geophysical surveys and ground follow up work and the basic concepts governing this exploration programme have justified themselves. The results of drilling so far done have shown the presence of disseminated sulphide mineralisation of copper and molybdenum in the Ajit Sagar area in Rajasthan.

[Department of Mines & Metals U. O. No. 1 (20)/69-DC dated 1st December, 1969]

ANNEXURE

The total expenditure so far incurred on the Project with its break up under broad heads of expenditure

Year	Pay of Officers Rs.	Pay of Estab- lish- ment Rs.	Allow- ances & Hono- raria Rs.	Other charges Rs.	Payment to Parsons Rs.	Total Rs.
1965-66	18,163	1,093	19,256
1966-67	30,494	2,644	22,965	25,39,223	..	25,95,326
1967-68	89,073	58,579	1,01,618	23,20,793	40,26,603	65,96,666
1968-69	2,71,291	1,52,765	3,58,139	28,17,020	1,52,01,402	1,88,00,617
	4,09,021	2,15,081	4,82,722	76,77,036	1,92,28,005	2,80,11,865
1969-70 (upto 10/69)	2,11,119	1,91,288	3,52,393	4,34,044	47,36,159*	59,25,003
	6,20,140	4,06,369	8,35,115	81,11,080	2,39,64,164	3,39,36,868

*Yet to be adjusted by A. G. C. W & M.

Recommendation

The Committee are distressed to find that two study teams constituted by the Coal Board in 1963 and 1964 went into the question of revision of scales of subsidy to collieries, but failed to conduct a study of the problem in depth. Apparently, the Coal Board did not clearly spell out the nature and scope of inquiry by these study teams in their terms of reference. The Committee note that a Study Group has since comprehensively examined the whole question and submitted a report to Government. They hope that a speedy decision will be taken in the matter. While taking a decision, Government would do well to consider whether, with the relaxation of control over the prices of coal and coke with effect from 24th July, 1967, the justification for the original scheme of subsidy still continues. The Committee need hardly stress that, in the meantime, Government should ensure that the expenditure on subsidy to collieries does not exceed the net proceeds of the excise duty on coal and coke.

[S. No. 12 (Para 3-11) of Appendix to 54th Report (4th Lok Sabha).]

Action taken

Consequent to decontrol of coal prices with effect from 24th July, 1967, Government considered the question of continuance of payment of subsidy on account of adverse mining factors and decided to continue the scheme with the modifications that no subsidy shall be admissible in respect of ;

- (a) Collieries producing grades II & III coals from thin seams in Madhya Pradesh and
- (b) Grades II & III of non-coking coals, for 'high transportation cost from pit-head to rail-head'.

The position in regard to payment of subsidy *via-a-vis* the actual/estimated realisation during the years 1967-68 and 1968-69 is indicated below :

Year	Net amount of cess	Expenditure on Special assistance
(Figures in Lakhs of Rupees)		
1967-68	172.56 (actual)	138.05 (actual)
1968-69	193.33 (Estimated)	175.97 (actual)

The Coal Board is taking necessary steps to see that expenditure on the subsidy to collieries handicapped by adverse factors does not exceed the net proceeds of excise duty.

The overall position of receipts and expenditure since the inception of the scheme is given below :

Year	Net amount of cess	Expenditure on Special assistance
(Figures in Lakhs of Rupees)		
Upto 1966-67	1,025.00 (actual)	1,039.90 (actual)
1967-68	172.56 (actual)	138.05 (actual)
1968-69	193.33 (estimated)	175.97 (actual)
	1,390.89	1,353.92

(Difference Rs. 36.97 lakhs)

Government's decisions on the recommendations of the Study Group on subsidies are expected to be taken very shortly and the Public Accounts Committee will be informed in due course.

[Department of Mines and Metals O. M. No. C-5-2 (6)/69 dt. 30-9-69]

Further information

Please state when the final decision of Government on the recommendation of the Study Group on subsidies is expected to be taken.

Reply

Government have since taken decisions on the recommendations of the Study Group on subsidies and issued orders. These will take effect from 1-1-1970.

[Department of Mines & Metals D. O. No. C 5-2 (6)/69 dated 25th November, 1969]

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE
DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF
GOVERNMENT**

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are not impressed with the manner in which Government have tackled the question of recovery of dues from parties for whom work was done by the Geological Survey of India or the Indian Bureau of Mines. From the fact that the dues amounted to as much as Rs. 4.32 crores in December, 1967, the Committee are forced to conclude that effective action was not taken by Government in implementation of the observations made by the Committee in para 47 of their 39th Report (Third Lok Sabha) where they had drawn attention to this situation. What is distressing is the fact that, out of Rs. 4.32 crores, as much as Rs. 3.80 crores relate to two public sector undertakings—National Coal Development Corporation and National Mineral Development Corporation which are administratively under the control of the Department of Mines and Metals. The view of the Department that these “public sector undertakings are also under own Government” and that they are “like two children of the same parents” shows, in the Committee’s opinion an irresponsible attitude for which the Committee can find no justification. The Committee trust that the recovery of dues from these and other undertakings will be pursued by Government in an energetic and business-like manner.

[S. No. 1-Para 1.10 of Appendix to 54th report of PAC (4th Lok Sabha)]

Action taken

The question of recovering the dues from parties for whom work was done by the Geological Survey of India/Indian Bureau of Mines, was re-examined and out of the total amount of Rs. 4.32 crores mentioned in the Report, an amount of about Rs. 4 crores has since either been received, adjusted or withdrawn. In regard to the recovery of the remaining amount, the matter is being pursued vigorously with the concerned Departments/Organisations.

[Department of Mines and Metals O. M. No. 2/13/69-M. I. (i) dated 21-10-69]

Further Information

Please state what proportion of Rs. 4 crores of the dues of GSI/IBM has been settled:

(a) *by adjustment.*

(b) *by withdrawal of claims originally preferred.*

Reply

The latest position in respect of the claims now settled is as follows:—

(i) By adjustment (Payments)—Rs. 2·23 crores.

(ii) By withdrawal of claims originally preferred.

(a) Finally *vide*.

this Ministry's letter No. 27/3/62-MIII/MI,
dt. 13-10-69 (copy enclosed)

Rs. 1·01 crores.

* (b) Temporarily

Rs. 0·85 "

Total
Grand Total (i)+(ii)

Rs. 1 86 ,,

Rs. 4·09 ,,

*These will be reclaimed from the concerned organisations as soon as the areas are finally handed over to them for exploitation. On re-examination it is considered that as these investigations were carried out on the basis of the priorities fixed by the Government from time to time and not on receipt of request from the parties concerned. The claims will actually become due only when the areas are handed over to them for exploitation.

[Department of Mines and Metals O. M. No. 2/13/69 M. I. (i) dated 2nd December, 1969].

Recommendation

The Committee note that the basis of billing by the Geological Survey and the Indian Bureau of Mines has been disputed in a number of cases and that Government have constituted a departmental Committee to go into the matter and rationalise the billing structure. The Committee feel that if a departmental inquiry was necessary to determine the basis for the charges to be levied by the Geological Survey and the Indian Bureau of Mines for the services rendered, it should have been initiated in 1965, if not earlier, when the Public Accounts Committee had specifically commented on these heavy arrears. The Committee also regret to observe that the departmental committee have not finalised their report yet though it was due in August, 1968 as per original schedule. The Committee trust that the report will be finalised soon and action thereon taken by Government expeditiously.

[S. No. 2 Para 1·11 of Appendix to 54th Report of P.A.C.
(4th Lok Sabha)]

Action taken

The work of revising the schedule of charges on flat rates for the work done by the Geological Survey of India for Government, private parties etc., was initiated in 1965 itself and a draft, after calculating all the details, was prepared by the Geological Survey of India in 1966. While the rates were being examined, it was felt that they were very much on the high side. According to decision taken by the then Minister for Steel, Mines and Metals in May, 1968, a Study Group was set up to suggest fair and reasonable rates for various operations carried out by the Geological Survey of India/ Indian Bureau of Mines. The report of the Study Group has been received and the matter is under examination in consultation with the Ministry of Finance.

[Department of Mines and Metals O. M. No. 2/13/69-M.I. (i) dt. 21-10-69].

Further Information

Please furnish a copy of the report of the Study Group appointed to determine the basis of charges to be levied by GSI/IBM :

(ii) *Please state when a decision on the recommendations of the Study Group will be taken.*

Reply

(i) A copy of the report submitted by the Committee appointed to determine the basis of charges to be levied by GSI/IBM is enclosed.

(Not printed)

(ii) In addition to the rates suggested in the report for various types of work done by the GSI/IBM on payment basis, the Committee has also recommended various principles for adoption in recovering the charges. The rates suggested by the Committee are under examination and it is likely to take at least 3 months more to settle the issue.

[Department of Mines & Metals O.M. No. 2/13/69 M.I. (ii) dated 2nd December, 1969]

Recommendation

The Committee would also like Government to take steps to eliminate delay in billing which apparently still persists.

[S. No.5—Para 1·14 of Appendix to 54th Report of P.A.C. (4th Lok Sabha)].

Action taken

In order to eliminate delays in billing, the Director General, Geological Survey of India has been instructed that pending finalisation of the schedule of charges, 90% of the cost of the investigations should be recovered immediately on the completion of the work, on the basis of the draft schedule of charge on flat rates, prepared by him and the remaining amount within one month after the finalisation of the schedule of charges.

[Department of Mines and Metals O.M. No. 2 /13/69. M.I. (i) dt. 21-10-69].

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee would like to know in due course the decision taken by Government about the project in the light of the economics to be worked out in the detailed Project Report. The Committee need hardly stress that as zinc is one of the important non-ferrous metals finding extensive and varied application in several basic industries, it is essential that its cost of production in any new unit that may be set up should be kept at a competitive level.

[S. No. 8—Para 2.19 of Appendix to 54th Report of P.A.C. (4th Lok Sabha)].

Action taken

The recommendation has been noted. The Public Accounts Committee will be informed about the decision in due course.

[Deptt. of Mines & Metals O.M. No.10(1)/69-MIV, dated 21-10-69]

NEW DELHI :

January 6, 1970/Pause 16 1891(S)

ATAL BIHARI VAJPAYEE,

*Chairman,
Public Accounts Committee.*

APPENDIX

Summary of Main Conclusions/Recommendations

S. No.	Para No. of the Report	Ministry/Department concerned	Recommendation
1	2	3	4
1	1.8	Mines and Metals	The Committee note that claims amounting to Rs. 4.27 crores which were outstanding as in December, 1967, have since been settled. The settlement has involved the withdrawal of claims amounting to as much as Rs. 1.86 crores on the ground that they are either not due or not yet become due. This position indicates that billing procedures in the Department have been far from realistic and unsatisfactory.
2	1.9	Do.	The Committee regret to note in this respect that the work of revising the schedule of charges which was initiated in 1965 has not so far reached finality. The report of a Study Group appointed in 1968 to suggest fair and reasonable rates for the various operations is still under the consideration of Government. The Committee desire that decisions of Government on the recommendations of the Study Group should be expedited and necessary steps taken to finalise the schedule of charges. The Committee hope, that after finalisation of the schedule of charges speedy action will be taken to recover/adjust the balance of

1	2	3	4
3	1·10	Do.	<p>dues from the parties from whom 90 per cent of cost of investment has been recovered provisionally.</p> <p>The Committee note that the Study Group has recommended that the Geological Survey of India should review in 1970-71 or 1971-72, the actual cost against the fixed charges that may be finally approved by Government on the basis of the Group's suggestions. The Committee suggest that such reviews of actual cost should be carried out periodically with a view to ensuring that the schedule of charges is both fair and equitable.</p>
4	1·16	<p>Mines and Metals.</p> <hr/> <p>Planning Commission</p>	<p>The Committee observe from the data furnished to them that there is a lot of leeway to be made up in the field of zinc production in the country. The demand for zinc is expected to be 1,42,000 tonnes by 1973-74, as against which the two existing smelters are not likely to produce even after expansion, more than 76,000 tonnes. The gap between demand and anticipated indigenous production will necessitate imports which, at current level of prices, will be to the tune of Rs. 11.88 crores in 1973-74. While this may indicate the need for a new smelter, the Committee would like to point out that there are several difficulties which have first to be sorted out, such as availability of concentrates for the smelter in the world market on a long-term basis and provision of cheap electricity to run the smelter. Besides, the basic question of the viability and economics of the new smelter still remains to be investigated. The Committee note that work in this respect has been resumed and hope that this would be completed expeditiously..</p>

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1-17

Mines and Metals
Planning Commission

In the meanwhile the Committee would like the question of availability and fuller utilisation of the lead/zinc deposits in the Zawar, Rajpura-Debaria areas to be thoroughly investigated. Accordingly to the information furnished to the Committee, these areas are known to contain large reserves capable of sustaining metal production of 80,000 to 1,00,00 tonnes per annum, but prospecting and mining have to be carried out to obtain "adequate data and information regarding ore deposits." In view of their potentiality, a time-targeted programme for the prospecting of these areas should be drawn up immediately for implementation. Based on the results of this investigation, it should be possible for Government to come to a correct assessment of the need for a new smelter, taking due note of the results of the study regarding its viability.

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1-22

Mines and Metals

The Committee find from the information furnished to them that the scheme 'Operation Hard Rock' is behind schedule in several respects. While the airborne survey part of the scheme has been completed, the follow-up work has been lagging behind schedule. As on 31st October, 1969, reconnaissance work in 'anomaly zones' located after areal survey has been completed only in 1,005 zones, against 3,000 zones, which are planned to be covered by March, 1970. This has hampered progress on detailed ground follow-up work in these areas, as well as on drilling, in respect of which the target has been scaled down from 16,000 metres to 10,000 metres. There would also appear to be a backlog of ore samples awaiting analysis in the laboratories. Considering that the project is scheduled for completion by August, 1970, the Committee trust that Government will take steps to accelerate the progress of work at all the stages.

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7	1.23	Mines and Metals	The Committee note that analysis of ore samples has revealed the presence of copper in many samples and molybdenum in a few others. The Committee hope that, in the light of these test results, Government will draw up a programme for detailed prospecting which would be speedily implemented.

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