

PUBLIC ACCOUNTS COMMITTEE
(1969—70)

(FOURTH LOK SABHA)

HUNDRED AND FOURTH REPORT

Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil) 1969 relating to the Ministries of Industrial Development, Internal Trade and Company Affairs Department of Industrial Development and Labour, Employment and Rehabilitation (Department of Labour and Employment)



LOK SABHA SECRETARIAT
NEW DELHI

April 1, 1970 1 Chaitra, 1892 (Saka)

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CONTENTS

| | PAGE |
|---|-------|
| COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE , (1969-70) | (iii) |
| INTRODUCTION | (v) |
| CHAPTER I Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Develop- ment) | 1 |
| CHAPTER II Ministry of Labour, Employment and Rehabilitation (Depart- ment of Labour and Employment) | 51 |
| APPENDIX | |
| Summary of Main Conclusions/Recommendations of the Committee | 69 |

PART II*

Minutes of the sittings of the Public Accounts Committee held on:—

28th June, 1969(FN)

7th August, 1969 (AN)

13th March, 1970 (AN)

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*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

INTRODUCTION

1, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Fourth Report on Appropriation Accounts (Civil), 1967-68 and Audit Report (Civil) 1969.

2. The Appropriation Accounts (Civil) 1967-68 and Audit Report (Civil) 1969 were laid on the Table of the House on the 18th April, 1969. The Committee examined the paragraphs relating to the Ministries of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Labour and Employment) at their sittings held on the 28th June, 1969 (FN) and 7th August, 1969 (AN) respectively. The Committee considered and finalised this Report at their sittings held on the 13th March, 1970 (AN). The minutes of these sittings form part of the Report (Part II).*

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

4. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministries of Industrial Development, Internal Trade and Company Affairs and Labour, Employment and Rehabilitation for the Cooperation extended by them in giving information to the Committee during the course of evidence.

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI,
April 4, 1970.

Chaitra 14, 1892 (S).

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library)

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(1969-70)

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CHAPTER I

MINISTRY OF INDUSTRIAL DEVELOPMENT, INTERNAL TRADE AND COMPANY AFFAIRS (DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

Audit Paragraph

Foundry Force Project, Wardha

With a view to establishing additional foundry forge facilities to meet Defence and Civil needs, in March 1965, Government entered into an agreement with a foreign Government (hereinafter called the 'supplier'. for rendering consultancy services and for preparation of a detailed project report for setting up a steel foundry forge plant at Wardha. The total payment for those services (at the pre-devaluation cost) was to be Rs. 28.50 lakhs. The plant was to be designed to manufacture annually 12,000 tonnes steel castings, 13,500 tonnes ingots (for manufacturing either semi-finished gun barrels or finished spun pipe moulds and other forgings) and 200 tonnes of dies.

1.2. Under the agreement, the supplier was to submit to Government preliminary "estimates and economics of the plant" within seven months, and the full detailed project report within seventeen months, from the date when all the required data and documents were approved (in writing) by both parties to the agreement. It was also provided that if, after submission of the preliminary report, Government wanted to stop further work on the detailed project report, the supplier would be paid Rs. 14.25 lakhs (pre-devaluation) which would include all expenditure which the supplier might have incurred for the designing work on the detailed project report till the submission of the preliminary "estimates and economics of the plant".

1.3. After receipt of the preliminary estimates from the supplier in April 1966, Government decided on 18th February, 1967 to ask the supplier to stop further work on preparation of the detailed

project report on the ground that "on the basis of present expectations (viz., available surplus capacity in the public sector during the next 4-5 years) additional facilities for castings and forgings would be needed some time after 1970-71".

1.4. With the abandonment of the project, expenditure totalling Rs. 27.98 lakhs as mentioned below has become infructuous:

(In lakhs of Rs.)

| | |
|--|------------------------------|
| (i) Cost of preliminary report paid to the supplier | 22.44 |
| | (at post-devaluation rates). |
| (ii) Expenditure on a project division from 16th September, 1965 to 31st March, 1968 and other connected expenditure | 5.32 |
| (iii) Rent for office accommodation, etc. | 0.22 |

(Paragraph No. 42, Audit Report (Civil), 1969)

1.5. The Committee were informed that the Wardha Foundry Forge project "was originally conceived as a defence oriented project to cater primarily to defence needs and the proposal of the Defence Production Department to put up foundry forge facilities with Czech assistance was approved by the Munitions Committee on 13th March, 1964 as part of the Defence Plan 1964-69. The project was allocated to the Civil Sector after the production programme was suitably modified to include the production of civil requirements of spun-pipe moulds."

1.6. The Committee enquired about the production facilities planned in the forge and the extent to which they were meant to cater to Defence and civilian requirements. The information furnished on this point to the Committee is reproduced below:

"The following order of manufacture was envisaged in the

contract for Detailed Project Report concluded in **March, 1965** with the Czech Government:

Steel Foundry:

Castings

| Weight range | Automotive steel castings | Alloy steel castings | Maganese and steel castings | Total |
|--------------|---------------------------|----------------------|-----------------------------|--------|
| | Tons | Tons | Tons | Tons. |
| 2-70 KG | 2,932 | 400 | 400 | 3,732 |
| 70-200 KG | 669 | 1,000 | 800 | 2,469 |
| 200-500 KG | 283 | 1,000 | 800 | 2,083 |
| 500-800 KG | 116 | 1,600 | 2,000 | 3,716 |
| Total | 4,000 | 4,000 | 4,000 | 12,000 |

Ingots

Average weight of ingot

5 to 6 tons

Maximum weight of ingot

18 tons

13,500 tons ingots per year for the manufacture of either semi-finished gun barrels or finished spun pipe moulds and of other forgings and 200 tonnes of dies per year.

Forge shop

The total capacity was fixed at 8300 tons per annum, with 5,500 tons allotted for production of barrels or spun pipe moulds, and 2,800 tons of other forgings including die blocks and forgings for the maintenance of the plant."

1.7. During evidence the Secretary (Heavy Industries) indicated that though the main accent of the project was on meeting defence requirements, production for civilian demands was also provided for. The Defence requirements in respect of forgings "required a furnace of a certain capacity" which "naturally throws up a certain amount of surplus in production." To absorb the surplus, the product-mix had to be planned to meet other requirements also.

1.8. The Committee wanted to know whether, before planning the project, any assessment was made of the likely demands for forgings and castings. From the position explained during evidence and data/documents furnished to the Committee in this regard, it would seem that assessment of capacity available and demand for castings and forgings were made from time to time by a number of agencies as follows:

In September, 1964, the National Industrial Development Corporation carried out a survey at the instance of Government. The survey covered a wide range of castings, forgings etc., exclusive of the requirements of "classified end-users" like Defence, in respect of whom, due to the national emergency, there was difficulty in collecting data. The demand estimates were built up in the course of the survey on the basis of norms of consumption of various end-users and requirements, as worked out on the basis of these norms, related to the future targets of production. The projections worked out in the survey were as follows:

| | Anticipated demand 1970-71 | Installed capacity required |
|--------------------|---------------------------------|--------------------------------|
| Castings | 4.75 lakhs tonnes per annum. | 5.9 lakh tonnes per annum. |
| Forgings | 3.95 lakh tonnes per annum. | 4.4 lakh tonnes per annum. |

Installed capacity for castings in 1965-66 being 2 lakh tonnes per estimates as worked out above by the National Industrial Development Corporation considered necessary to plan for additional capacity in respect of castings for 3.9 lakh tonnes per annum and forgings for 2.7 lakh tonnes.

1.9. The Working Group of the Planning Commission adopted the estimates as worked out above by the National Industrial Development Corporation with the modification that in respect of castings, they considered it sufficient to plan for additional 3.6 lakh tonnes (instead of 3.9 lakh tonnes as suggested by National Industrial Development Corporation), "since substantial expansion of some of the existing units could be done to the extent of 30,000 tonnes per annum.

1.10. The preliminary report on the Wardha project was presented by the Czechs in April, 1966 "by which time a clearer picture regarding requirements of castings and forgings had emerged." A series of studies were, therefore, undertaken to assess as accurately

as possible the demand for various types of castings and forgings and the availability of capacities to meet such demands. Accordingly, in August, 1966, it was decided that two teams should study the capacity available in public sector plants to meet the demands of Defence for castings and forgings for which the Wardha project had been planned primarily. The two teams came to the following conclusions:—

Castings: Defence demand for castings estimated as 8,686 tonnes per year, in the weight range mainly of 2-500 KGS, could be met out of the forges in the public sector as

- (i) the Foundry Forge, Ranchi could accommodate the demand, even after meeting the optimum requirements of Heavy Machine Building Plant if orders were placed in advance;
- (ii) the steel foundry attached to Chittaranjan Locomotive Works, could produce immediately about 2,000 tonnes which could be increased to 3,000 tonnes by providing one more furnace.
- (iii) Mining and Allied Machinery Corporation (MAMCO) "have also surplus capacity" of 2,500 tonnes to 3,000 tonnes per year in the weight range 0 to 200 KG.

Forgings: The Defence demand estimated at 5,500 tonnes of forgings, requiring about 8,000 tonnes of steel ingots could be met by Heavy Engineering Corporation which had "adequate steel melting capacity" and necessary pre-heating, forging, annealing, pre-panning and heat treatment capacity etc. However, capacity could be engaged for Defence requirements on the basis of firm commitments.

1.11. The foregoing reports of the two Study Teams were further considered and the Director (Engineering) Planning Commission undertook a further assessment in September, 1966. His assessment of Defence demand for castings was 8,684 tonnes, 95 per cent of it in the range of 0-500 KGS and in respect of forgings, it was 4,800 tonnes, of 3 tonnes and above with a maximum piece-weight of 10 tonnes, though the demand was considered to be of "a somewhat fluctuating nature". His view was that these requirements could not be planned "on a sustained basis on any existing or planned public sector projects" for the following reasons:

Castings:

- (i) The demand for castings by 1970-71 would be 2.25 lakh tonnes against which production from private sector units

would be 1.75 lakh tonnes and from public sector units, including those planned, 50,000 tonnes. Thus the total production by 1970-71 will just meet anticipated demand, without meeting defence requirements.

- (ii) The foundry at Heavy Engineering will find itself "fully booked" after the steel development programme including Bokaro, Bhilai, Rourkela expansion, private sector pig iron projects and 5th and 6th Plants gather momentum.
- (iii) Mining and Allied Machinery Corporation has "a considerable programme of diversification", with production of washeries and mechanical handling equipment and the proposal to manufacture tractors. "The surplus capacity may well turn out into a deficiency."
- (iv) The foundry at Chittaranjan can take outside orders for the next 3-4 years to the extent of 1,000 tonnes, but surplus capacity on a long term basis would not be available, as Railways' own requirements are far in excess of the capacity of the foundry (10,000 tonnes).
- (v) The demands envisaged above may build up gradually, but it would be "uneconomic" to use the facilities available in these foundries which are designed to cast heavier castings to meet lighter castings of the type needed by Defence, except as an interim measure.

Forgings:

- (i) The demand for forgings by 1970-71 would be 2.75 lakh tonnes, against which production in the private sector, "which will be almost entirely below 3 tons piece", will be about 1.96 lakh tonnes. The total production in the public sector by 1970-71 may "add up" "to only about 40,000 to 50,000 tonnes", thereby "still leaving substantial gap in the requirements."
- (ii) The capacity of the forge at Heavy Engineering Corporation "may not be fully utilised for the next 4-5 years" when it would be "desirable" to place on it the orders for Defence requirements. These should, however be, off-loaded thereafter.

1.12. The conclusions of this study were:

- (i) Heavy Engineering Corporation and Mining and Allied Machinery Corporation should be immediately given orders for castings and forgings required for Defence.

- (ii) As a long term measure, the Wardha Foundry Forge, with a capacity for 8,000 tonnes of steel castings in the range of 0-500 KGS and 5,000 tonnes of steel forgings for gun barrels/moulds for cast iron pipes*, should take on the load of Defence orders.

1.13. After the foregoing review was made, yet another assessment was made by the Planning Commission in February, 1967 which also indicated the need for a foundry forge at Wardha for the following reasons:

Castings:

- (i) "It is not certain" that over and above their own programme, any substantial steel casting capacity can be spared by Heavy Engineering Corporation.
- (ii) Utilisation of existing capacity, primarily meant for heavier castings for lower weight castings (of the type required by Defence) does "not appear attractive". "The same reasoning and conclusions would also be applicable to the capacity of 9,000 tonne created at Mining and Allied Machinery Corporation, Durgapur."
- (iii) With the possibility of Railways switching over to steel cast bogies from fabricated bogies and to steel cast wheels from rolled wheels, diversion of steel casting capacity for their requirements may become necessary.

Forgings:

- (i) The total requirements of steel forgings above 3 tonnes (of the type required by Defence) by 1970-71 would be 37,000 tonnes, inclusive of Defence demand of 4,500 tonnes. Forgings of this type is available in the public sector "only" from Heavy Engineering Corporation, Ranchi. It may not be possible "to count on diversification by the existing forging units in the private sector to take up these forgings in competition with the public sector when the main consumer for such forgings will be the public sector." Against the requirements of 37,000 tonnes, the likely capacity available "is only of the order of 9,420 tonnes in 1970-71."

1.14. The conclusion therefore was that it would be "undesirable" to hold up the Wardha Project, which should be planned for a capa-

*According to "Monthly Statistics of Foreign Trade of India", imports of steel castings, iron steel forgings and spun cast iron pipes during the period April, 1968-March, 1969 were Rs. 3.76 crores, Rs. 2.11 crores and Rs. 0.40 crores respectively.

city of 8,500 tonnes of forgings (3 to 20|30 tonnes range) and 8,500 tonnes of casting (0-500 KGS range).

1.15. At an inter-ministerial meeting held in February, 1967, it was decided in view of the varying assessments of demands and facilities that should be made available to meet them that

- “(i) The Czechs should be informed that they need not undertake the preparation of a DPR for the WFFP.
- (ii) Action should be taken immediately to place orders on the Heavy Engineering Corporation for the Defence requirements of gun-barrel forgings and to provide the necessary additional facilities at the Heavy Engineering Corporation.
- (iii) The immediate Defence requirements of automotive steel castings may also be placed on Heavy Engineering Corporation|Mining and Allied Machinery Corporation at least for interim production, pending a decision of the Warana project.
- (iv) The National Industrial Development Corporation should undertake a study of the various questions raised and suggestions made in the course of the discussions in the light of a comprehensive re-assessment of the demand|capacity for steel castings and foregings in the country, and submit a report within a month”

1.16 The National Industrial Development Corporation which accordingly carried out a survey in February, 1967 reported *inter-alia* that “while targets of end-user industries towards end of the Fourth Plan are building up, doubts continue to be entertained with regard to the actual feasibility of achieving such a physical target. These doubts are conditioned by the present state of economy, lack of technical know-how, skills, tools, drawings etc. These doubts are genuine and must necessarily be taken into consideration for any projections if such projections are expected to present a realistic picture.” The Corporation compiled an estimate of requirements upto 1975-76, both on the basis of the targets laid down by the Planning Commission and the “minimum targets” about which there need be “no doubt of achievement by that time”. These are as under:

(i) *Forgings (only press forgings)*

| | 1970-71 | 1973-74 | 1975-76 |
|---|-------------|---------|---------|
| | (In tonnes) | | |
| On the basis of Planning Commission's targets | 52,810 | 61,900 | 67,500 |

| | | | |
|--|--------|--------|--------|
| On the basis of minimum targets postulated by N.I.D.C. | 42,880 | 50,745 | 57,760 |
|--|--------|--------|--------|

(ii) Castings (Heavy castings generally over 5 tonne piece weight)

| | | |
|---|--|-------------|
| | | 1975-76 |
| | | ----- |
| | | (in tonnes) |
| On the basis of Planning Commission's targets | | 35,000 |
| On the basis of minimum targets | | 28,250 |

1.17. The survey added that for steel castings as a whole "assessment of requirements...have been undergoing drastic changes due to substantial revisions in targets of end-user industries. From an earlier figure of 4.5 lakh tonnes|annum these demands have, on the basis of the same norms of consumption been reduced to 2 lakh tonnes per annum by 1970-71 according to the latest target figures of end-user industries indicated by the Planning Commission. Even this figure is subject to doubt due to uncertainty regarding the firm demands of the main consumers of light and general castings, such as the Railways."

1.18. During evidence the Committee drew the attention of the Secretary (Heavy Industries) to the fact that assessments of demands and availability carried out at different stages produced such widely discrepant figures and enquired on what basis the whole project was planned. The witness stated that the survey carried out by the National Industrial Development Corporation in 1964 showed that "the capacity otherwise planned will not be sufficient to take care of requirements for Defence purposes. Very little surplus capacity was expected from any of the public sector foundries." The estimate of demands for forgings and castings was made at a time when "there was a continuous upward rate of growth. It was in that climate that each Ministry, each agency and each public sector undertaking was planning for its own targets Round about 1963-1964 we did not know that there was any prospect of recession. As a result of recession there was a downward revision of all the physical targets in the Plan. It was felt that some of the things required such as castings, foundry forge etc. could be obtained elsewhere." The requirements of gun barrels for which *inter-alia* the Wardha Project was intended however "were something urgent. Fortunately the foundry forge at Ranchi was also a Czech assisted project. So it was decided that it could as well be done there."

1.19 The Committee enquired why the possibility of off-loading the Defence orders for gun barrels to the forge at Heavy Engineering Corporation, Ranchi was not considered in the first instance

before Czech collaboration for preparation of a Project Report for the Wardha Project was sought. The witness stated that the expectation was that the progress of the Ranchi Foundry Forge would be barely adequate to meet the requirements of the Machine Building Plant which is adjacent to it." The witness further pointed out that the Heavy Engineering Corporation "have defaulted" in supply of gun barrels. He added: "The result is that these gun barrels are not coming out. . . . But at that point of time there was this collective wisdom and everybody thought that there was this capacity in Ranchi and if it came up quickly enough, it could meet the requirements for gun barrels. But as things have turned out, it has not worked like that Looking back, if you will allow me the liberty to say that, I do wish we had gone ahead with the work on Wardha Foundry Forge Project." In reply to a further question, the witness stated that the Heavy Engineering Corporation were consulted before the Defence orders were off-loaded to them and they had agreed. In a detailed note about the position of execution of Defence orders for gun barrels placed with Heavy Engineering Corporation, the following position has been brought to the notice of the Committee:

"A Technical Committee constituted by the Government of India in the Department of Industrial Development visited the plants of Heavy Engineering Corporation Ltd., Ranchi to determine the capacity of Heavy Engineering Corporation Ltd., to meet the defence needs.

In the meeting of the Technical Committee held on the 5th August, 1968, the details of the type of gun barrels that might be required by the Ministry of Defence were discussed. It was decided that the requirements of the Ministry of Defence should be indicated by the Director General of Ordnance Factories to Heavy Engineering Corporation, in a month's time in consultation with the Ministry of Defence. This has, however, not been done to date.

Orders for the supply of certain number of barrels have, however, been placed on Heavy Engineering Corporation. These barrels are forged and do not involve casting. In addition to gun barrels, specific orders for the following items have been placed on Heavy Engineering Corporation and there also, no regular demand has been indicated:

- (a) 170 sets of castings and forgings for gun carriages to be manufactured by Heavy Engineering Corporation;
- (b) 25 Turret rings for Heavy Vehicle Factory, Avadi, Madras;
- (c) 2 numbers each of rudder stock, intermediate shaft, AIS shaft etc., for frigate equipment.

Heavy Engineering Corporation are being consulted before orders are placed by the Ministry of Defence and delivery period in each case is worked out taking into consideration the preparatory and manufacturing cycle, intricacy of the job and the existing load on account of other orders.

The defence requirements for which orders have been placed on Heavy Engineering Corporation involve development work and some initial teething difficulties were encountered. The deliveries for gun barrels have been committed from June, 1969. 21 gun barrels have already been forged. The deficiencies noticed during the tests are being eliminated and it is expected that the manufacture of this item on a regular basis will be established very soon. The manufacture of the other items of equipment is in progress."

1.20. The Committee enquired about the capacity available for various weight-ranges of castings and forgings in foundries in public sector enterprises and actual production. The information available on this point is tabulated below:

| <i>Heavy Engineering Corporation.</i> | | | |
|---|-----------------------|-------------------|---------------------|
| 1968-69 | | | |
| | Installed capacity | Actual production | %age of utilisation |
| (In tonnes) | | | |
| Foundry Forge Project | 1,43,112 | 10,062 | 7% |
| <i>Mining & Allied Machinery Corporation.</i> | | | |
| Capacity available | 9,000 tonnes | | |
| | | Target | Production |
| (In tonnes) | | | |
| Actual Production (1968-69) | Rough casting (steel) | 500.90 | 136.54 |
| | Rough forging | 300 | 29.96 |
| | Rough casting (iron) | | 20.50 |

1.21. The Committee drew the attention to the data published in the Reserve Bank Bulletin (April, 1969) after a survey of excess capacity and production potential in selected industries in India. According to this data, the annual percentage under-utilisation of 3413 (Aii) LS-2

capacity in the castings and forgings industry was 15.7 per cent in 1963, 8.3 per cent in 1964, 32.5 per cent in 1965, 51 per cent in 1966 and 59.5 per cent in 1967. The number of desirable shifts in the industry was 3, as against which the industry worked only in 1 shift. The witness stated that there is a "certain risk in over-all figures." He added: "I am not disputing the figures. Even today, in the private sector, about 75 per cent of the casting capacity is mainly for wagon industry. They are not sophisticated castings; they are not heavy castings. They are meant for mainly the wagon industry. If I may say so, they are rather unsophisticated castings and for limited purposes. There is a considerable idle capacity in this industry. It is entirely due to recession which led to a very steep fall in the off-take of wagons by the Railways. That is why you find the total figure so alarming. I am not minimising it. Neither in terms of size nor in terms of quality are they really adequate for heavier and more sophisticated needs. That is why even now we are importing castings and forgings for more sophisticated engineering goods like the requirements for Bokaro, Heavy Engineering Corporation or Heavy Electricals, and we have the paradox of surplus capacity, on the one hand, in some industries and imports at the same time for the other requirements of a more sophisticated nature." As to the question of desirable number of shifts, the witness apprised the Committee of the following position: "In respect of all engineering industries, the capacity is reckoned in terms of two shifts. All new licences are granted on the basis of two shifts. Old licences of a single shift have now been converted into double shift capacity. Now, as to what extent to licence, castings and forgings industries have been de-licensed. Where licensing is done, we do licence a certain margin extra for two or three reasons. Firstly, all the licensed schemes do not go through. Secondly, there are certain hazards of production. The production is not always upto hundred per cent. At an optimum level of production, the capacity is reckoned in terms of two shifts. But this may vary from case to case." The Committee observe from the documents furnished to them that certain representations were received from the Steel Furnace Association of India in 1965 that "licences in excess of the requirements of the country had been granted under the Industries (D&P) Act." A review of the Steel Casting Industry was, therefore, made by the Director General, Technical Development and placed before the Licensing Committee. A second review was carried out in which the following conclusions were drawn:

"It is considered that a total production of 1,75,000 tonnes in 1970-71 by steel foundries in the private sector could not pose any economical problem for the industry. The pre-

sent anxiety of the industry is caused primarily due to downward trend in the railway orders because of curtailment in the wagon manufacturing programme and commissioning of railways' own steel foundry. If, therefore, the old units in the industry switch over to the production of heavier types of castings and more particularly specialised alloy steel castings by properly balancing and modernising their plants with heat-treatment facilities, material handling facilities, etc., full utilisation of their installed capacity should not prove to be any problem."

1.22. The Committee asked for particulars of capacity in forgings| castings licences furnished from time to time in private sector. The data given on this point is summarised below:

- (i) Installed capacity in the private sector and actual production of castings and forgings:

| Year | Installed capacity | | Production (M. Tonne per annum) | |
|------|--------------------|----------------|---------------------------------|----------|
| | Steel castings | Steel Forgings | Steel castings | Forgings |
| 1963 | 58,840 | 56,834 | 48,639 | 55,800 |
| 1964 | 82,440 | 73,410 | 55,498 | 62,620 |
| 1965 | 1,22,120 | 71,910 | 59,626 | 68,850 |
| 1966 | 1,18,180 | 81,270 | 53,646 | 51,900 |
| 1967 | 1,30,200 | 83,740 | 52,740 | 40,500 |
| 1968 | 1,37,270 | 1,01,000 | 47,450 | 44,500 |
| 1969 | 1,37,270 | 1,01,000 | 20,450 | 28,500 |

(January to June)

- (ii) "All new units|capacities established after 1963 in the private sector have the manufacturing range of steel|alloy castings between 2 Kgs. to 3,000 Kgs., except M/s. Hindustan Motors who have a manufacturing capacity of castings upto 10 tonnes single piece."

- (iii) As regards forgings, "the leading forge-shops in the private sector can produce forgings upto 2 tonnes per piece."

The Committee also observe that in the course of survey carried out in February, 1967, the Planning Commission had stated that it "should be technically possible for some of the captive units (in the private sector for castings) to meet defence requirements without the addition of balancing equipment", though one of the leading units

had indicated its inability to undertake orders from Defence, in view of its own programme for expansion.

1.23. The Committee enquired how much had been paid to the foreign party for the preliminary report. The witness stated that it amounted to Rs. 14.25 lakhs in pre-devaluation terms (Rs. 22.44 lakhs on post-devaluation basis). The Committee pointed out that the agreement was in two parts—one for preparation of a preliminary report and the other for the detailed project report. In view of the stoppage of work, the Committee enquired whether, if necessary, preparation of detailed project report could later be resumed on the old terms. The witness observed that “technically the agreement is at an end. . . . We will have to start again and negotiate a fresh agreement. But I would expect that in negotiating the further terms (if it proves necessary), some regard may be paid to the work that has already been done.” Asked if the project should be deemed abandoned, he said, it had been “only deferred”, pending a review in 1970-71, when the position would be clear.

1.24. The Committee drew attention to the observation in the Audit paragraph about the expenditure on project division, rent etc. amounting to Rs. 5.54 lakhs, which also turned out to be infructuous. They enquired why, after the work was abandoned, the Division was not closed down. It was stated that though in February, 1967, the Czech authorities were asked to stop further work, “It was only in September, 1967 that it was decided finally that the Project Division should be wound up as there was no knowing when a final decision on the project would be taken.” The sanctioned strength of the Division was, however, in the meanwhile, “reduced to the extent possible.” Posts on the administrative side were continued, after dispensing with the services of some clerical staff, “to enable various administrative matters to be attended to, such as reconciliation of accounts, disposal of audit objections, payments to various agencies, disposal of furniture and stationery and other allied matters.” The Project Division was wound up on 31st December, 1967, i.e., two months after the decision in this regard was taken, “it was wound up as quickly as possible.”

1.25. The Committee drew attention to the data in the Annual Report of the Ministry regarding another forge contemplated at Haridwar on which “some preliminary work in connection with the construction of the plant had been taken in hand” and enquired whether, in view of Government’s decision in regard to Wardha Forge, the Haridwar Project was being proceeded with. The following position in regard to this project was explained to the Committee.

The Haridwar Forge was not contemplated as a general purpose foundry forge. It was intended "essentially as a plant for supplying castings and forgings for the heavy electrical industry." These are "very sophisticated" castings and they involve "a specialised know-how." The project was proceeded with, following the recommendations by a Committee consisting of representatives of Ministry of Commerce and Industry, Heavy Engineering Corporation, Heavy Electricals, Hindustan Machine Tools, Directorate General, Technical Development and C.W.P.C. which reported in 1960. A technical Committee which went into the matter further reiterated in 1963 the need for a forge of this type and after they reported, it was decided at an inter-departmental meeting in January, 1964 that clearance should be obtained for this plant with a capacity of 15,000 tonnes each of forgings and castings. The project was approved in principle by Finance Minister and Deputy Chairman, Planning Commission. Thereafter Heavy Electricals Ltd. prepared a project report in October, 1964 and the matter was considered by the Production Committee of Secretaries in March, 1965 for approval of negotiations with prospective collaborators, M's. Schneider of France, with whom an agreement was executed in May, 1966.

1.26. The subsequent events in regard to this project were as under:

- (i) After an assessment of demand for castings/forgings in February, 1967 the Planning Commission took the view that "there would be little justification for a 4,000|5,000 tonne press at Haridwar", as the "6,000 tonne press at (Heavy Engineering Corporation) Ranchi could fully meet the requirements of Heavy Electricals and Bharat Heavy Electricals in the higher weight ranges."
- (ii) Due to "divergence of views in regard to the demand for steel castings and forgings", the National Industrial Development Corporation was asked to carry out a survey. Their report (February, 1967) was that "even after allowing" for capacity available at Ranchi, "there can be no doubt as to the justification for the 2 presses included in the scheme for the Central Foundry Forge, Haridwar", as the "6,000 tonne press at Ranchi would not be in a position to cater to the total needs of the country for the type of forgings which have to be produced on 4,000|6,000 tonne presses." In fact, the melt capacity which the installation of the foundry would bring up should also "be taken advantage of for covering the gap of the specialised castings with a lower investment."

- (iii) "The National Industrial Development Corporation's Report was considered in an inter-ministerial meeting on 15th June, 1967 when it was decided:
- (a) that the Government intended to proceed with the Haridwar Project;
 - (b) that while there is no doubt in regard to 1000 tonnes press the question whether the second press should be of a capacity of 2600 tonnes or 4000 tonnes was still under examination;
 - (c) the phasing of the project and particularly the time by which the second press would be required was also under study;
 - (d) that in the foundry section the lighter casting bay for the production of 3000 tonnes per annum of smaller types of castings was not considered necessary for the present.
- (iv) An inter-ministerial meeting was taken by Member (Industry) in the Planning Commission on 30th May, 1968 to consider further the Foundry Forge Project at Haridwar. It was decided:
- (a) National Industrial Development Corporation should assess the extent to which end-user requirements can be met with the four presses already planned at Ranchi and the 3000 tonnes production capacity offered by Alloy Steel Plant, Durgapur;
 - (b) the proposal of Alloy Steel Plant, Durgapur should be discussed further with them to ascertain the extent to which the capacity could be ensured on a continuing basis; and
 - (c) the Ministry of Industrial Development and Company Affairs should hold discussions with the various steel foundries—who may be in a position to produce the type of castings required by Bharat Heavy Electricals Limited|Heavy Electricals (India) Limited—to establish firmly the extent to which they can be relied upon for such supplies and the additional investments, if any, which may be required by them. For this purpose the National Industrial Development Corporation should assist the Ministry of Industrial Development and Company affairs.

(v) Accordingly the capacity available in the private sector was assessed along with the extra investment that will be needed if the private sector itself was to make available castings and forgings to the requisite quality and dimensions needed by Bharat Heavy Electricals Limited. Thereafter the availability of capacity in the Foundry Forge Project at Heavy Engineering Corporation, Ranchi was also estimated. These and other relevant factors were considered at the inter-ministerial meeting held on 12th February, 1969 in the Planning Commission when it was decided as follows:—

- (a) The entire scope of the Central Foundry Forge Project, Haridwar may be deferred for the present. This would be further examined sometime in 1971-72.
- (b) The Ministry of Industrial Development and Company Affairs would in the meantime examine the entire scope of the project in detail particularly the question of 4,000 tonnes press on techno-economic considerations in the light of the present indications of the power and steel targets and the size of turbo sets likely to be required during the next two Plan periods.
- (c) The Ministry of Industrial Development and Company Affairs should examine the possibility of Schneiders giving the necessary technical know-how at Heavy Engineering Corporation in respect of forgings and castings which could not be manufactured with the existing know-how available at Ranchi.
- (d) The existing agreement standing with Schneider at Haridwar may for the time being be extended upto 1971-72.
- (e) In the meantime Bharat Heavy Electricals Limited and Heavy Electricals (India) Ltd. should continue to send the drawings and other details of forgings and castings required by them to the Foundry Forge Plant of Heavy Engineering Corporation so that the latter may try and manufacture the same. In this respect, Heavy Engineering Corporation should also try to improve upon its delivery schedules.

Bharat Heavy Electricals Limited and Heavy Electricals (India) Limited have been requested to take action accordingly."

1.27. In reply to a question from the Committee as to how much fee was paid to the collaborators, the Secretary (Heavy Industries) stated: "The fees payable to the French collaborator fall into two parts: first, for engineering services and secondly, for the technical know-how. The quantum of payments are tied with dates also. In respect of engineering services, the total payable is 1.5 million French Francs; in terms of rupees, it will be Rs. 23.3 lakhs, of which four instalments, due on the 10th June, 1966, 10th May, 1967, 10th November, 1967 and 10th May, 1968, have been paid; that would be roughly Rs. 21 lakhs. The last instalment is payable a month after the commissioning of the plant and, therefore, does not fall due for payment.

1.28. Coming to the technical know-how the total payments are spread between June, 1966 and November, 1973, the total being 4.2 million French Francs, i.e., about Rs. 65 lakhs. So far, three instalments have been paid—about 2 million French Francs, i.e., roughly Rs. 31 lakhs. That is, the instalments due in June, 1966, May, 1967 and May, 1968 have been paid. The rest of them are after 1970."

1.29. In reply to a further question from the Committee, the witness stated that, as in the case of Wardha, in this case also, round about 1970-71, in the mid-term, we will take another look."

1.30. The Committee drew attention to the fact that the project reports in both cases had been prepared by foreign consultants and enquired when Government hoped to be free of the "incubus of having to take assistance and collaboration of foreign consultants." The witness stated that "progressively" consultancy agencies were coming up, including the National Industrial Development Corporation. "After two years or so in some of the projects it will not be necessary to hire foreigners for consultancy."

1.31. The Committee can reach only one conclusion from the information furnished to them namely, that planning for capacity in the castings and forgings in the country has been beset by doubts and indecision at every stage. Preliminary work was started between 1965 and 1966 on two Project in this field, one at Wardha for production of gun barrels and castings needed by Defence and spun cast pipes for civil sector and the other at Haridwar to manufacture sophisticated castings and forgings for the heavy electrical industry. Both these projects are now in a state of animated suspension. Work has been "deferred" from February, 1967 in the case of Wardha, after the foreign consultants had prepared the initial project report and from February, 1969 in respect of Haridwar Project, after the foreign collaborators had done some preliminary work in connection with the construction of the plant. A sum of Rs. 27.98 lakhs has so far been expended on the Wardha Project, including Rs. 22.44

lakhs paid to the foreign consultants, while the amounts paid to the foreign collaborators in respect of the Haridwar Project add up to Rs. 52 lakhs. A final decision on these projects awaits a further review in 1970-71.

1.32. The course of events in regard to both these projects makes interesting reading. The project at Wardha was conceived in March, 1964 and agreement for consultancy signed with a foreign party in March, 1965, against the background of an assessment made by the National Industrial Development Corporation in September, 1964, which anticipated a substantial gap in facilities for production of castings and forgings by 1970-71. After the preliminary report on the project was presented by the consultants in April, 1966, a study team reported in September, 1966 that the Defence requirements, for which the project was primarily intended, could as well be planned on the foundry forge at Heavy Engineering Corporation, Ranchi and Mining and Allied Machinery Corporation, which were considered to have the necessary facilities. These findings were not, however, accepted by the Planning Commission, which made two assessments of the demands for forgings and castings in September, 1966 and February, 1967. Both of these affirmed that it was "undesirable" to hold up the project, as Defence requirements could not be off-loaded "on a sustained basis on any existing or planned public sector projects." However, in view of the conflicting assessments made from time to time, Government decided in February, 1967 to defer the work on the project and to off-load, as an interim measure, the Defence requirements to the Heavy Engineering Corporation and Mining and Allied Machinery Corporation. Pending a detailed assessment of the position by the Director General, Ordnance Factories, orders were placed for certain gun barrels on Heavy Engineering Corporation, Ranchi. Though deliveries were "committed from June, 1969", not a single barrel has yet been supplied. In the meanwhile, the country continues to import steel castings, forgings and spun cast iron pipes: their import during the period April, 1968—March, 1969 amounted to Rs. 6.27 crores. And paradoxically enough, the foundry forge both at Ranchi and at Durgapur continue to work substantially below capacity, as would be evident from the data given at page 11 of this report.

1.33. In respect of Haridwar, the project was conceived by a Committee in 1960, further examined by another Technical Committee in 1963 and cleared by Government in January, 1964. A collaboration agreement with foreign party was executed in May, 1966. In February, 1967, the Planning Commission concluded that there was

“little justification” for it, but a survey carried out by the National Industrial Development Corporation at about the same time stated that there could be “no doubt” in this regard. In June, 1967, Government decided that they should “proceed” with the project, but on a phased basis, but, in May, 1968, after further consultations with the Planning Commission, it was decided that an assessment should be made of capacities available in public and private sector. In February, 1969, after such an assessment, it was decided that the entire project “may be deferred for the present” and the collaboration agreement extended till 1971-72, when a further examination would be made.

1.34. The Committee consider it regrettable that planning in respect of these projects should have been characterised by vacillation at every stage. The uncertainty surrounding these projects has been due to widely divergent estimates of requirements for castings and forgings arising out of the inability of the Planning Commission to decide on the targets for end-user industries. The National Industrial Development Corporation’s estimate in September, 1964 was that the requirement by 1970-71 would be 4.75 lakhs tonnes per annum in respect of castings and 3.95 lakhs tonnes in respect of forgings. Within two years, i.e., in September, 1966, these estimates were pruned, after an assessment by the Planning Commission, to 2.25 lakhs tonnes in respect of castings and 2.75 lakhs tonnes in regard to forgings. The National Industrial Development Corporation which carried out a further survey in February, 1967 reported a further reduction in the anticipated demand for castings to 2 lakhs tonnes and added that there were “doubts” about “the actual feasibility” of achieving targets for end-user industries on which the targets were based. Pointing out that these doubts were “genuine”, the National Industrial Development Corporation felt constrained to make a fresh assessment of the demands for castings and forgings on the basis of “minimum targets” about which there need “be no doubt of achievement.”

1.35. The Defence Production Department, for whose requirements the Wardha Project was primarily planned, are also not free from blame. Their estimates of demands, particularly for forgings have been of “a somewhat fluctuating nature, ranging from 5,500 tonnes to 4,500 tonnes.” A firm assessment of requirements was to have been made by the Director General, Ordnance Factories by September, 1968 for purpose of planning the production of gun barrels from Heavy Engineering Corporation, Ranchi, but “this has not been done to date.”

1.36. The Committee would like Government to consider initiating action on the following lines:

- (i) The Planning Commission should come to a final decision, without any delay, on the targets for end-user industries.
- (ii) Based on such firm-targets, a realistic assessment of the requirements of forgings and castings should be made, having regard to the necessity for import substitution and to urgent Defence requirements for gun barrels and other castings/forgings.
- (iii) There is substantial unutilised capacity in the 'captive' foundry forges in the public sector plants, particularly at Ranchi and Durgapur. The spare capacity available in these forges to meet other demands has been the subject-matter of conflicting assessments, but a firm assessment should now be made of the spare capacity having regard to the requirements of these units worked out on a realistic basis.
- (iv) There is substantial unutilised capacity in the private sector, where, according to a recent Reserve Bank survey the percentage of under-utilisation has shot up from 15.7 per cent in 1963 to 59.5 per cent in 1967. The data given at page 11 of this report would indicate that in 1968 and 1969, the position was no better. There were complaints by the Steel Furnace Association in 1965 that licences "in excess of the requirements" had been issued, but after investigation, it was concluded that fuller utilisation of capacity "should not prove to be a problem". As the problem persists the possibility of putting the surplus capacity to productive use should be examined, particularly as the view has been taken that some of the units are capable of meeting Government demands.

1.37. An exercise on the foregoing lines should help Government to plan realistically for their known and urgent requirements and to come to a speedy and correct decision on the question of desirability of further units. The experience of utilisation of capacities available with public sector undertakings to which the Committee have alluded in paragraphs 4.31-4.32 of their Fifty-Fifth Report (Fourth Lok Sabha) and paragraph 1.40 of their Ninetieth Report (Fourth Lok Sabha) suggest the need for extreme circumspection before embarking on new ventures. In any case permanent arrangements will have to be made for supply of gun barrels of acceptable quality re-

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quired by Defence and it will also have to be ensured that the interim orders placed with the Heavy Engineering Corporation are speedily executed.

1.38. There is another matter to which the Committee would like to draw the attention of Government. Three foundries in the public sector, one at Ranchi (Heavy Engineering Corporation) and two at Durgapur (Mining and Allied Machinery Corporation and Alloy Steel Plant) have already been set up with foreign collaborations. The same pattern was to be followed in the case of Haridwar and Wardha. The deferring of the last two projects would suggest that the collaborations sought for these projects were perhaps not necessary or that their scope could have been reduced by suitably enlarging the terms of the collaborations for the other three projects already set up. However, the Committee would like Government to consider whether, having gone this far, it would be advisable at least to acquire the know-how provided for in the collaborations, particularly when, in the case of the Haridwar project, the collaborators have been paid as much as Rs. 52 lakhs out of the total fee of Rs. 88.3 lakhs for obtaining the technical know-how.

1.39. This experience of huge infructuous expenditure in these cases indicates the need for developing consultancy expertise in this country early. The Committee note that in about a couple of years' time Government are themselves hopeful that these can be built up for "some of the projects" which are undertaken. In the Committee's view this is indicative of a very limited approach to the problem. The aim should be to develop consultancy services not just for "some of the projects" but in all the major fields, and Government should take purposeful efforts in this direction. Consultancy services are already available in the Country in certain fields and it should not be difficult for Government, with sustained efforts, to strengthen and enlarge the scope of these services.

1.40. The Committee enquired whether there had been other instances of projects having been dropped after preliminary work had been done. The following particulars in this regard were furnished to the Committee:

| "Project | Expenditure incurred |
|---------------------------------------|----------------------|
| 1 | 2 |
| Pulp/Paper Project in U.P. and Bihar. | Rs. 71,627.76. |

| 1 | 2 |
|--|---|
| Project for producing better grades of salt at Kandla for export purposes. | Rs. 17,000.00 (Paid to National Industrial Development Corporation for preparation of preliminary project report). |
| Gears Project | Rs. 7,000,00 (Paid to National Industrial Development Corporation for preparation of techno-economic report). |
| Project for Thermal Generating Equipment | Rs. 8,57,529 (Paid to International General Electric Company for feasibility study report). |
| Project for Power Boilers | Rs. 8,36,053.40 (Paid to M/s. Combustion Engineering for feasibility study). |
| Machine Tools Project, Bhavnagar. | Rs. 36,44,894.25* (Rs. 23.76 lakhs* to Skodaexport for Detailed Project Report, Rs. 12.60 lakhs* to National Industrial Development Corporation for working drawings and Rs. 8894.25 as commission and bank charges.). |
| Mechanical Instruments Plant, Palghat. | As on 31-12-68, Rs. 26.72 lakhs (including Rs. 9.09 lakhs paid to the Soviet Collaborators as cost of the Project Report and initial expenses on the collection of data)." |

1.41. The reasons for dropping these projects have been explained as follows:

(i) Pulp|Paper Project in U.P.|Bihar.

The feasibility report was prepared by a firm of engineers in U.K. on the basis of a study conducted between January, 1966—March, 1966, following an earlier study made by National Industrial Development Corporation in February, 1955. "The members of the foreign Team which visited this country and prepared the Report, did not charge anything by way of salaries or technical fees. Their actual expenditure on both-way Air journey and stay in India was, however, borne by the Government of India, through the National Industrial Development Corporation. The latter, in addition, on their part, charged a lumpsum amount of Rs. 25,000 as their own commission." An appraisal group set up by Government decided in July, 1967 that it "would be prudent to defer the project", in view of the "serious set back" in sugar production in U.P.|Bihar

*Information furnished by Government. According to Audit the figures should be Rs. 36,45,273.95, Rs. 23.79, Rs. 12.60 and Rs. 6,488.75 respectively. Clarification from Government awaited.

areas which rendered an adequate supply of bagasse for the newsprint factory uncertain.

(ii) Project for production of better grades of salt at Kandla.

This project was given up, as, after the preparation of the Project Report, the Salt Commissioner who consulted "the progressive salt manufacturers" found that "none was interested in the scheme to manufacture refined salt on the basis of the project report, as it involved an expenditure of Rs. 1,50,00,000 for a capacity of 30,000 tonnes."

(iii) Gears Project.

In March, 1966, the National Industrial Development Corporation was asked to prepare a "techno-economic" report on the project. In the meanwhile, it "emerged that a considerable captive capacity had been created by various firms all over the country and therefore, a new centralised plant for manufacture of gears was not considered necessary". Further work on the survey was, therefore, stopped.

(iv) Project for Thermal Generating Equipment.

A firm of foreign consultant in U.S.A. was asked in June, 1964 to make the feasibility study for a heavy electrical manufacturing plant. Their report submitted after a study conducted in 1964-65 was further examined by a Committee (Nag Committee) and after its report was considered in January, 1966, Government decided that "the annual requirements of hydraulic turbines and generators upto the Sixth Plan (2 M KW) could be met from the factories at Bhopal (0.5 M KW) and Hardwar (1.2 M KW) and that there was no need to plan additional capacity for the present." Regarding requirements of steam turbines and generators, "it was agreed that when the capacities being established at Bhopal, Hardwar and Hyderabad (total 3.5 M KW per annum) are brought into fruition", they would be "sufficient to meet the annual generating capacity of 2.3 M KW by Fifth Plan and 3 M KW by the Sixth Plan; there would also be no difficulty progressively to take on manufacture of larger units at Bhopal and Hardwar and the size and range of units required would be decided from time to time."

The foreign exchange involved for the preparation of the report in this case was Rs. 8,57,529.

(v) Project for Power Boilers.

The plant feasibility study in this case was conducted in terms of a formal agreement entered into with a foreign firm in U.S.A. in June, 1966. The study was conducted in 1968 and indicated that

"a new manufacturing unit with special facilities for fabrication of tubular components for large-sized boilers would be required to be set up in the country at an estimated cost of Rs. 544 lakhs." A Technical Committee went into the matter further and came to the following conclusions:

"The requirement of conventional thermal power generating capacity up to the end of Fifth Plan will not exceed 1.8 million KW per annum, based on targets of 24 million KW and 39 million KW of total generating capacity by 1973-74 and 1978-79 respectively. The capacity of the two main boiler manufacturing units in the country, namely, AVB and BHEL (Tiruchy Unit) would be adequate to meet the requirements.

Both the AVB and the Tiruchy Units have adequate tube fabricating facilities for the boilers to be manufactured in their respective units and there is no need for setting up any additional manufacturing unit for this purpose.

The Haridwar Plant of the BHEL has been designed and equipped for the manufacture of 200 MW as well as 300 MW turbosets. The only additional facility that may be required for the manufacture of 300 MW turboset would be the installation of an additional boiler for providing sufficient steam for testing the 300 MW turboset. The matching boilers for the 200 MW and 300 MW turbosets can be supplied by the Tiruchy Unit at the appropriate time, if a few additional balancing facilities are provided.

There is acute shortage of seamless tubes, carbon steel as well as alloy steel, even for the present production programme of the existing boiler manufacturers. Urgent action needs to be taken for the manufacture of the various sizes of seamless tubes required by the boiler manufacturers so that the country could become self-sufficient in this regard.

There is need for importing the latest technical knowhow particularly for sizes of 200 MW and 300 MW, and also for meeting certain special requirements such as, ball mills, rotary type air pre-heaters, membrane type of water wall construction etc. specified by some of the customers. The Committee noted that M/s. Combustion Engineering was already in touch with BHEL (Tiruchy Unit) in this regard."

In February, 1969, after a series of examination, it was considered that "the total available manufacturing capacity for boilers would be of the order of 1.7 million KW per annum and is adequate to meet the requirements within the country till the end of the Fifth

plan" and that there was "no need for setting up any additional facility" for tube fabrication. The amount expended in foreign exchange on this project was Rs. 8,36,053.40.

(vi) Machine Tool Project, Bhavnagar

The project report in this case was undertaken by the Czech authorities by virtue of an agreement entered into with them in April, 1965. This was conceived against the original Fourth Plan target of production of machine tools of Rs. 100 crores and the fact that import of machine tools was Rs. 30 crores. In November|December, 1967, the decision was taken "to postpone consideration of this project" for the following reasons:

"Due to general recession in engineering industries and particularly in the machine tool industry the targets of machine tools required during the Fourth Five Year Plan have been drastically reduced. This has led to a re-thinking on all new projects which were included in the draft Fourth Five Year Plan. When the detailed project report for the Bhavnagar project was received in January 1967, an inter-ministerial meeting decided that the setting up of this project should be re-examined to find out whether there was a prima-facie case for putting up a new plant and whether items included in the manufacturing programme of this plant could not be manufactured in one of the existing public sector units.

Our examination of this aspect has revealed that the Heavy Machine Tool Plant of Heavy Engineering Corporation, Ranchi, and the Hindustan Machines Limited can between themselves undertake the manufacture of virtually all the machine tools planned for production in this factory..... In these circumstances it does not seem advisable to set up this project at an estimated capital cost of Rs. 20.50 crores with a foreign exchange content of Rs. 6.18 crores. It will be relevant to mention here that the original cost of Rs. 11.16 crores as visualised in the feasibility study has gone up to Rs. 25.50 crores in the DPR." An expenditure of Rs. 23.76 lakhs was incurred in foreign exchange on the project.

(vii) Mechanical Instruments Plant, Palghat

The Committee were told that this project has been deferred till "the end of the Fourth Plan after watching the trend and growth of user industries." The Secretary explained the position during evidence as follows:

"The demand for instruments depends on development in other fields. If there is a large steel plant or power plant, obviously w●

need more instruments. The initial calculation was made on a certain level of steel and power production. Then both the steel and power target were cut down. Obviously, therefore, the estimates on which the demand for instruments were based had to be lowered. Under those circumstances, it was felt that instead of having two units as originally planned, it would be wiser to concentrate production in one unit (Kotah) and save money."

The main unit in the public sector for industrial instruments was the Kotah Plant which commenced production in September, 1968. "It became clear that because of the overall resources position and the slackening of demand not more than 10 per cent to 15 per cent of the inbuilt capacity of the Kotah Plant would be utilised based on the product range stipulated in the Project Report on which the Kotah unit was based. Diversification of the product range was therefore thought of and in April, 1968, a diversification programme was agreed in conjunction with the Soviet Authority..... With the diversification, the capacity of the Kotah Plant will be further utilised but despite this nearly 50 per cent of the capacity would still remain unutilised." This diversification contemplates manufacture at Kotah of part of the range of instruments originally intended for the Plant to be set up at Palghat. The investment for this purpose has been "worked out purely on an *ad hoc* basis" at Rs. 2.7 crores. Setting up an independent unit at Palghat for this purpose would cost "Rs. 5 to Rs. 6 crores more."

The Committee were informed that as on 31st December, 1968, a sum of Rs. 26.72 lakhs had been incurred on the Palghat Project of which a sum of Rs. 8.09 lakhs was paid to the foreign collaborators as cost of the project report and initial expenses on collection of data.

1.42. Clarifying the position in regard to these projects during evidence, the Secretary (Heavy Industries) apprised the Committee of the following position:

"At the time when these agreements were entered into, in their respective fields—whether it is generating equipment for electricity or heavy boilers to go with electricity generating equipment or machine tools—all this was based on the targets that were then visualised and the rates of growth that were given to us and we had engaged the topmost people to give us the project reports. At that stage, we were advised to go in for as many project reports as possible, so as to know the full implications before finalisation was done later. It was for that purpose that we entered into the agreements with some of the best people in the world—American. 3413 (Aij) LS—3.

Czech and so on and then the situation changed in respect of machine-tools and it was the same about power."

1.43. The Committee note that Government spent about Rs. 81 lakhs on preliminary work relating to the foregoing seven projects which were subsequently shelved. The services of foreign consultants were engaged for work connected with five of these projects and payments made to them aggregated about Rs. 48 lakhs.

1.44. The bulk of the expenditure (Rs. 80 lakhs) was incurred on four projects, two of them for generating or ancillary equipment, one for machine tools and the other for industrial instruments. In all these cases, units had already been established in the public sector for manufacturing equipment of the type for which these new projects were contemplated. Some of these existing units, as in the case of machine tools or electrical equipment, had also been in production for some time. The fresh projects contemplated were abandoned, as it was found that the existing units were under-utilised and had the capacity to meet the requirements intended to be catered to by the new projects.

1.45. How grossly inflated the estimates underlying these new projects were would be evident from an analysis of a new of these cases. In the case of the project for Thermal Generating equipment, it transpired after the project report was received that existing units at Bhopal and Haridwar could meet "the annual requirements of hydraulic turbines and generators upto the Sixth Plan" and would have "no difficulty" in progressively taking on manufacturing of any larger units that might be required. So far as the project for Power Boilers was concerned, an examination of the position, after the receipt of the project report, disclosed that the existing available manufacturing capacity for boilers "is adequate to meet the requirements till the end of the Fifth Plan." The Machine Tool Project at Palghat had to be shelved, as it was found that the existing unit at Kotah could not utilise "more than 10 per cent to 15 per cent of the inbuilt capacity based on the product range stipulated (originally)".

1.46. The Committee recognise that these projects had to be shelved, as a result of a re-appraisal of targets of production and growth in the economy. The Committee find that in other spheres also projects have been abandoned by government after preliminary

work had been done e.g. Phyto-Chemical Project* Neriamangalam was dropped after Rs. 33 lakhs had been spent. The Committee hope that Government will take a lesson from their experience in all such cases and ensure that projects are planned on the basis of firm targets which are realistically fixed. Due note will have also to be taken, while planning for new projects, of the experience of existing units and their capacity to meet projected demands, so that capacity is not created in excess of requirements. In an economy where resources available for investment are scarce, such wasteful investments would starve other needy sectors.

Audit paragraph

Delay in commissioning/disposal of machinery

1.47. Government sanctioned from time to time opening of extension service centres under the Regional Small Industries Service Institutes. There has been considerable delay in commissioning the machinery and in disposal of surplus machinery of the following such centres:—

| Name of the Institute/ Centre | Value of machinery (In lakhs of Rs.) | Year in which purchased | Remarks |
|--|---|-------------------------------|--|
| 1 | 2 | 3 | 4 |
| Workshop at Branch Institute, Hubli (Mysore) | 1.65 | April, 1964 to September 1965 | Construction of a building on land acquired in 1960 could not be taken up due to a ban on construction imposed by Government. Accommodation for the institute could be hired only in December, 1967. Except a drilling machine, the machinery have not been commissioned so far (April, 1968) as power connection work has not been completed. |
| Extension Centre, Bankura (West Bengal) | 0.65 | 1960-61 to 1965-66 | Acquisition of land for construction of building to house the centre and electrification were completed only in July, 1965 (total cost Rs 1.11 lakhs) The machinery was |

*Paragraph 16 of the 22nd Report of Committee on Public Undertakings (Third Lok Sabha).

| 1 | 2 | 3 | 4 |
|---|-------|--------------------------------|--|
| Small Industries Services Institute, Madras. | 0' 36 | September, 1958 to July, 1961. | not commissioned; and, in March, 1967, pursuant to the recommendations of a committee for small scale industries, a decision was taken to transfer the centre to the Government of West Bengal. The transfer has not yet been effected (September, 1968). |
| Industrial Extension Centre, Indore (Madhya Pradesh). | 2' 71 | 1959 | A clock-making centre was to be established at the Institute but this idea was given up in December, 1961 by when Rs. 39,200 had been already spent on pay and allowances. A proposal later to convert it into a horological institute was also dropped on the ground of emergency. Machinery of the value of Rs. 2' 09 lakhs are reported (November, 1967) to have since been commissioned into service for other purposes and those worth Rs. 0' 26 lakh are under transfer to other centres. The balance machinery worth Rs. 0' 36 lakhs are awaiting disposal. |

| 1 | 2 | 3 | 4 |
|---------------------------|------|---------|--|
| Extension Centre, Ranchi. | 0.43 | 1961-62 | The machinery were installed in 1962. As no effective use for them could be found they were declared surplus in May, 1966 and are still awaiting disposal. |

[Paragraph No. 44, Audit Report (Civil), 1969]

1.48. In a note furnished to the Committee, the Department of Industrial Development had given particulars of the Small Industries Service Institutes and their extension centres etc. established in different States under the control of the Development Commissioner, Small Scale Industries, Government of India. According to the information furnished, there are 16 Small Industries Service Institutes in different States|Union Territories, with 55 extension centres, 6 Branch Institutes, 2 Training Centres and 3 Production Centres. The annual expenditure on those institutes during the years 1966-67, 1967-68 and 1968-69 ranged from Rs. 1.57 crores to Rs. 1.66 crores. The break-up of the expenditure was as under:

| S. No. | Actuals 1966-67 | Actuals 1967-68 | Actuals (Departmental figures) 1968-69 |
|-----------------------------|-----------------|-----------------|--|
| | Rs. | Rs. | Rs. |
| 1. Pay of Officers | 22,75,305 | 22,43,605 | 24,01,791 |
| 2. Pay of Establishment | 49,81,889 | 48,58,158 | 49,86,347 |
| 3. Allowances and Honoraria | 44,25,813 | 47,89,497 | 53,90,121 |
| 4. Other charges | 35,55,269 | 36,07,063 | 37,77,395 |
| 5. Cost of material | 4,09,693 | 2,10,884 | 71,626 |
| 6. Expenditure on experts | 6,217 | .. | 497 |
| Total | 1,56,54,195 | 1,57,09,207 | 1,66,27,777 |

The Institutes and their extension service centres perform the following functions:

- (i) *Technical Advisory Service*—comprising *inter alia* advice on choice of production lines and installation|preparation

of designs etc. for production equipment, guidance on use of raw material, developing new products etc.

- (ii) *Workshop and Laboratory Service*—comprising *inter alia* demonstration of technical processes, provision of common service and tool room facilities, assistance in testing and quality control.
- (iii) *Management Consultancy Service*—including rendering guidance in proper methods of industrial management, provision of *ad hoc* managerial advice on specific problems and provision of special techno-managerial advice.
- (iv) *Managerial and Technical Training Service*—by way of provision of training courses for different categories of industrial staff in different disciplines.
- (v) *Economic and Statistical Intelligence Service*—through provision of facilities for economic or market surveys and maintenance of statistical data on Small Scale Industries.
- (vi) *Information Service*—preparation and publication of Model Schemes, Technical Bulletins, Plant Guides, etc. and other promotional literature for benefit of new entrants in the line, supplying of market information in selected cases and advice on procurement of machinery on hire-purchase basis from the National Small Industries Corporation.
- (vii) *General Services*—to aid participation of small scale sector in the stores purchase programme of Government, public and large scale private units and render assistance to units covered by the Rural Industrialisation Programmes etc.

1.49. It has been indicated in the note that the Small Scale Industries Development Organisation has subordinate offices spread all over the country the total strength of which exceeded 3,000. To look after the administration of personnel there were 26 gazetted officers at the level of Deputy Director and Assistant Director located in different places according to the location of the office. The percentage of gazetted officers carrying out purely administrative/executive functions in the organisation worked out to 7.2, and the remaining 92.8 per cent were engaged on developmental activity. On the non-gazetted side, the total number of supervisors, ministerial and other service staff at headquarters as well as the field worked out to 727. The total number of Class IV staff was as 573. The majority of the ministerial and Class IV staff catered to the needs of the persons engaged on developmental work.

1.50. The Committee enquired whether any assessment of the work of the service institutes and extension centres had been made. They were informed of the following position:—

“No over-all assessment of the work of the Small Industries Service Institutes and Extension Centres has been made by an outside agency. However, in order to inculcate a spirit of competition amongst the Small Industries Service Institutes for enabling them to mobilise all their resources for putting in their best efforts and foster the development of small scale industries, a scheme for Award of Gold and Silver Shields in recognition of outstanding development work has been conceived. The Award is made year after year on the basis of an assessment of the performance of the different Institutes during the previous year. An assessment of work done by the different Institutes in 1967-68 was taken up during the year 1968-69 by a Committee comprising Head Quarter's Directors. On the basis of this assessment, the Small Industries Services Institute, Hyderabad was adjudged as the best Institute and awarded a gold Shield. The Small Industries Services Institute, New Delhi was the second best and is the recipient of the Silver Shield. The assessment of work done during 1968-69 will be taken up in the current year.”

1.51. The Committee pointed out that a Study Team of the Administrative Reforms Commission which had examined the working of the Small Scale Industries Organisation had come to the conclusion that its work “besides being a clear encroachment on the State's sphere leads to a problem of coordination.” The Study Team had further observed: “All the regulatory functions for Small Scale Industries are performed by State Governments, whereas the Central Government, through the Small Industries Service Institutes and their extension training centres, perform a large number of promotional activities. This forces the Small Scale Industries to deal with two completely different agencies functioning under different Governments for different aspects of their requirements. The location of both the regulatory and promotional functions at one place would secure a better coordinated effort for the development of this sector and both the promotional and regulatory wings would be able to function more effectively. Now that each State has a Small Industries Service Institute with several extension centres under each, all properly staffed, it is no longer necessary to divide the regulatory and promotional respon-

sibilities. Our proposal is that the Small Industries Services Institutes with their extension centres should be transferred to the State Governments. This would have the headquarters organisation mainly engaged in planning, evaluation, coordination, collection and dissemination of information and rendering technical and economic advice and assistance to State Governments."

1.52. The Committee desired to know the views of Government on the foregoing recommendation made by the Study Team of Administrative Reforms Commission with regard to the transfer of Small Industries Services Institutes with their extension centres to the respective State Governments. The Secretary, Ministry of Industrial Development in his reply stated: "We have agreed to the transfer of some of the extension centres to the respective State Governments. Five centres have already been transferred. So, in principle there is no fundamental objection to transferring extension centres to the State Governments. I would, however, say that our experience with different States has been un-uniform or rather different. Some States do devote a great deal of attention and time to the development of small-scale industries in their areas. . . . In other States hardly much is done for small-scale industries although now they are becoming more and more conscious of the need of developing small-scale industries. At one time we pressed that 3 per cent of the entire developmental budget of a State should be spent on small-scale industries, but there are very few States which provide as much as 3 per cent for that. Pressures of other, what they consider, more important developmental schemes from their point of view tend to drive the small-scale industries' schemes somewhere into the background. Therefore, we are a little averse to transferring the whole lot of the small industries service institutes to the States. The fact that some States have achieved very little in this field shows that sufficient attention has not been devoted to this subject and that some kind of Central prodding and a Central agency are necessary. I think, it is desirable that for some purposes the Centre should have a hand in the matter. Although in principle we cannot say that we will not transfer extension centres to the States, it must depend on the circumstances in that particular State."

1.53. The Committee pointed out that out of Rs. 1.66 crores spent on small industries service institutes in 1968-69, as much as Rs. 1.27 crores was spent on pay and allowances of establishment. The Committee enquired whether any assessment was made of the quantum of the workload in those institutes by any independent unit like the Staff Inspection Unit of the Ministry of Finance. The Secretary, Industrial Development stated that a special Committee would make an assessment of work-load on which Ministry of Fin-

ance would also be represented. In a note subsequently furnished by the Department of Industrial Development, it was stated: "It was proposed to conduct the assessment of work load in the Extension Centres by a Work Study Unit to be constituted in the Ministry of Industrial Development, Internal Trade and Company Affairs. The Work Study Unit could not be set up at that time for administrative reasons. The proposal to set up the Unit has recently been revived and has been approved. It is expected to begin functioning shortly and will then take up the assessment of the work load in the Extension Centres."

1.54. The Committee drew attention to the following observation made by the Estimates Committee in their 105th Report (1965-66):

"In an organisation whose primary function is to bring about the development of Small-Scale Industries, the performance of the officers and staff should be judged by the success they achieve in this behalf. They would, therefore suggest that an effective system of evaluating the performance of officers at all levels should be introduced without delay."

1.55. The Committee enquired what system for evaluation of work had been introduced by Government. The Secretary, Industrial Development stated: "We have recently introduced a system of assessing the comparative work of different small industry service institutes by instituting a system of awards of a gold medal or a silver medal. When that award is being considered, the performance of each unit is carefully assessed by a Committee from headquarters. So, some assessment is made annually for the purpose of deciding which is the best unit and which is the second best unit."

1.56. The Committee drew attention to specific instances of delay in commissioning/disposal of machinery enumerated in the Audit paragraph. The following position was explained in respect of each of these cases:

(i) *Workshop at Branch Institute, Hubli (Mysore)*

The Secretary, Industrial Development stated that the land for the Institute was purchased on the 16th January, 1960. It was decided in April, 1960 to get the work done through the Public Works Department, Mysore State as the Central Public Works Department Works Division did not function at Hubli. After the approval of Government was obtained in September, 1960, the State Public Works Department was requested to prepare drawings in 1961. When the work connected with the preparation of drawings was

in progress, the national emergency intervened and the Architects were asked to stop the work in September, 1962.

In reply to a question whether the acquired land had been lying idle all this time, the Secretary, Industrial Development replied in the affirmative. The Committee were also informed that the area of the land was 2 acres and the expenditure on its acquisition was about Rs. 10,000.

The Committee enquired why it took so long to hire accommodation. The witness explained that it was found extremely difficult to get such an accommodation. The witness added that the building was hired in 1967 at Rs. 380 per month and approximately Rs. 10,000 had been paid in two years. He also explained that there was no undue delay in commissioning the machinery. The building was hired in December, 1967 and power lines were laid in April, 1968. So, it had taken four or five months to lay the power lines.

(ii) *Extension Centre, Bankura (West Bengal)*

In regard to this case, the Secretary, Industrial Development stated that the machinery was not installed immediately after the buildings were made available in July, 1965 as the West Bengal Government had indicated that they would take over the centre. That Government had, however, imposed one condition which had made the position very difficult. The condition was that they would take the building but not the staff working at the centre. Subsequently the West Bengal Government declined to take over the building. The Central Government was now taking steps to commission the machinery in a month or two.

(iii) *Small Industries Service Institute, Madras*

The Committee enquired as to why the scheme had been discontinued in November, 1959. Explaining the circumstances that rendered the machinery purchased in this case surplus, the Secretary, Industrial Development stated that it was acquired for a scheme for the manufacture of some electrical measuring instruments, winders etc. "At first, the whole of this region (Madras, Andhra, Kerala and Mysore) was grouped in one region. Later on, there was some re-organisation and there were four different units set up. They wanted to have a similar unit at Thiruvalla. Once they wanted to have a similar unit there, the demand from Madras area fell and we decided to have this set up at Thiruvalla rather than in Madras." The witness stated that there were 29 items of machinery costing Rs. 28,907. 20 items valued at Rs. 14,000 had been retained by Small Industries Service Institute, Madras and 8 machines costing Rs. 12,146 had been transferred to other centres where they

were utilised. It was only in regard to one machine that there had been some delay and it was proposed to be utilised at the Electrical Measuring Instruments Centre at Bombay.

(iv) *Industrial Extension Centre, Indore*

The Secretary, Industrial Development stated that most of the machinery acquired in this case was general purpose machinery which was being utilised even though the idea of establishing a clock-making centre, for which the machinery was acquired, was abandoned. However, there were two machines costing Rs. 3,400 which were specialised machines for clock-making which had not been utilised. These had to be disposed of. When the Committee pointed out that the machinery declared surplus was valued at Rs. 36,000, the witness stated: "There seems to be some misunderstanding about this particular item because the information that I have is that these machines have not been declared surplus and are being used. The junior field officer who was concerned with this declared them surplus but the head of the institution said that they were not surplus." When asked to what use these machines had been put during the last two years, the witness stated that these were stitching and sewing machines and were being utilised for demonstration purposes.

1.57. The Committee observe that the Government of India have annually been spending about Rs. 1.6 crores on a net work of Small Industries Service Institute and extension/training/production centres set up in different parts of the country. These Institutes and ancillary centres are intended to provide facilities and services to small-scale units of a promotional nature. Their activities impinge on a field which falls essentially within the purview of the States. A Study Group of the Administrative Reforms Commission, after reviewing this position, had observed that this "besides being a clear encroachment on the States spheres leads to a problem of coordination." "All the regulatory functions for small-scale industries", they stated, "are performed by the State Governments, whereas the Central Government, through the Small Industries Service Institutes and their extension training centres, perform a large number of promotional activities. This forces the Small Scale Industries to deal with two completely different agencies functioning under different Governments for different aspects of their requirements." Pointing out that "the location of both the regulatory and promotional functions at one place would secure a better coordinated effort" for the development of the small-scale sector, they suggested that these institutes and centres should be transferred to the State Government, which had established similar institutes "properly

staffed with adequately trained men." This would leave to the Central Government the responsibility for planning and coordination and rendering of technical advice to the State Governments.

1.58. The Committee note that Government have accepted this suggestion "in principle" and transferred five centres to the States. The transfer of all the extension service centres of the Small Industries Service Institutes to the States has not been agreed upon as according to the Central Government "hardly much is done for small scale industries" by some of the States. The Committee are not able to accept this statement. They feel that the State Governments having seen the achievements of those States who were pioneers in nurturing the small scale units are now conscious of the need for accelerated development of small scale industries in the interests of a balanced and integrated growth of the economy. In this situation the Committee feel that the Government of India will not have much difficulty in working out, in consultation with the States, a plan for the progressive transfer of the small industries service institutes along with the ancillary facilities to the States. The Committee would like the Government of India to enter into a dialogue with the State Governments for this purpose in right earnest and to be apprised of the outcome of the effort.

1.59. In case such transfers are held up because of the refusal of the State Governments to accept the staff with the Centres (as was the case with the Extension Centre, Bankura) then such persons should be transferred elsewhere and the Centre handed over to the State Government instead of changing its functions so as to justify its retention.

1.60. The Committee would like to draw attention to one other point bearing on the working of these Institutes and Centres. Out of over Rs. 1.6 crores spent on this organisation, as much as Rs. 1.27 crores is on the establishment employed in the various Institutes and Centres. The primary function of the staff in these Institutes is to facilitate the development of small-scale industries: their performance as pointed out by the Estimates Committee in their One Hundred and Fifth Report (1965-66) should therefore be judged by the success they achieve in this behalf. The Committee observe that there has been no over-all appraisal or evaluation of the work of these Institutes from this point of view. There is a system for the annual award of shields on the basis of the performance of the Institutes, but this is at best a relative evaluation in which the stress is to assess the achievements and not discover the deficiencies. The Committee would like an over-all appraisal of the work of the Institutes to be made, so that they can identify the weak links in the organisation and

take suitable corrective steps. As regards the expenditure incurred by these Institutes on staff, the Committee note that a work-load study is proposed to be conducted. The Committee would like Government to ensure that this study is speedily initiated. The study should be conducted by an independent agency like the Staff Inspection Unit of the Ministry of Finance.

1.61. The Committee would also like to refer to instances of delay, ranging from three to ten years, in commissioning/disposal of machinery in some centres to which there is a reference in the Audit paragraph. In two of these cases, involving machinery worth about Rs. 2 lakhs, the delay in commissioning, ranging from three to four years, was caused mainly due to provisioning of accommodation for the centres not having been coordinated with the purchase of machinery. Land for construction of buildings for one of these centres was acquired in 1960, but buildings are yet to come up and the centre is in the meanwhile, spending Rs. 5,000 per annum on rented premises. In another case, involving machinery worth Rs. 0.43 lakh purchased in 1961-62, no effective use has been found for the machinery which was declared surplus in 1966. The Committee would like action to be taken early for the disposal of the surplus machinery. They would also like to be apprised of the steps taken to utilise the land acquired for one of the centres as early as 1960. For the future, the Committee trust that Government will take action to guard against the recurrence of such instances of uncoordinated planning. Many of the encumbered difficulties however would not arise if the States were running these institutions. The Committee hope that transfer of all the Centres will be effected early so as to avoid waste of slender resources through delays and unnecessary duplication of efforts.

Audit paragraph

Non-utilisation of land

1.62. The Small Industries Services Institute at Agra set up in May, 1957 is housed in rented buildings. The rent paid up to 30th September, 1968 was Rs. 2.35 lakhs.

1.63. In March, 1959 a plot measuring 29.197 square yards was acquired from the Municipality of Agra (on a lease of 30 years renewable up to 99 years) at a premium of Rs. 1.61 lakhs (paid in March 1959) and a nominal ground rent of Rs. 292 per annum. It was stated at the time of acquisition that "no other suitable site is available nor is there any possibility of one being available in the near future."

1.64. Although nearly ten years have passed, no lease deed has so far been executed,, nor has the land taken been put to any use (January, 1969). A proposal to purchase one of the rented buildings and to surrender the land (taken from the civic body) on ground of its unsuitability, because of the surroundings being “uncongenial and unhygienic”—there being “no small industrial enterprises in the vicinity”, has been under the consideration of Government since July, 1963 but no final decision has been taken so far (February, 1969).

[Paragraph No. 45, Audit Report (Civil), 1969.]

1.65. In a note submitted to the Committee on the question of delay in execution of the lease for the land, it has been stated that the Agra Improvement Trust offered to Small Scale Industries Development Organisation on lease a developed plot of 29,197 sq. yds. in the North Vijayanagar Colony @ Rs. 5.50 per sq. yd. for a period of 90 years and a nominal annual rent @ Re. 1|- per 100 sq. yds. was payable. The period of lease proposed was 30 years in the first instance with option for renewal for further periods of 30 years upto 90 years. But later on, the Improvement Trust changed the period of lease to 50 years; 30 years in the first instance and 10 years each in two renewals. However, the Small Scale Industries Development Organisation ultimately succeeded in persuading the Improvement Trust to stick to their original offer of lease for a period extending to 90 years. When the lease deed was sent to the Improvement Trust for execution they stipulated an annual rent of Rs. 292 to be paid for the first 30 years; Rs. 438 for the next 30 years; and Rs. 651 for the next thirty years. However, after the matter was pursued with them, the Improvement Trust agreed to charge annual rent at the same rate as applicable to the first term of 30 years, i.e. Re. 1|- per 100 sq. yds. for the subsequent two terms of 30 years also. The lease deed duly signed by the Administrator was sent to the Small Scale Industries Development Organisation and they in turn sent to the Ministry for approval. The Ministry sent it to the Ministry of Law who proposed certain amendments. At this stage, the Trust insisted on a commitment by Government for construction of a building on the plot. The constitution of the Municipal Corporation also by this time changed and when the lease deeds were sent to them for final completion, they showed reluctance to accept it, apparently because they were intending to declare the area in which the land was situated as a residential area and to allot to the Small Scale Industries Development Organisation alternative site in Sikandra area.

1.66. Explaining the reasons for the delay in construction of building on the plot taken on lease, the Department of Industrial Development have stated:

- (i) The Central Public Works Department were approached on 23-4-59 for preliminary plans and estimates. The Central Public Works Department furnished the drawing showing the proposed accommodation for Small Industries Services Institute building on 8-7-1959. This drawing was approved and sent back to the Central Public Works Department on 18-8-1959 alongwith the schedule of requirements and blue prints for the two other projects also viz., buildings for Central Footwear Training Centre and Precision Shoe Lasts Factory at Agra for the preparation of preliminary layout drawings for all the three projects.
- (ii) The preliminary layout drawings for the three projects were received from Central Public Works Department in January 1960. These were again sent to Central Public Works Department for revision and the revised drawings were received back on 13-6-1960. But the approval of these drawings was held up as in the meantime a proposal for the construction of the Small Industries Services Institute buildings in the Industrial Estate at Agra had come up for consideration. The U.P. Government had a scheme of building their own common workshop in the Industrial Estate. In the event of the setting up of the Branch Small Industries Service Institute in the Industrial Estate, the U.P. Government could obviate the necessity of putting up their workshop thereby affecting an overall saving in the country's resources.
- (iii) In view of the proposal to locate Small Industries Services Institute building in the Industrial Estate, it was decided to construct the building of the Central Footwear Training Centre on a portion of the land and to return the remaining land to the State Government. But the State Government were not agreeable to take back the land in part. However, according to the decision taken, the Central Public Works Department were asked on 3-5-1961 for preparation of drawing for Central Footwear Training Centre building only.
- (iv) Before the preliminary estimates for the Central Footwear Training Centre building could be prepared, National Emergency was declared in 1962 due to the Chinese

aggression and a ban was imposed on the construction of new buildings.

- (1) The ban on construction of new buildings was withdrawn in March, 1966 but whenever the Ministry of Finance were approached for sanctioning funds for the buildings the proposals were turned down. The Ministry of Finance advised that Small Industries Services Institutes|Extension Centres could continue in rented buildings which they considered was a more economical arrangement. Ministry of Finance also made it clear that in future they would entertain only those cases where the rent paid for hired buildings was very exorbitant and was uneconomical.

1.67. On 28-10-1968, Department of Industrial Development accordingly took the following decisions.

“Cases for construction of buildings should for the present be taken up only at places where Government is paying huge rent. On this basis, the cases of Central Footwear Training Centre, Madras, Branch Institute, Agra and Small Industries Services Institute, Patna only might qualify for having their own buildings and these cases may be processed for the present.

The plots of land already acquired by the Small Scale Industries Development Organisation should, in any case, be retained for future construction. In course of time these plots will appreciate in value and if disposed of at any stage will fetch much more than the value actually paid by the Government. The Audit should not, therefore, object to the loss of interest on the investment which is more than off set by the appreciation in value. On the other hand, if these plots are disposed of or returned to the State Government, etc., it will be a problem to get such centrally located plots for our Institutes|Extension Centres again and the price at the prevailing rates which will have to be paid for new plots, will be exorbitant.”

1.68. Explaining the circumstances under which the land was considered suitably for locating the Small Industries Services Institute building at the time it was taken on lease, the Department of Industrial Development had stated:

“The land was purchased on the understanding that the site was being developed as an industrial area and would therefore be quite suitable. It was also felt that if the

Small Industries Services Institute was located in the Agra Industrial Estate which is about 7 miles away from the city, the Institute could be in constant contact with Industrial Units in the city. No other suitable area was also available. It was also understood that some industries would be coming up in that area. Subsequently, it was found that the area was insufficient and inconvenient for locating all the three units of the Small Scale Industries Development Organisation.... Moreover in course of time, private construction has come up in the colony. The land is on two sides surrounded by private buildings. Night soil from the houses flows to the nearby nullah through the land which had been taken over by the Small Scale Industries Development Organisation, thus creating unhygienic conditions."

1.69. The Committee see little justification for the Small Industries Service Institute, Agra having paid a rent of Rs. 2.35 lakhs over a period of 11 years ending September, 1968 for premises hired by it, when virtually all along it had a plot of land acquired by it on payment of a premium of Rs. 1.61 lakhs, besides a nominal ground rent. The land was acquired from the local Municipality in 1959, but, for one reason or other the lease has not been executed, nor plans for construction of buildings thereon finalised. Government have now come to the conclusion that it is "insufficient and inconvenient" for the purposes of the Institute and are looking out for an alternative site, in view of the Municipality's decision to convert the area in which the plot is located into a residential colony.

1.70. The Committee hope that Government will take steps to ensure that instances of tardy and incomprehensive planning of this type will not recur. The Committee would also like to be apprised of the alternative arrangements made for providing permanent accommodation to the Institute.

Audit paragraph.

Shoe Last Factory, Agra.

1.71. With a view to provide precision 'shoe lasts' at reasonable price to the public, Government, in consultation with a foreign expert, set up a factory (as a small scale industry) at Agra at a cost of Rs. 3.82 lakhs; the factory went into production in March, 1963. 4,750 pairs of machine-made shoe lasts were expected to be produced per month during the first six months and thereafter 250 pairs per day. It was estimated that the cost of production per pair would, during the first six months, be Rs. 9.60 against the then prevalent

market price of Rs. 11.60 and, after the first six months when production would increase the cost of production would come down to Rs. 8.56 per pair.

1.72. During the five years ending with 1967-68, the factory produced only 26,176 pairs (i.e., 437 pairs per month) at an average cost of Rs. 33.30 per pair whereas the average selling price of 22,418 pairs sold during that period was Rs. 12.10 per pair, resulting in a loss of Rs. 7.01 lakhs upto the end of 1967-68.

1.73. It has been stated by Government (September, 1968) that the loss was due to (i) difficulties in procurement (through the Director General, Supplies and Disposals) of suitable wood and (ii) small size of the orders received from the small scale units and that steps have been taken to place the factory on sound footing.

[Paragraph No. 43, Audit Report (Civil), 1969]

1.74. The Committee wanted to know whether year-wise accounts were maintained in respect of the precision Shoe Last Factory. The Secretary, accounts are there, but no separate balance sheet. This is treated as an extension centre of the Agra Small Scale Industrial Institute. No separate balance sheet is maintained."

1.75. The Committee enquired whether it was necessary to have requisitioned the services of a foreign expert for setting up the unit. They pointed out that this was a comparatively small venture; there was no specialised or unfamiliar technique calling for assistance from a foreign expert. The Secretary, Ministry of Industrial Development stated that the country had been "making shoe-lasts as such for centuries, but...not precision lasts." This project was meant to encourage the production of precision lasts. He added: "it is a somewhat specialised job, if I may put it that way." In reply to a further question, he stated that the expert was paid as salary a sum of Rs. 30,882 for "three or four months."

1.76. According to the data furnished to the Committee, the unit incurred a loss of Rs. 7.01 lakhs upto 1967-68. The loss during 1968-69 as Rs. 75,772, making the cumulative loss Rs. 7.77 lakhs.

The following were the figures of scale during the last five years ending 1968-69:—

| | | | | | | | |
|---------|---|---|---|---|---|-----|--------|
| 1964-65 | . | . | . | . | . | Rs. | 73,296 |
| 1965-66 | . | . | . | . | . | Rs. | 65,346 |
| 1966-67 | . | . | . | . | . | Rs. | 64,662 |
| 1967-68 | . | . | . | . | . | Rs. | 35,841 |
| 1968-69 | . | . | . | . | . | Rs. | 57,838 |

The figures of production in 1969-70 were 665 in April, 1969 and

228 in May, 1969, as against 250 pairs a day, which the unit was expected to produce six months after its installation.

1.77. The Committee enquired why the performance of the unit had been so poor. The witness stated that this "was not entirely a commercial venture." It had "a developmental aspect and an educational aspect." Certain big shoe-making firms were making precision lasts and they continue to make them but "they make lasts for their own use" and not for supply to the small-scale sector. Some of the forward-looking shoe manufacturers approached Government for facilities by way of better quality lasts to be produced in governmental sector. This pilot project was, therefore, started at Agra, where the small scale units manufacturing shoes are well established "to provide a nucleus for the group of small scale shoe last factories all over India." The idea was that small-scale manufacturers should be encouraged in the interests of production of better quality shoes, to use precision lasts. "Agra", he added, "has exported Rs. 3 crores worth of footwear.....Possibly the export could not have been so easily effected but for some of the facilities that we have provided....through our extension services for small scale industry." The witness further stated that Government did not look upon the project "entirely as a commercial project.....That does not mean we should continue to suffer heavy losses. We should try to bring the factory to a break-even point....."

1.78. Explaining the reasons for the shortfall in production, the witness stated that there was "an over-estimate" of the demand for the lasts from the shoe-manufacturers in the small-scale sector. "We are doing 35 pairs (a day) at present.....That is better than we are getting in the past." Asked whether any estimate of demand was made through market surveys before the project was started, the witness replied that "specific survey could have been done. But it is a fact that millions of pairs of shoes are being manufactured in the country. It is also a fact that many of these shoes are made on these lasts. So I do not think it was a fantastic inference in the beginning to feel that to sell a few hundred thousand pairs of lasts would not be too difficult.....The expectation has not been borne out, because people who planned.....did not count against the conservatism of the small-scale shoe-makers. The ordinary shoe-maker is a very conservative person who would not like to spend more money.....we did not pay sufficient attention to the propaganda aspect of this thing which we are trying.....It takes a little time to educate the people." When the Committee pointed out that the project has been functioning for the last six or seven years and as a loss and that even for educating the shoe makers there should be some time-limit, the witness replied: "We are hoping in two or

three years we should break even....If we break even, we should be satisfied."

1.79. When the attention of the witness was drawn to the high cost of production of shoe lasts, i.e., Rs. 33.30 per pair as against Rs. 9.60/8.56 per pair which was anticipated, he explained the following position to the Committee. Four types of wood were suggested for the manufacture of the lasts by the Forest Research Institute, Dehra Dun. Of these, two bulk production was tried with these two species, it was found that they were unsuitable. So it became necessary to switch over to shisham blocks. When the cost of production was originally estimated as Rs. 9.60/8.56 per pair, the cost of wood had been taken as Rs. 3.50 per pair. The use of shisham, however, pushed up the cost. "During the period 1962-63 to 1967-68, the cost of wood purchased ranged from Rs. 2.83 to Rs. 9.00 per pair." When the Committee pointed out that this factor could at best have pushed up the cost to Rs. 15.10 per pair, the witness stated that the second and "fundamental" reason was that demand was small. This meant restricted production and higher incidence of overheads per unit of production. "The overheads which were estimated at Rs. 3 have now gone up to Rs. 12.5. There are other reasons also. Wages have gone up...." The witness added that though the cost of production per pair was Rs. 33.30, the unit was selling them at a loss (average how many shoes could be made out of the lasts. The witness stated that one pair of lasts can be used for about 200 pairs of shoes.

1.80. The Committee enquired what steps had been taken to popularise these lasts and whether attempts had been made to market them at places other than Agra. The Secretary, Ministry of Industrial Development, replying, stated: "Attempts have been made to market it at other centres also such as Bombay, Madras, Poona and Kanpur....I cannot say active propaganda has been done outside. There has been some propaganda....we have not opened any retail trade centre....We have exhibited these in all our Small Industries Service Institutes....The State Trading Corporation is buying from us and they also supply to the small fabricators." It was added that lasts supplied to certain firms "have been used for the manufacture of shoes for export. Model lasts have also been supplied to Design Cell of Export Promotion Council of Finished Leather and Leather Manufacturers at Agra for preparation of design of footwear for export market intelligence."

1.81. The Committee wanted to know what benefits had accrued as a result of this project. The witness replied: "This is rather difficult to answer. All that I can say is that from Agra itself we have

exported Rs. 3 crores worth of shoes during this period." In a note the following data about export of shoes has been furnished:

| "Export figures | No. of pairs | Value in Rupees |
|-------------------|-----------------|--------------------|
| 1963-64 | 3,015,982 | 29,329,418 |
| 1964-65 | 4,017,928 | 34,806,387 |
| 1965-66 | 4,875,733 | 43,103,559 |
| 1966-67 | 5,289,504 | 67,044,971 |
| 1967-68 | 5,571,060 | 75,178,936 |
| 1968-69 | 6,127,433 | 71,037,891 |

All the exports were not made through STC. It is understood that footwear was channelised for export through STC from August, 1965. The channelisation is being operated in respect of East European Countries only.

1.82. The value of exports of shoes through STC is as under:—

| | Rs. |
|-------------------|------------|
| 1963-64 | 16,548,000 |
| 1964-65 | 17,408,000 |
| 1965-66 | 15,580,000 |
| 1966-67 | 54,200,000 |
| 1967-68 | 47,000,000 |
| 1968-69 | 31,807,00 |

The STC obtains its supplies of shoes mainly from small scale units, merchant exporters who in turn obtain their supplies from small scale units. It is understood that only small quantities say 5 to 10 per cent of shoes are procured from established shoe making firms."

1.83. The Committee enquired whether, in view of the restricted production and the trends in cost, it was not necessary to review the position to see whether this unit should be continued or closed down. The witness stated: "I think the STC is now going in for large export of footwear. Complaints are already coming in from abroad that our footwear is not of uniform quality. It would not therefore be desirable to close this unit at this stage when nobody else is manufacturing better quality lasts. We have to concentrate our efforts and do more propaganda amongst the shoe makers... to cut our losses..... We are constantly looking into the problem..... We may have to take more steps to reduce the losses.... We are trying to do our best in this direction. The more we popularise the sales the quicker we shall be able to make it a running

concern. It will take a couple of years. Once we get to the level of 100 lasts per day we think we will break even. At the moment we are manufacturing only 35 lasts. In a note submitted to the Committee, the following position has been indicated in this regard:

“With the existing staff, the production can be stepped up to 75 pairs per day. The Precision Shoe Last Factory has been making an average loss of Rs. 1.5 lacs per year. With a production of 75 pairs per day the loss is likely to come down appreciably during 1969-70 looking at the trend in this regard during April and May, 1969. It is also proposed to increase the production up to 100 pairs a day from 1970-71 when the centre could be expected to break even. It may be mentioned that there is not only a problem of increasing the production but also step up effective and intensive sales activities when we can start making some profit.

The prices of the shoe lasts in Precision Shoe Last Factory have been fixed taking into consideration the prices of M/s. Bata Shoe Co. and other indigenous manufacturers. The prices of lasts made by indigenous manufacturers using unseasoned wood is very very low while that of M/s. Bata is higher by Re. 1/- to Rs. 2/- per pair. It may be questioned whether we cannot increase the prices of Precision Shoe Last Factory lasts immediately. Keeping in view the present working of the Precision Shoe Last Factory, any increase in prices of lasts will definitely affect the sales of lasts and all the work done in creating a market for precision lasts will be nullified. Revision in prices may only be considered in April, 1970.

All these days we were getting the wooden blocks in three sizes. Now the demand pattern has been scrutinised and the future procurement of the blocks will be in 4 sizes which will help in bringing down the cost of blocks by about 50 paise per pair. Further as the blocks are now being inspected rigidly and will be used as soon as they are received in the Factory, the percentage of the rejection due to cracks, etc. is expected to come down from 10 per cent to 2 per cent.

Action is in hand to take up the matter with Directorate General of Supply and Disposal for disposal of a truck. The post of driver of the truck has been declared as surplus and the office of the Development Commissioner (Small Scale Industries), New Delhi has requested, Small Industries Service Institute, Kanpur to examine the possibility of absorbing the driver in any other capacity. This matter is being examined by Small Industries Service Institute, Kanpur.

Further reduction in the office staff was also discussed. At best the post of stenographer could be exchanged for that of an L.D.C. In the place of J.F.O. (Wood Working) an Investigator (Footwear) has

been posted so that he could be used for design, production and sales promotion purposes. One post of watchman now looking after T.C.M. Workshop borne on the list of Precision Shoe Last Factory is to be transferred to Small Industries Service Institute, Agra.

One post of Deputy Director in Precision Shoe Last Factory has been replaced by an Assistant Director.

A jeep has been withdrawn from Precision Shoe Last Factory including Driver.

It may be mentioned that during 1969-70 there will be substantial reduction in the loss and in 1970-71 when the production would go upto 100 pairs per day and with a possible revision in the prices, Precision Shoe Last Factory could break even. In order to keep an account of profit and loss of the centre, it was decided that at the end of every month, Precision Shoe Last Factory will send a statement to the Director, Small Industries Service Institute, Kanpur, as well as to Development Commissioner (Small Scale Industries) Office indicating:—

- (a) The actual production, disposal.
- (b) Orders and supply position regarding the last blocks.
- (c) Profit and loss.
- (d) Immediate problems.

It may be mentioned that the loss has been considerably reduced as a result of the above mentioned steps. The loss during April, 1969 was nearly Rs. 7,500 compared to an average loss of Rs. 1.50 lakhs per annum in the previous years (which will work out to Rs. 12,500 per month)."

1.84. The Committee are not at all impressed by the performance of the factory for the manufacture of precision shoe-lasts which went into production at Agra in 1963. The unit, which was expected to produce 250 pairs of lasts a day, six months after going into production, has been able to produce on an average only 35 pairs a day. The cost of the lasts produced has been Rs. 33.30 per pair, as against the anticipated cost of Rs. 8.56 per pair and its sales have slumped from Rs. 73,296 in 1964-65 to Rs. 57,838 in 1968-69. Due to the high cost of production the sales have had, to be heavily subsidised, with the result that the unit has been continuously incurring losses, the cumulative loss to the end of 1968-69 amounting to Rs. 7.77 lakhs.

1.85. The Committee appreciate that this unit was meant as a facility to shoe-makers in the small scale sector who have contributed in their own way to the country's export effort in the field of foot-

wear. It will not also be gainsaid that this sector has to be educated in its efforts to make better-quality footwear. However, it is a matter for some doubt whether this unit has been of any tangible assistance to the sector, either in producing better quality shoes or in boosting its export efforts. The sales of the unit in 1968-69 amounted to about Rs. 57,838, when the unit could have sold about 5,000 pairs of lasts, which would have accounted for the manufacture of 1 lakh pairs of shoes. The number of pairs of shoes exported during this year was 60 lakh pairs valued at Rs. 7.1 crores of which the State Trading Corporation's accounted for exports valued Rs. 3.1 crores, the bulk of which are stated to have been obtained from small scale units.

1.86. The Committee note that Government themselves feel that this unit should 'break even' within the next couple of years. The unit should for this purpose step up its sales effort and reduce its costs. If these efforts fail and the unit continues to operate at a loss, the inference will have to be that this facility is not in demand and Government should wind up the unit.

1.87. The Committee would also like to point out that after the inclusion of this Audit paragraph on this case a jeep and a driver have been withdrawn from the factory while action for disposal of a truck and absorption of its driver in another place has been initiated in order to minimise the losses. This goes to show that these vehicles were redundant and their retention while the factory was not producing much and losing was not justified. The Committee would suggest that Government should impress on all its officers dealing with industrial projects to ensure strict economy in running them.

1.88. One other point that came to the notice of the Committee in connection with this unit needs mention. The unit was set up on the basis of a report prepared by a foreign expert whose services were requisitioned for this purpose. Though the payment involved was not substantial, the Committee consider it extraordinary that, for starting a relatively small venture of this nature, Government should have felt obliged to seek expert assistance from abroad. The Committee hope that Government will take steps to ensure that in future assistance of foreign experts is sought only for large projects which involve specialised know-how and not for sundry ventures of this kind for which know-how is available within the country with a leading shoe-making firm who are successfully competing in this line in most of the advanced countries of the world.

CHAPTER II

MINISTRY OF LABOUR, EMPLOYMENT AND REHABILITATION (DEPARTMENT OF LABOUR AND EMPLOYMENT)

Central Training Institutes

Audit Paragraph

2.1. For training instructors, the Directorate General of Employment and Training runs seven Central Training Institutes at different places. The training is imparted in crafts like blacksmithy, draughtsmanship, electricity, welding, etc. The duration of training in each craft is one year.

(ii) The table below shows the recurring expenditure incurred, seating capacity at the Institute, number of persons admitted for training and the number of vacant seats during the three years ending 1967-68:

| Year | Recurring expenditure (In lakhs of Rs.) | Total number of seats sanctioned | Number of persons actually admitted for training | Number of vacant seats | Remarks |
|---------|--|----------------------------------|--|------------------------|---|
| 1965-66 | 47.97 | 2,396 | 2,014 | 382 | Apart from regular training of instructors, 979 persons were imparted short-term training for 4½ man months each and 3,863 persons were given theoretical and practical training in the model training institutes (attached to the Central Training Institutes) for 12 months each. |
| 1966-67 | 58.71 | 2,396 | 1,784 | 612 | |
| 1967-68 | 63.64 | 2,396 | 1,331 | 1,065 | |

2.2. The *per capita* expenditure on training instructors (including those who were given short term or practical training) increased from Rs.1,790 in 1965-66 to Rs. 2.04 and Rs. 2,564 in 1967-68. Out of the 5,129 persons, who got training during the above period, 4,116 persons had been deputed by State Governments while the remaining 1,013 persons had sought admission to the Institutes direct. The Ministry were not aware whether after completion of their training, all the directly enrolled persons had been gainfully employed by the State Governments, private industrial establishments, etc.

2.3. The Ministry have stated (January, 1969) that it has been decided to reduce the seating capacity of the institutes from 2,396 to 1,200 immediately and to deploy the Surplus staff arising out of the reduction in some new institutes, e.g., Staff Training and Research Institute, Foremen Training Institute, Advanced Training Institute and also under apprenticeship programme.

(iii) According to the approved standard, one senior master and one junior master in the scale of Rs. 350-25-575 and Rs. 320-15-530 respectively are to be appointed for each training unit comprising 16-20 trainees. On this basis, the training staff required in certain trades in four of the Central Training Institutes was 12 senior masters and 12 junior masters as against 27 senior and 31 junior masters actually engaged in those institutes. For the period August, 1967 to July, 1968 alone, the expenditure on the extra masters was about Rs. 2.22 lakhs.

(iv) About 2.02 lakh copies of 58 priced publications were got printed for Rs. 3.55 lakhs during 1966-67 and 1967-68. Out of them, 0.84 lakh copies (constituting about 42 per cent of the total number printed), were for free distribution, while the remaining 1.18 lakh copies were sent to the Publications Branch (Ministry of Works, Housing and Supply) for sale. The number of copies actually sold or distributed free could not be ascertained as no systematic stock registers being maintained by the Department.

(v) Machines, tools and equipment purchased for Rs. 1.46 lakhs during April, 1961 to December, 1966 have not been brought into use so far (January, 1969).

(vi) The Institute in Hyderabad, which had an opening balance of raw material valued at Rs. 0.6 lakh on 1st April, 1967, purchased further material worth Rs. 1.06 lakhs during April to November, 1967; but material valued at Rs. 0.39 lakh only was consumed during April to November, 1967, leaving Rs. 1.49 lakhs worth of raw material in stock at the end of November, 1967. The material was thus purchased excessively.

[Paragraph No. 47, Audit Report (Civil), 1969]

(i) Increasing cost of running the Central Training Institutes

2.4. During evidence the Committee were informed that Central Training Institutes were set up to train instructors to service the Industrial Training Institutes in various States. The strength of the Central Training Institutes was fixed on the basis of the strength of the Industrial Training Institutes. The original estimate was that 9,000 additional craft instructors would be required during the Fourth Plan to match the anticipated expansion of I. T. Is. the strength of which was to increase from 1.13 lakhs to about 2.13 lakhs. In 1966-67 it became apparent that the number of trainees coming into I. T. Is. may fall.

2.5. The Committee enquired when the original estimate of the number of instructors required was made and the basis underlying this estimate. In a note the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) have stated:

2.6. "In 1963, it was decided to set up a working Group on Employment and Training. The terms of reference to the working Group were, *inter alia*, to review the implementation of Training and Manpower schemes sanctioned during the Third Plan; to assess the training requirements of different types of craftsmen, instructors and supervisors during the Fourth Plan; to suggest training schemes to improve the employability of the unemployed; and to assess the financial requirements for these programmes for the Fourth Plan. The first meeting of the Working Group was held in September, 1963 in which it was decided to set up a sub-group on training to assist the Working Group in the preparation of its report. The members of the Sub-Group consisted of representatives of the various Ministries and the Planning Commission. It was decided that this Sub-Group on Training would assess the training requirements of different types of craftsmen, instructors, supervisors, etc. After a series of meetings held in 1963 and 1964 the Sub-Group submitted its interim report in which it was recommended that 1 lakh additional seats be introduced in the Industrial Training Institutes during the Fourth Plan, and that it would be necessary to increase the seating capacity of the Central Training Institutes for Instructors, which would be 2,000 by the end of Third Plan to two-fold in the Fourth Plan period so that 9,000 additional instructors are trained. This interim report was sent to the State Governments in March, 1964. The recommendations of Working Group on Employment and Training were brought out in the first draft outline of the Fourth Plan released by the Planning Commission."

2.7. The Committee desired to know the number of ITIs that were then in existence, the number of new ITIs that were then planned to be set up, the then existing strength of trainees in ITIs and the extent to which it was expected to increase. In a note the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) furnished the following information:

| | |
|--|-------------------|
| (i) Number of I.T.Is. then in existence | 356 |
| (ii) Number of new I.T.Is. that were then planned to be set up | 112 |
| (iii) The then existing strength in I.T.Is. | 1,13,058 |
| (iv) The extent to which it was expected to increase | By 1,00,000 seats |

2.8. The Committee desired to know the actual number of ITIs that were set up, their strength every year since 1961-62. The Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) have furnished the following statement:

| Year | Number of I.T.Is. | No. of seats introduced |
|--|-------------------|-------------------------|
| 1961-62 | 167 | 50,280 |
| 1962-63 | 220 | 61,018 |
| 1963-64 | 283 | 78,200 |
| 1964-65 | 298 | 90,494 |
| 1965-66 | 356 | 1,13,058 |
| (Including 8 Centres sanctioned in Maharashtra for one session only) | | |
| 1966-67 | 354* | 1,34,648 |
| 1967-68 | 356** | 1,40,584 |
| 1968-69 | 356 | 1,46,788 |

1.9 The Committee asked for the break up (institute-wise) of the

*Out of these 8 Centres in Maharashtra, 6 Centres at Satara, Malegaon, Ulhasnagar, Kolhapur, Thana and Elphinston Technical High School, Bombay were closed down on 31-7-1966 and 4 new Institutes were started at Mandla (M.P.), Ambattur (Tamil Nadu), Panjim (Goa) and M.T.I. Ludhiana (Punjab) on 1-2-1965, 1-8-1966, 1-10-1966 and 1-8-1966 respectively.

**Industrial Training Institute Shivaje was closed down and 3 new Industrial Training Institutes were started at Talchar (Orissa), Gurdaspur (Punjab) and M.T.I. Bombay (Maharashtra).

number of seats sanctioned and persons actually admitted for training during the three years ending 1967-68. In a written statement, the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) have furnished the following information:

| Name of the C.T.I. | Session | | Session | | Session | |
|--------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | Oct 65-July, 66 | | Aug. 66-July, 67 | | Aug. 67-July, 68 | |
| | Sanctioned seats | No. on roll | Sanctioned seats | No. on roll | Sanctioned seats | No. on roll |
| Calcutta | 484 | 566 | 484 | 353 | 484 | 272 |
| Bombay | 392 | 362 | 392 | 331 | 352 [@] | 230 |
| Kanpur | 392 | 353 | 392 | 321 | 392 | 237 |
| Madras | 348 | 245 | 348 | 235 | 388 [@] | 120 |
| Hyderabad | 332 | 232 | 332 | 229 | 332 | 74 |
| Ludhiana | 332 | 161 | 332 | 217 | 332 | 189 |
| New Delhi | 116 | 95 | 116 | 98 | 116 | 119 |
| TOTAL | 2,396* | 2,014 | 2,396 | 1,784 | 2,396 | 1,332 |

The number of the persons admitted for training in 1968-69—991.

2.10. The Committee drew attention to the steady reduction in the number of persons admitted for training in the Central Training Institutes during 1965-68 and the increase in the recurring expenditure on the Institutes from Rs. 47.97 lakhs in 1965-66 to Rs. 63.64 lakhs in 1967-68. The Committee desired to know the reasons for the steady increase in the number of vacant seats from year to year. The representative of Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) stated that the vacancies occurred "because of various factors connected with the industrial recession. Our expectation is that as recession recedes...our rate of growth will increase. We shall need a large number of trained technicians. Therefore, the number of seats in the C.T.Is. will be fully utilised in any case. For the time being, we have reduced the

[@]Sheet Metal and Blacksmithy transferred from Bombay to Madras.

*According to the data given in the Annual Reports of the Ministry of Labour and Employment, the seating capacity in the Institute was 1,780 in 1963-64 and 1,932 in 1964-65.

seats for these C.T.Is. from 2,428 to 1,200 with effect from last year.” The representative of the Ministry further stated that there was extensive examination of the question of the fall in admissions in consultation with the State Governments and Planning Commission. The Committee desired to know the States with whom consultations were held and the outcome of the consultations with them and the Planning Commission and the steps initiated by the Government as a result of these consultations. In their note the Department of Labour and Employment have stated:

2.11. “The draft outline of the Fourth Plan required introduction of one lakh additional seats in the Industrial Training Institutes. These additional seats were to be introduced during the first three years from 1966 to 1968. The proposals for the introduction of the additional seats in the I.T.Is. was discussed in three consecutive meetings of State representatives held on 19th May, 1964, 9th October, 1964 and 13th March, 1965. The following phased expansion was subsequently finalised on 31st March, 1965—

| | | |
|---------|-----|-----------------|
| 1966-67 | ... | 30,000 seats |
| 1967-68 | ... | 30,000 seats |
| 1968-69 | ... | 28,000 seats |
| 1969-70 | ... | 12,000 seats |
| | | (supernumerary) |

2.12. This phased programme was in modification of the earlier programme wherein 40,000 seats were decided to be introduced during the third year of the original Fourth Five-Year Plan. The State Governments were accordingly asked to take advance action in 1965 so that 30,000 additional seats in the existing I.T.Is. could be introduced during 1966 and an assurance was given by the Central Government that additional funds over and above the provision agreed to would be provided during 1966-67 for implementing the expansion programme envisaged for that year. Loans to meet 40 per cent share of the States were also sanctioned to the State Governments. Similar advance action was taken for expansion of C.T.Is. In view of the financial stringency and general recession in industry it was decided in 1967 not to allow further expansion of facilities under the Craftsmen Training Scheme during the second year of the Plan and instead to concentrate on consolidation and diversification. However, in view of the advance action already taken by way of construction of additional workshop accommodation, purchase of equipment and training of instructors, it was decided to allow 10,316 additional seats which remained unutilised during the year 1966-67 to be

introduced. For this purpose a realistic appraisal was made to assess the firm requirements of all the States and officers of the level of Deputy Directors and Assistant Directors were deputed to every State for discussing the States' requirements and preparing realistic proposals. On the basis of the reports of these officers the proposals of the State Governments were framed. In effect, only 27,000 additional seats in the I.T.Is. could be introduced during the three years as against one lakh seats mentioned in the draft Plan. Meanwhile, the emphasis shifted to consolidation of Craftsmen Training Scheme and expansion of the Apprenticeship Training Programme under the Apprentices Act."

2.13. The Committee pointed out that there had been an increase in the *per capita* expenditure incurred on the Central Training Institutes from Rs. 1,790 in 1965-66 to Rs. 2,564 in 1967-68 on the training of Instructors (including those who were given short-term of practical training). The Committee enquired what criteria had been adopted for the employment of staff to ensure that the staff would be commensurate with the number of trainees. The Secretary, Department of Labour and Employment, stated that "the ratio is that for 16 trainees in certain trades we have got one senior master and one junior master. In certain other cases we have got 20 trainees for whom we have one senior and one junior master". The Committee drew the attention of the representative of the Ministry to the observations in the Audit paragraph that in certain Institutes against the requirements of 12 senior masters and 12 junior masters, 27 senior and 31 junior masters were actually engaged during the period August, 1967 to July, 1968 alone, resulting in an extra expenditure of about Rs.2.22 lakhs. The witness stated: "For these particular trades there were a certain number of seats in the ITIs were determined accordingly. What happened in 1966-67 was this. The cular trades there were a certain number of seats in the ITIs and the number of seats in the CTIs were determined accordingly. What happened in 1966-67 was this. The number of trainees admitted in the ITIs fell very considerably. For the fitters seats in Calcutta

were 100 and the number of trainees admitted was 16. Similarly there was a steep fall in the other cases. So, we had surplus." The witness added that the strength "was sanctioned at a time in the year 1965 when the estimates of the requirements for the Fourth Plan were made. As part of the Fourth Plan during 1965—67, 30,000 additional seats were provided for the ITIs and corresponding staff was sanctioned for the CTIs. The number of admissions fell very much in the year 1966-67 and so there were surplus." The witness stated that when the fall in admissions came to notice, "we thought of ways and means for utilising the extra staff. . . . These are some of the remedial measures we took. We tried to interest the private sector and other Governmental organisations in these CTIs. We asked them to depute some of their instructors for training. Secondly, we started short-term refresher courses and *ad hoc* training courses for instructors who had already worked in the ITIs. Thirdly, we started looking into ways and means of utilising accommodation and equipment of these CTIs which had been rendered surplus and we diverted this to other institutes which Department of Labour and Employment for setting up like the Staff Training and Research Institute in Calcutta; the Advanced Training Institute in Madras and the Vocational Regional Centres which are being set up in Bombay and Hyderabad. Lastly, we have proposals for basic training and related institution classes for the apprentices who were being trained under the apprenticeship schemes. These are some of the ways in which we tried to utilise the accommodation and staff and equipment which had been rendered surplus as a result of the fall in the number of the admissions in ITIs."

2.14. Elaborating the point, the Ministry of Labour, Employment and Rehabilitation (Department of Labour and Employment) have stated in a note to the Committee as follows:

"A Committee consisting of the Director of Staff Training and Research Institute, Regional Director, Western Region, Regional Director, Northern Region, Director, Advanced Training Institute under the Chairmanship of the Additional Director of Training was set up on 10th December, 1968 to work out the re-distribution of seats for training of instructors on reduced strength. Based on the recommendations of the Committee which were given on 17th December, 1968, the seating capacity of the Central Training Institute for Instructors was reduced to 1,198 with effect from the session which commenced from 1st August, 1969. Consequent upon the

refixation of the seating capacity at the reduced level, the staffing pattern in the Central Training Institute for Instructors was also altered to bring it in conformity with the reduced in-take capacity. The surplus of 139 personnel occurred primarily in the cadres of the instructional staff of the Central Training Institute for Instructors viz. the Senior and Junior Masters. Out of them 124 have been deployed and the remaining 15 are being deployed to the Advanced Training Institute, Madras, Central Staff Training and Research Training Institute, Calcutta, Foremen Training Institute, Bangalore, National Apprenticeship Scheme at the Headquarters and the Regional Directorates of Apprenticeship Training located at Calcutta, Bombay, Madras and Kanpur."

2.15. The Committee asked for information about the new Institutes set up for purposes of training. This has been furnished as under:

"(i) *Central Staff Training and Research Institute, Calcutta:*

The Central Staff Training and Research Institute has been set up at Calcutta in July, 1967 vide sanction No. 5(32)67-ET, dated 29. 7. 1967 with assistance from the Federal Republic of Germany, for the purpose of (a) providing training to officers and staff and (b) conducting research in training techniques. One of the most important aspects of the work of this Institute will be research in training techniques. So far our Vocational Training Programme has had to depend to a certain extent on the experience gained in other countries. It is essential to develop our own training techniques to teach new skills required for technological development of the country. Extensive original research is, therefore, required to be conducted to analyse trade skills, to evolve the necessary techniques to teach such skills and to disseminate the information thus gained over the wide field of skilled training. The Staff Training and Research Institute will undertake such research in training programme, either of the institutional or the Apprenticeship type, requires techniques which are somewhat different from the ones required for general or technical education. The Staff Training and Research Institute will, therefore, undertake the training of staff who control and direct such training programme specially to achieve the optimum cost-benefit ratio. Officers who would benefit from such course will include Principals of Industrial Training Institutes, Senior and Junior Masters of Central Training Institute for Instructors, Inspectors of Training, Technical Officers, Assistant Apprenticeship Advisers, Deputy/Assistant Director of Training and Training Officers from Industries.

(ii) *Advanced Training Institute, Madras:*

Advanced Training Institute has been set up at Madras in December, 1967 vide sanction No. 8(35) 67-ET, dated 20.12.1967, with the assistance from the U.N.D.P. (Special Fund) for the training of highly skilled (Master Craftmen) with a seating capacity of 182 seats. Training will be imparted in advanced skill operations in Mechanic Maintenance, Welding, Tool-room and Heat Treatment. The functions of the Advanced Training Institute will be—

(a) to train highly skilled (Master Craftmen) required by the industry;

(b) to serve as a model for other similar centres to be established by Government or by the industry itself;

(c) to evolve and develop training techniques and curricular for the use of other Institutes engaged in the training of highly skilled (Master Craftmen).

(iii) *Foremen Training Institute, Bangalore:*

The Foremen Training Institute has been set up in September, 1967 vide sanction No. 5(33) 67-ET, dated 23rd September, 1967 with assistance from the State of Baden-Wurtenberg in the Federal Republic of Germany with a seating capacity of 200 to start with, for training of Foremen (Meister). The main functions of the Institute are—

(a) to organise training programme with a view to imparting training to existing/potential shop foremen, with adequate industrial experience, sponsored by the industry, in technical, theoretical and managerial skills by organising full-time and/or part-time courses;

(b) to organise training programmes with a view to imparting training to existing/potential shop foremen, with adequate industrial experience, sponsored by the industry, in advanced technical skill so as to prepare them as highly skilled (Master) craftsmen.

(iv) *Formation of Regional Directorates of Apprenticeship Training and its purpose:*

A project, called 'National Apprenticeship Scheme' has been started with the aid of U.N.D.P. (S.F.) with effect from 1st January, 1968,

The purpose of the project, the duration of which is five years, is to assist the Government of India in establishing central technical services and four regional apprenticeship headquarters in order to implement the proposed expansion of the country's apprenticeship scheme in accordance with the provisions of the Apprentices Act, 1961.

The Central Technical Services at the Directorate General of Employment and Training Headquarters has been established with effect from 1st January, 1968 *vide* sanction No. 8 (35) |67-ET, dated 20th December, 1967. It will be responsible for the designation of trades under the Apprentices Act, methods of training, course content and duration, trade testing and certification, and contracts and salary scales. They will also determine the appropriate ratio of apprentices to workers for each of the designated trades, prepare the required teaching materials and audio-visual aids, and organise short intensive courses for training officers, apprenticeship advisers, surveyors and instructors. In all these activities, the central technical services will receive guidance from the National Council of Training in Vocational Trades and the Central Apprenticeship Council, who are also responsible for providing the necessary advice and guidance to the Central Government regarding apprenticeship policies and procedures.

The four Regional Directorates of Apprenticeship Training have been established at Calcutta, Bombay, Kanpur and Madras with effect from 1st January, 1968. They will be directly responsible for the promotion and implementation of the apprenticeship programme in the Central establishments. The regional headquarters will undertake the following tasks—

- (a) supervision and control of the basic training of apprentices in the Industrial Training Institutes (I.T.Is.); the Government has designated the Principals of these Institutes as Assistant Apprenticeship Advisers;
- (b) supervision and control of the work of apprentices in local industries;
- (c) organisation of related technical courses for apprentices in industry;
- (d) trade testing and trade certification;
- (e) preparation of teaching materials and audio-visual aids, which are required for certain specific trades and not covered by the Central Technical Services;

- (f) operation of mobile training units, duly equipped with teaching materials and audio-visual aids, in outlying communities.”

2.16. The Committee pointed out that 5,129 persons were trained between 1965-66 and desired to know whether there was any machinery to see whether these trained persons were gainfully employed either by the State Governments or somewhere else. The witness stated that “there was no organisation as such for that purpose and it was not part of the objective of the CTIs. For that the Employment Wing of the Director-General is to help them.” When the Committee enquired whether any effort was made by Government to ascertain what happened to the trainees, the witness added: “It is not as though we made no effort at all to find out how these instructors fare. . . . On the completion of their training, before they leave us we give them a card and request them to report after some time about their positions. . . . We have figures for 1965-66 and 1966-67. For 1967-68 the figures are not available. These figures show that 45 per cent of the instructors reported that they were employed. 25 per cent said that they were still not employed and from the balance of 30 per cent we did not get any reply. . . .”

2.17. **The Committee cannot help feeling that seating capacity was created in Central Training Institutes on the basis of unrealistic projections of requirements. Even after these projections were belied by experience, timely action was not taken by Government to curtail the training facilities provided in these Institutes to avoid needless expenditure.**

2.18. These Institutes were started with a view to training instructors to man Industrial Training Institutes established in the States. Their seating capacity which was 1,780 in 1963-64 was increased to 1,932 in 1964-65 and further stopped up to 2,396 in 1965-66. This increase in the seating capacity was geared to a programme for expansion of Industrial Training Institutes which envisaged the creation of 1 lakh additional seats in these Institutes over a period of three years between 1966 and 1969. Though only 27,000 additional seats were provided during this period as against 1 lakh seats contemplated, no attempt was made by Government till 1969 to reduce correspondingly the training facilities provided in the Central Training Institutes. In the result the seating capacity created in these Institutes remained substantially under-utilised, leading to avoidable expenditure on staff and other facilities.

2.19. **To what extent the facilities created remained unused would be evident from statistics relating to admissions in these Institutes.**

Between 1965 and 1968, when these Institutes had a total sanctioned strength of 2,396, the admissions declined progressively from 2,014 in 1965-66 to 1,784 in 1966-67 and 1,331 in 1967-68. In 1968-69 there was a further fall in admissions to 991, after which Government decided that seating capacity should be reduced to 1,198, i.e., by more than 50 per cent. The steep fall in admissions, without a corresponding reduction in the strength of staff pushed up the per capita expenditure on training from Rs. 1,790 in 1965-66 to Rs. 2,564 in 1967-68. In about one year alone, between August 1967 and July 1968, some of the Institutes spent Rs. 2.22 lakhs on instructors who had no work or very little work.

2.20. One factor, the importance of which was apparently not adequately appreciated by Government while providing facilities in these Institutes on a liberal scale was the fact that a substantial proportion of the trainees could not find gainful employment after training. Though full information on this point is not available with Government, such data as they have would appear to be sufficiently conclusive. In respect of those trained during 1965-66 and 1966-67, only 45 per cent reported that they were employed, 25 per cent stated that they were not still employed while no information was available in respect of the balance of 30 per cent.

2.21. The Committee trust that, in the light of experience gained, Government will take steps to ensure that training facilities in these Central Training Institutes are provided on a realistic scale, having due regard to known requirements of the Industrial Training Institutes and the prospects of trainees being able to secure gainful employment after training. The Committee note that the staff rendered redundant in the Central Training Institutes as a result of reduction of seats are being absorbed in newly created training and research institutions at Calcutta, Madras and Bangalore. A perusal of the objectives of these new institutions suggests that there is some overlapping in their work. The Committee would like Government to examine whether one institution, which integrates the objectives of those three institutions, will not serve the purpose equally well and prove economical.

2.22. The Committee also consider it important that systematic dossiers should be maintained in respect of those trained in the complex of Training Institutions started by the Ministry of Labour, so as to ascertain how many of the trainees have been able to secure gainful employment. This would greatly facilitate an objective appraisal of the utility of these institutions.

(ii) *Unsold publications:*

2.23. The Committee pointed out that during 1966-67 and 1967-68 about 2.02 lakh copies of 58 priced publications were got printed at a cost of Rs. 3.55 lakhs, 42 per cent of the publications were for free distribution and the remaining 1.6 lakh copies were sent to the Publications Division for sale. The Committee enquired on what basis the number of publications for sale and free distribution was arrived at. The witness stated that the publications were intended "to give publicity to the facilities available at all these institutions for technical training." He added: "The publications fall broadly under two classes. One is publication of general interest. This deals with careers for non-matriculates and describes the conditions of employment, technical training, training facilities in Delhi, etc. The second class relates to technical publications. They deal with machinist, carpentry, and other trades connected with electrical and mechanical subjects. Then we have a number of priced publications for apprenticeship training scheme. This, broadly, is the spectrum of the publications and if I may say so this is not designed so much to tell people about what we are trying to do as to give them some idea of facilities available and to provide a hand book of facilities which are available in the various States and to give them an idea of the various syllabi." In a note, the Ministry have further stated:

Directorate of Employment

"In the case of Career Pamphlets and allied publications, the Central Coordination Committee on Vocational Guidance and Employment Counselling determines the number of copies required for free distribution and sale.

In addition there are two other publications, namely: (1) 'A Peep into the World of Work', and (2) 'Hand Books on Training Facilities'. The basis for determining the number of copies for free distribution and sale was generally the same as recommended by the Central Coordination Committee on Vocational Guidance and Employment Counselling in the case of Career Pamphlets. In the case of these two publications the number of copies printed was much less.

Directorate of Training

Regarding number of copies of the Trade Manuals/Syllabi of Training including the Tool Lists to be printed for sale/free distribution, the following is the basis—

- (a) the number of I.T.Is./Centres functioning under the Craftsmen Training Scheme;

- (b) the number of seats available in the trades concerned;
- (c) the anticipated expansion of the training facilities in the I.T.Is. in the future;
- (d) the number of complimentary copies required to be supplied to the State Directors, State Governments and the Union Territories Administrations, Central Training Institutes for Instructors, Model Training Institutes attached to the Central Training Institutes for Instructors, Affiliated I.T.Is. etc.;
- (e) requirements of the public|private sector undertakings imparting training to the apprentices in trades designated under the Apprentices Act, 1961, and the number of apprentices being trained in such designated trades;
- (f) complimentary copies required for use in the Directorate General of Employment and Training.

The question of free distribution in accordance with a mailing list furnished by the D.G.E.&T. was discussed with the Manager of Publications in 1965 when it was decided to leave the matter to him. The number of complimentary copies for our use was fixed at 300. Later on, this was further reduced to 100 only."

2.24. The Committee enquired whether there was any mailing list, duly approved, for free distribution of the publications and whether it was ensured that free distribution was made strictly in accordance with the list. The Ministry in their reply have stated:

Directorate of Employment

"There is a definite procedure for preparing the mailing list on the basis of the criteria laid down by the Central Coordination Committee on Vocational Guidance and Employment Counselling. With the approval of the Director of Employment Exchanges the copies are sent to the Directors of Employment in the different States for distribution to all those included in the mailing list. The mailing list is being reviewed periodically in consultation with the State Directors of Employment and the requirements are revised.

Directorate of Training

A definite list was first prepared in consultation with the Manager of Publications Division in the year 1964-65. This mailing list was approved by D.G.E.&T. for free distribution of publications to

State Governments|State Directorates of Training|Central Training Institutes for Instructors|Industrial Training Institutes etc. The Manager, Publications Branch ensures distribution strictly in accordance with the distribution list furnished to him. The mailing list will be reviewed when further trade manuals|syllabi etc. are got printed."

2.25. The Committee enquired whether there was any procedure to check free distribution and sale of the publications sent to the Publications Division and to the various State Directors of Employment and Training. The witness stated: "Registers were maintained. They show the disposal of free copies which were sent. They don't show information about sale of copies." The witness added: "I do appreciate that we should have taken some positive steps to ensure that priced publications are also sold and made use of." With regard to the publications sent to various State Directors of Employment and Training, the Committee were informed: "The copies sent to the State Directors of Employment and Training are meant for free distribution only and require no check by the D. G. E. T. in regard to the supplies made to the State Directors."

2.26. The Committee desired to know in what manner the unsold publications are disposed of. In their note the Ministry have stated "These publications are still on sale and are being sold through the Manager of Publications who in turn sends copies to the Employment Exchanges and authorised book-sellers for sale.....No information was available with this office regarding the manner of disposal of the copies remaining unsold. The Manager of Publications has now furnished the information regarding unsold publications." According to the data furnished during evidence, 10,000 copies were sold, against 1.18 lakh copies earmarked for sale.

2.27. The Committee have earlier in the report referred to the avoidable expenditure on facilities created in the Central Training Institutes. The expenditure incurred on priced publications brought out for the requirements of the Institutes is a case in point. During the period 1966-67 and 1967-68, a sum of Rs. 3.55 lakhs was spent on 58 priced publications which were got printed. As much as 42 per cent of these were earmarked for free distribution while out of the remaining 58 per cent numbering 1.22 lakhs, only 10,000 or less than 10 per cent were sold. It is strange that till the issue came up for examination before the Committee Government did not even have data about the number of copies sold.

2.28. In their Thirty-Fourth Report (Fourth Lok Sabha), the Committee have already drawn attention to needless overprinting of Government publications, arising inter-alia out of tendency on-

the part of Ministers and Developments of Government to over-pitch their print orders and the indiscriminate supply of publications gratis. The Committee trust that in the light of the suggestions made in that report, Government will ensure that maximum economy is effected on priced publications brought out to meet the requirements of Central Training Institutes.

(iii) *Unsold machinery, equipment and raw materials*

2.29. The Committee enquired why machine tools and equipment purchased for Rs. 1.46 lakhs during April, 1961 to December, 1966 were not brought into use as late as January, 1969. The representative of the Ministry stated: "These unutilised equipment were mainly tools found in the three CTIs., Hyderabad, Kanpur and Ludhiana. As regards Hyderabad, equipment worth Rs. 77,000 included a lathe costing Rs. 67,000. The lathe was found to be over-sided for use in this particular CTI. That is now proposed to be transferred to the Advanced Training Institutes at Madras." The witness added: "I think there was some mistake in estimating the requirement of the side of this lathe. At Kanpur there is an equipment worth about Rs. 34,000 which also we propose to transfer. . . . At the moment the equipment at Kanpur is worth Rs. 80,000. While at Ludhiana, it is worth about Rs. 35,000 which is lying unused. By a similar transfer we have only now about Rs. 3,700 worth of equipment and tools." The Committee desired to know the present position in regard to surplus equipment and how far the surplus equipment is being utilised. In a note the Ministry have furnished data about unutilised tools and equipment with the Central Training Institutes at Ludhiana, Hyderabad and Kanpur. It is seen therefrom that tools and equipment worth Rs. 93,351 were lying unused in these Institutes as on 1st September, 1969.

2.30. The Committee enquired why raw material worth Rs. 1.06 lakhs was purchased during April—November, 1967 for the Institute at Hyderabad when it had opening balance of raw material valued at Rs. 0.82 lakh on 1st April, 1967 and as many as 382 and 612 seats remained vacant in these institutes during 1965-66 and 1966-67. The witness stated: "Raw material at Hyderabad had stood at Rs. 1.49 lakhs worth at the end of November, 1967. They have been reduced now to only Rs. 77,000." The witness added: "I think there was some over-estimation of the requirements of raw material. . . . These things happen. Sometimes raw materials are to be procured in advance in order to keep the schedule of the training programme."

2.31. The Committee note that equipment and materials worth about Rs. 2 lakhs purchased for some of the Institutes are still to

be put to gainful use. They would like steps to be taken to ensure that these equipments and materials are put to use, if necessary, by transfer to other Institutes.

NEW DELHI;
April 4, 1970.
Chaitra 14, 1892 (S).

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of Main Conclusions/Recommendations (Referred to in para 3 of Introduction)

| Sl. No. | Para No. of report | Ministry/Department concerned | Conclusion/Recommendation |
|---------|--------------------|----------------------------------|--|
| 1. | 131 | Deptt. of Industrial Development | <p>The Committee can reach only one conclusion from the information furnished to them, namely, that planning for capacity in the castings and forgings in the country has been beset by doubts and indecision at every stage. Preliminary work was started between 1965 and 1966 on two projects in this field, one at Wardha for production of gun barrels and castings needed by Defence and spun cast pipes for the civil sector and the other at Haridwar to manufacture sophisticated castings and forgings for the heavy electrical industry. Both these projects are now in a state of animated suspension. Work has been "deferred" from February, 1967 in the case of Wardha, after the foreign consultants had prepared the initial project report and from February, 1969 in respect of Haridwar Project, after the foreign collaborators had done some preliminary work in connection with the construction of the plant. A sum of Rs. 27.98 lakhs has so far been expended on the Wardha Project, including Rs. 22.44</p> |

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lakhs paid to the foreign consultants, while the amounts paid to the foreign collaborators in respect of the Haridwar Project add up to Rs. 52 lakhs. A final decision on these projects awaits a further review in 1970-71.

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Deptt. of Industrial
Development

The course of events in regard to both these projects makes interesting reading. The project at Wardha was conceived in March, 1964 and agreement for consultancy signed with a foreign party in March, 1965, against the background of an assessment made by the National Industrial Development Corporation in September, 1964, which anticipated a substantial gap in facilities for production of castings and forgings by 1970-71. After the preliminary report on the project was presented by the consultants in April, 1966, a study team reported in September, 1966 that the Defence requirements, for which the project was primarily intended, could as well be planned on the foundry forge at Heavy Engineering Corporation, Ranchi and Mining and Allied Machinery Corporation, which were considered to have the necessary facilities. These findings were not, however, accepted by the Planning Commission, which made two assessments of the demands for forgings and castings in September, 1966 and February, 1967. Both of these affirmed that it was "undesirable" to hold up the project, as Defence requirements could not be off-loaded "on a sustained basis on any existing or planned public sector projects." However, in view of the conflict-

ing assessments made from time to time, Government decided in February, 1967 to defer the work on the project and to off-load, as an interim measure, the Defence requirements to the Heavy Engineering Corporation and Mining and Allied Machinery Corporation. Pending a detailed assessment of the position by the Director General, Ordnance Factories, orders were placed for certain gun barrels on Heavy Engineering Corporation Ranchi. Though deliveries were "committed from June, 1969", not a single barrel has yet been supplied. In the meanwhile, the country continues to import steel castings, forgings and spun cast iron pipes: their import during the period April, 1968-March, 1969 amounted to Rs. 6.27 crores. And paradoxically enough, the foundry forge both at Ranchi and at Durgapur continue to work substantially below capacity, as would be evident from the data given at page 33 of this report.

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In respect of Haridwar, the project was conceived by a Committee in 1960, further examined by another Technical Committee in 1963 and cleared by Government in January, 1964. A collaboration agreement with foreign party was executed in May, 1966. In February, 1967, the Planning Commission concluded that there was "little justification" for it, but a survey carried out by the National Industrial Development Corporation at about the same time stated that there could be "no doubt" in this regard. In June, 1967, Government decided that they should "proceed" with the project, but on a phased basis, but, in May, 1968, after further consultations with the Planning Commission, it was decided that a fresh assessment

should be made of capacities available in public and private sector. In February, 1969, after such an assessment, it was decided that the entire project "may be deferred for the present" and the collaboration agreement extended till 1971-72, when a further examination would be made.

4 1.34 Deptt. of Industrial Development Planning Commission.

The Committee consider it regrettable that planning in respect of these projects should have been characterised by vacillation at every stage. The uncertainty surrounding these projects has been due to widely divergent estimates of requirements for castings and forgings arising out of the inability of the Planning Commission to decide on the targets for end-user industries. The National Industrial Development Corporation's estimate in September, 1964 was that the requirement by 1970-71 would be 4.75 lakhs tonnes per annum in respect of castings and 3.95 lakhs tonnes in respect of forgings. Within two years, i.e., in September, 1966, these estimates were pruned, after an assessment by the Planning Commission, to 2.25 lakhs tonnes in respect of castings and 2.75 lakhs tonnes in regard to forgings. The National Industrial Development Corporation which carried out a further survey in February, 1967 reported a further reduction in the anticipated demand for castings to 2 lakhs tonnes and added that there were "doubts" about "the actual feasibility" of

achieving targets for end-user industries on which the targets were based. Pointing out that these doubts were "genuine", the National Industrial Development Corporation felt constrained to make a fresh assessment of the demands for castings and forgings on the basis of "minimum targets" about which there need "be no doubt of achievement."

- 5 1.35 Deptt. of Defence Production. The Defence Production Department, for whose requirements the Wardha Project was primarily planned, are also not free from blame. Their estimates of demands, particularly for forgings have been of "a somewhat fluctuating nature, ranging from 5,500 tonnes to 4,500 tonnes." A firm assessment of requirements was to have been made by the Director General, Ordnance Factories by September, 1968 for purpose of planning the production of gun barrels from Heavy Engineering Corporation, Ranchi, but "this has not been done to date."
- 6 1.36 Planning Commission/Deptt of Industrial Development. The Committee would like Government to consider initiating action on the following lines:
- (i) The Planning Commission should come to a final decision, without any delay, on the targets for end-user industries.
 - (ii) Based on such firm-targets, a realistic assessment of the requirements of forgings and castings should be made,

having regard to the necessity for import substitution and to urgent Defence requirements for gun barrels and other castings/forgings.

- (iii) There is substantial unutilised capacity in the 'captive' foundry forges in the public sector plants, particularly at Ranchi and Durgapur. The spare capacity available in these forges to meet other demands has been the subject-matter of conflicting assessments, but a firm assessment should now be made of the spare capacity having regard to the requirements of these units worked out on a realistic basis.
- (iv) There is substantial unutilised capacity in the private sector, where, according to a recent Reserve Bank survey the percentage of under-utilisation has shot up from 15.7 per cent in 1963 to 59.5 per cent in 1967. The data given at page 35 of this report would indicate that in 1968 and 1969, the position was no better. There were complaints by the Steel Furnace Association in 1965 that licences "in excess of the requirements" had been issued, but after investigation, it was concluded that fuller utilisation of capacity "should not prove to be a problem". As the problem persists the possibility of putting the surplus

capacity to productive use should be examined, particularly as the view has been taken that some of the units are capable of meeting Government demands.

7 1.37 Deptt. of Industrial Development.

An exercise on the foregoing lines should help Government to plan realistically for their known and urgent requirements and to come to a speedy and correct decision on the question of desirability of further units. The experience of utilisation of capacities available with public sector undertakings to which the Committee have alluded in paragraphs 4.31-4.32 of their Fifty-Fifth Report (Fourth Lok Sabha) and paragraph 1.40 of their Ninetieth Report (Fourth Lok Sabha) suggest the need for extreme circumspection before embarking on new ventures. In any case, permanent arrangements will have to be made for supply of gun barrels of acceptable quality required by Defence and it will also have to be ensured that the interim orders placed with the Heavy Engineering Corporation are speedily executed.

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8 1.38 —Do—

There is another matter to which the Committee would like to draw the attention of Government. Three foundries in the public sector, one at Ranchi (Heavy Engineering Corporation) and two at Durgapur (Mining and Allied Machinery Corporation and Alloy Steel Plant) have already been set up with foreign collaborations. The same pattern was to be followed in the case of Haridwar and Wardha. The deferring of the last two projects would suggest that

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the collaborations sought for these projects were perhaps not necessary or that their scope could have been reduced by suitably enlarging the terms of the collaborations for the other three projects already set up. However, the Committee would like Government to consider whether, having gone this far, it would be advisable at least to acquire the know-how provided for in the collaborations, particularly when, in the case of the Haridwar project, the collaborators have been paid as much as Rs. 52 lakhs out of the total fee of Rs. 88.3 lakhs for obtaining the technical know-how.

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Deptt. of Industrial Development.

This experience of huge infructuous expenditure in these cases indicates the need for developing consultancy expertise in this country early. The Committee note that in about a couple of years' time Government are themselves hopeful that these can be built up for "some of the projects" which are undertaken. In the Committee's view this is indicative of a very limited approach to the problem. The aim should be to develop consultancy services not just for "some of the projects" but in all the major fields, and Government should take purposeful efforts in the direction. Consultancy services are already available in the country in certain fields and it should not be difficult for Government, with sustained efforts, to strengthen and enlarge the scope of these services.

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The Committee note that Government spent about Rs. 81 lakhs on preliminary work relating to the foregoing seven projects which

were subsequently shelved. The services of foreign consultants were engaged for work connected with five of these projects and payments made to them aggregated about Rs. 48 lakhs.

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The bulk of the expenditure (Rs. 80 lakhs) was incurred on four projects, two of them for generating or ancillary equipment, one for machine tools and the other for industrial instruments. In all these cases, units had already been established in the public sector for manufacturing equipment of the type for which these new projects were contemplated. Some of these existing units, as in the case of machine tools or electrical equipment, had also been in production for some time. The fresh projects contemplated were abandoned, as it was found that the existing units were under-utilised and had the capacity to meet the requirements intended to be catered to by the new projects.

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How grossly inflated the estimates underlying these new projects would be evident from an analysis of a few of these cases. In the case of the project for Thermal Generating equipment, it transpired after the project report was received that existing units at Bhopal and Haridwar could meet "the annual requirements of hydraulic turbines and generators upto the Sixth Plan" and would have "no difficulty" in progressively taking on manufacturing of any larger units that might be required. So far as the project for Power Boilers was concerned, an examination of the position, after the receipt of the project report, disclosed that the existing available manufacturing capacity for boilers "is adequate to meet the requirements till the end of the Fifth Plan." The Machine Tool Project at

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Palghat had to be shelved, as it was found that the existing unit at Kotah could not utilise "more than 10 per cent to 15 per cent of the inbuilt capacity based on the product range stipulated (originally)".

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Deptt. of Industrial Development.

The Committee recognise that these projects had to be shelved, as a result of a re-appraisal of targets of production and growth in the economy. The Committee find that in other spheres also projects have been abandoned by government after preliminary work had been done e.g. Phyto-Chemical Project* Neriamangalam was dropped after Rs. 33 lakhs had been spent. The Committee hope that Government will take a lesson from their experience in all such cases and ensure that projects are planned on the basis of firm targets which are realistically fixed. Due note will have also to be taken, while planning for new projects, of the experience of existing units and their capacity to meet projected demands, so that capacity is not created in excess of requirements. In an economy where resources available for investment are scarce, such wasteful investments would starve other needy sectors.

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The Committee observe that the Government of India have annually been spending about Rs. 1.6 crores on a net work of Small

Industries Service Institutes and extension training production centres set up in different parts of the country. These Institutes and ancillary centres are intended to provide facilities and services to small-scale units of a promotional nature. Their activities impinge on a field which falls essentially within the purview of the States. A Study Group of the Administrative Reforms Commission, after reviewing this position, had observed that this "besides being a clear encroachment on the States spheres leads to a problem of coordination." "All the regulatory functions for small-scale industries", they stated, "are performed by the State Governments, whereas the Central Government, through the Small Industries Service Institutes and their extension training centres, perform a large number of promotional activities. This forces the Small Scale Industries to deal with two completely different agencies functioning under different Governments for different aspects of their requirements." Pointing out that "the location of both the regulatory and promotional functions at one place would secure a better coordinated efforts" for the development of the small-scale sector, they suggested that these institutes and centres should be transferred to the State Governments, which had established similar institutes "properly staffed with adequately trained men." This would leave to the Central Government the responsibility for planning and coordination and rendering of technical advice to the State Governments.

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| 15 | 1.58 | Deptt. of Industrial Development. | <p>The Committee note that Government have accepted this suggestion "in principle" and transferred five centres to the States. The transfer of all the extension service centres of the Small Industries Service Institutes to the States has not been agreed upon as according to the Central Government "hardly much is done for small scale industries" by some of the States. The Committee are not able to accept this statement. They feel that the State Governments having seen the achievements of those States who were pioneers in nurturing the small scale units are now conscious of the need for accelerated development of small scale industries in the interests of a balanced and integrated growth of the economy. In this situation the Committee feel that the Government of India will not have much difficulty in working out, in consultation with the States, a plan for the progressive transfer of the small industries service institutes along with the ancillary facilities to the States. The Committee would like the Government of India to enter into a dialogue with the State Governments for this purpose in right earnest and to be apprised of the outcome of the effort.</p> |
| 16 | 1.59 | —do— | <p>In case such transfers are held up because of the refusal of the State Governments to accept the staff with the Centres (as was the case with the Extension Centre, Bankura) then such persons should be transferred elsewhere and the Centre handed over to the State</p> |

Government instead of changing its functions so as to justify its retention.

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The Committee would like to draw attention to one other point bearing on the working of these Institutes and Centres. Out of over Rs. 1.6 crores spent on this organisation, as much as Rs. 1.27 crores is on the establishment employed in the various Institutes and Centres. The primary function of the staff in these Institutes is to facilitate the development of small-scale industries: their performance as pointed out by the Estimates Committee in their One Hundred and Fifth Report (1965-66) should therefore be judged by the success they achieve in this behalf. The Committee observe that there has been no over-all appraisal or evaluation of the work of these Institutes from this point of view. There is a system for the annual award of shields on the basis of the performance of the Institutes, but this is at best a relative evaluation in which the stress is to assess the achievements and not discover the deficiencies. The Committee would like an over-all appraisal of the work of the Institutes to be made, so that they can identify the weak links in the organisation and take suitable corrective steps. As regards the expenditure incurred by these Institutes on staff, the Committee note that a work-load study is proposed to be conducted. The Committee would like Government to ensure that this study is speedily initiated. The Study should be conducted by an independent agency like the Staff Inspection Unit of the Ministry of Finance.

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lopment.

The Committee would also like to refer to instances of delay, ranging from three to ten years, in commissioning disposal of machinery in some centres to which there is a reference in the Audit paragraph. In two of these cases, involving machinery worth about Rs. 2 lakhs, the delay in commissioning, ranging from three to four years, was caused mainly due to provisioning of accommodation for the centres not having been coordinated with the purchase of machinery. Land for construction of buildings for one of these centres was acquired in 1960, but buildings are yet to come up and the centre is in the meanwhile, spending Rs. 5,000 per annum on rented premises. In another case, involving machinery worth Rs. 0.43 lakh purchased in 1961-62, no effective use has been found for the machinery which was declared surplus in 1966. The Committee would like action to be taken early for the disposal of the surplus machinery. They would also like to be apprised of the steps taken to utilise the land acquired for one of the centres as early as 1960. For the future, the Committee trust that Government will take action to guard against the recurrence of such instances of uncoordinated planning. Many of the encumbered difficulties however would not arise if the States were running these institutions. The Committee hope that transfer of all the Centres will be effected early so as to avoid waste of slender resources through delays and unnecessary duplication of efforts.

- 19 1.69 —Do—
- The Committee see little justification for the Small Industries Service Institute, Agra having paid a rent of Rs. 2.35 lakhs over a period of 11 years ending September, 1968 for premises hired by it, when virtually all along it had a plot of land acquired by it on payment of a premium of Rs. 1.61 lakhs, besides a nominal ground rent. The land was acquired from the local Municipality in 1959, but, for one reason or other the lease has not been executed, nor plans for construction of buildings thereon finalised. Government have now come to the conclusion that it is "insufficient and inconvenient" for the purposes of the Institute and are looking out for an alternative site, in view of the Municipality's decision to convert the area in which the plot is located into a residential colony.
- 20 1.70 —Do—
- The Committee hope that Government will take steps to ensure that instances of tardy and incomprehensive planning of this type will not recur. The Committee would also like to be apprised of the alternative arrangements made for providing permanent accommodation to the Institute.
- 21 1.84 —Do—
- The Committee are not at all impressed by the performance of the factory for the manufacture of precision shoe-lasts which went
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into production at Agra in 1963. The unit, which was expected to produce 250 pairs of lasts a day, six months after going into production, has been able to produce on an average only 35 pairs a day. The cost of the lasts produced has been Rs. 33.30 per pair, as against the anticipated cost of Rs. 8.56 per pair and its sales have slumped from Rs. 73,296 in 1964-65 to Rs. 57,838 in 1968-69. Due to the high cost of production the sales have had to be heavily subsidised, with the result that the unit has been continuously incurring losses, the cumulative loss to the end of 1968-69 amounting to Rs. 7.77 lakhs.

22. 1.85 Deptt. of Industrial Development

The Committee appreciate that this unit was meant as a facility to shoe-makers in the small scale sector who have contributed in their own way to the country's export effort in the field of footwear. It will not also be gainsaid that this sector has to be educated in its efforts to make better-quality footwear. However, it is a matter for some doubt whether this unit has been of any tangible assistance to the sector, either in producing better quality shoes or in boosting its export efforts. The sales of the unit in 1968-69 amounted to about Rs. 57,838 when the unit could have sold about 5,000 pairs of lasts, which would have accounted for the manufacture of 1 lakh pairs of shoes. The number of pairs of shoes exported during this year was 60 lakh pairs valued at Rs. 7.1 crores of which the State Trading Corporation accounted for exports valued Rs. 3.1 crores

the bulk of which are stated to have been obtained from small scale units.

23. I.86 —do—

The Committee note that Government themselves feel that this unit should 'break even' within the next couple of years. The unit should for this purpose step up its sales effort and reduce its costs. If these efforts fail and the unit continues to operate at a loss, the inference will have to be that this facility is not in demand and Government should wind up the unit.

24. I 87 —do—

The Committee would also like to point out that after the inclusion of this Audit paragraph on this case a jeep and a driver have been withdrawn from the factory while action for disposal of a truck and absorption of its driver in another place has been initiated in order to minimise the losses. This goes to show that these vehicles were redundant and their retention while the factory was not producing much and losing was not justified. The Committee would suggest that Government should impress on all its officers dealing with industrial projects to ensure strict economy in running them.

25. I.88 —do—

One other point that came to the notice of the Committee in connection with this unit needs mention. The unit was set up on the basis of a report prepared by a foreign expert whose services were requisitioned for this purpose. Though the payment involved was not substantial, the Committee consider its extraordinary that, for starting a relatively small venture of this nature, Government

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should have felt obliged to seek expert assistance from abroad. The Committee hope that Government will take steps to ensure that in future assistance of foreign experts is sought only for large projects which involve specialised know-how and not for sundry ventures of this kind for which know-how is available within the country with a leading shoe-making firm who are successfully competing in this line in most of the advanced countries of the world.

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2.17 Deptt. of Labour and Employment.

The Committee cannot help feeling that seating capacity was created in Central Training Institutes on the basis of unrealistic projections of requirements. Even after these projections were belied by experience, timely action was not taken by Government to curtail the raining facilities provided in these Institutes to avoid needless expenditure.

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2.18

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These Institutes were started with a view to training instructors to man Industrial Training Institutes established in the States. Their seating capacity which was 1,780 in 1963-64 was increased to 1,932 in 1964-65 and further stepped up to 2,396 in 1965-66. This increase in the seating capacity was geared to a programme for expansion of Industrial Training Institutes which envisaged the creation of 1 lakh additional seats in these Institutes over a period of three years between 1966 and 1969. Though only 27,000 additional seats were provided during this period as against 1 lakh seats contemplated, no attempt was made by Government till 1969 to reduce

correspondingly the training facilities provided in the Central Training Institutes. In the result the seating capacity created in these Institutes remained substantially under-utilised, leading to avoidable expenditure on staff and other facilities.

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To what extent the facilities created remained unused would be evident from statistics, relating to admissions in these Institutes. Between 1965 and 1968, then these Institutes had a total sanctioned strength of 2,396, the admissions declined progressively from 2,014 in 1965-66 to 1,784 in 1966-67 and 1,331 in 1967-68. In 1968-69 there was a further fall in admissions to 991, after which Government decided that seating capacity should be reduced to 1,198, i.e., by more than 50 per cent. The steep fall in admissions, without a corresponding reduction in the strength of staff pushed up the *per capita* expenditure on training from Rs. 1,790 in 1965-66 to Rs. 2,564 in 1967-68. In about one year alone, between August, 1967 and July 1968, some of the Institutes spent Rs. 2.22 lakhs on instructors who had no work or very little work.

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29 2.20

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One factor, the importance of which was apparently not adequately appreciated by Government while providing facilities in these Institutes on a liberal scale was the fact that a substantial proportion of the trainees could not find gainful employment after training. Though full information on this point is not available with Government, such data as they have would appear to be sufficiently conclusive. In respect of these trained during 1965-66 and 1966-67, only 45 per cent reported that they were employed, 25 per

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cent stated that they were not still employed while no information was available in respect of the balance of 30 per cent.

30 2 21 Deptt. of Labour and Employment

The Committee trust that in the light of experience gained, Government will take steps to ensure that training facilities in these Central Training Institutes are provided on a realistic scale, having due regard to know requirements of the Industrial Training Institutes and the prospects of trainees being able to secure gainful employment fater training. The Committee note that the staff rendered redundant in the Central Training Institutes as a result of reduction of seats are being absorbed in newly created training and research institutions at Calcutta, Madras and Bangalore. Perusal of the objectives of these new institutions suggests that there is some overlaping in their work. The Committee would like Government to examine whether one institution, which integrates the objectives of these three institutions, will not serve the purpose equally well and prove economical.

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The Committee also consider it important that systematic dosiers should be maintained in respect of those trained in the complex of Training Institutions started by the Ministry of Labour, so as to ascertain how many of the trainees have been able to secure gainful employment. This would greatly facilitate an objective appraisal of the utility of these institutions.

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The Committee have earlier in the report referred to the avoidable expenditure on facilities created in the Central Training Institutes. The expenditure incurred on priced publications brought out for the requirements of the Institutes is a case in point. During the period 1966-67 and 1967-68, a sum of Rs. 3.55 lakhs was spent on 58 priced publications which were got printed. As much as 42 per cent of these were earmarked for free distribution while out of the remaining 58 per cent numbering 1.22 lakhs, only 10,000 or less than 10 per cent were sold. It is strange that till the issue came up for examination before the Committee, Government did not even have data about the number of copies sold.

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2.28

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In their Thirty-Fourth Report (Fourth Lok Sabha), the Committee have already drawn attention to needless over-printing of Government publications, arising *inter-alia* out of tendency on the part of Ministries and Departments of Government to over-pitch their print orders and the indiscriminate supply of publications gratis. The Committee trust that in the light of the suggestions made in that report, Government will ensure that maximum economy is effected on priced publications brought out to meet the requirements of Central Training Institutes.

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The Committee note that equipment and materials worth about Rs. 2 lakhs purchased for some of the Institutes are still to be put to gainful use. They would like steps to be taken to ensure that these equipments and materials are put to use, if necessary, by transfer to other Institutes.

