

**PUBLIC ACCOUNTS COMMITTEE
(1971-72)**

(FIFTH LOK SABHA)

THIRTY-FIFTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 104th Report (Fourth Lok Sabha) on 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**

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**PUBLIC ACCOUNTS COMMITTEE
(1971-72)**

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20. Shri Thillai Villalan
21. Shri Shyam Lal Yadav
22. Shri Sheel Bhadra Yajee

SECRETARIAT

Shri B. B. Tewari —*Deputy Secretary* .

Shri T. R. Krishnamachari—*Under Secretary*.

*Declared elected to the Committee on 3-8-1971 vice Shri Niranjan Verma, resigned.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Thirty Fifth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee Contained in their 104th Report (Fourth Lok Sabha) 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).

2. On the 8th July, 1971, an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

1. Shri B. S. Murthy—Convener
2. Shri Bhagwat Jha Azad
3. Shri Ram Sahai Pandey
4. Shri C. C. Desai
5. Shri Thillai Villalan
6. Shri Shyam Lal Yadav



—Members

3. The Action Taken Sub-Committee of the Public Accounts Committee (1971-72) considered and adopted this Report at their sitting held on the 24th, January, 1972. The Report was finally adopted by the Public Accounts Committee on the 22nd February, 1972.

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

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

NEW DELHI;
22nd Feb., 1972.

3rd Phalgun, 1893 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in the 104th Report (Fourth Lok Sabha) on Appropriation Accounts (Civil) 1967-68 and Audit Report (Civil) 1969 relating to the Ministeries of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) and Labour, Employment and Rehabilitation (Department of Labour and Employment) which was presented to the House on the 27th April, 1970.

1.2. Action Taken notes have been received in respect of all the 34 recommendations contained in the Report.

1.3 The Action Taken notes on the recommendations of the Committee have been categorised under the following heads:—

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

S. Nos. 1, 3, 4, 6, 8, 9, 10, 11, 12, 13, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 31, 32, 33 and 34.

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government.*

S. Nos 5, 14, 15, 16 and 30.

(iii) *Recommendations/Observations in respect of which Government have furnished interim replies.*

S. Nos. 2 and 7.

1.4. The Committee hope that the Ministry of Steel and Mines will furnish the replies in respect of S. Nos. 2 and 7 mentioned above expeditiously after getting them vetted by Audit.

1.5. The Committee will now deal with the action taken notes on some of the recommendations.

Evaluation of the working of the Small Industries Service Institutes and Centres—Paragraph 1.60 (S. No. 17).

1.6. In paragraph 1.60, the Committee made the following observations with regard to the working of the Small Industries Service Institutes and Centres:

“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.”

1.7. In their reply dated the 10th December, 1970 the Department of Industrial Development have stated:

“In addition to the system of Annual Award of Shield to Small Industries Service Institutes on the basis of evaluation done by a team of officers on the performance of the Small Industries Service Institutes, the Evaluation Cell of Small Scale Industries Development Organisation takes stock of the performance of various Small Industries Service Institutes and Extension Centres by a thorough study made into its working. The findings and recommendations of the Evaluation Team when accepted by the Development Commissioner are implemented. The Evaluation Team has visited a number of Extension Centres and Institutes. All the officers in Small Industries Service Institutes and Extension Centres are required

to keep a diary where entries are made in regard to the daily work done by them. The Development Commissioner, the Joint Development Commissioner and other officers in the course of the tours make inspection and examine such diaries. Steps have been taken recently to modify the system of keeping diaries by the technical officers. It has been considered that in the best interest of giving technical assistance to small units and for the purpose of easy assessment of the work of individual officers each technical officer should maintain a register where entry should be made in regard to the names of the units in his field, within his jurisdiction, the time and dates when the officer visited such units and the purpose or the work done, other information about the industrial unit for instance, amount of investment, value of machines, annual production etc. The officer also will enter in the register other important work done by him. For instance, technical guidance given to new entrepreneurs and the nature of such guidance etc. etc. It is expected that the performance of the technical officers can be easily judged from the entries in the register maintained by and the correctness of such entries can also be verified by various ways. This system, it is expected will be implemented without much delay. In regard to the work load study, the Department has been in correspondence with the Ministry of Finance Staff Inspection Unit and the latter has tentatively decided to conduct the work load study in Small Industries Service Institutes and Extension Centres."

1.8. The Committee note that the Staff Inspection Unit of Ministry of Finance have tentatively decided to conduct a work load study in Small Industries Institutes and Extension Centres. The Committee hope that this study would be made early. The committee would like to be apprised of the results of the study.

Delay in commissioning|disposal of machinery in construction of building—Paragraph 1.61. (S. No. 18.)

1.9. Referring to the instances of delay in commissioning|disposal of machinery and construction of building for which, land was acquired in 1960, the Committee made the following observations in para 1.61 of their 104th Report (Fourth Lok Sabha).

"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 acquire 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 institutes. 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."

1.10. In their reply dated the 10th December, 1970, the Department of Industrial Development have stated:—

"The two cases referred to at para 1.61 in the Public Accounts Committee's Report relate to Branch institute Hubli and Extension Centre Bankura.

In the case of Hubli, no construction could be taken up on the land acquired by the Government because of the ban on such construction by the Finance Ministry. As funds for construction of new buildings at such places are not available, this Ministry is considering the proposal to dispose of the land. Purchase of machines was made and they are to be installed in a private house for which negotiation came to almost final stage. Ultimately, the party backed out and the building was not available to us. That caused delay in commissioning the machines. Finally, the State Government (Mysore) gave on shed in the Industrial Estate and we took possession of this in 1967. Installation of machines was done immediately and the machines are now commissioned.

In regard to Extension Centre, Bankura (West Bengal), the Government included the Centre in the list of those to be transferred to State Government. The Government of West Bengal also indicated their willingness to take over

the Centre. The West Bengal Government, however, at later stage declined to take over the Centres with the staff and finally they declined to take over the Centre even without the staff. Proposals for creation of posts to start and run the workshop were rejected by the Government in view of the decision to transfer for the centre to the State Government. The question of handing over the Centre to the State Government is being revived.

The other case referred relates to machines for the Extension Centre, Ranchi. Four machines in that Centre were regarded by the Junior Field Officer of that centre to be surplus and he made a mention of this in his letter dated the 12th May, 1966. Apparently this letter came to the notice of the audit and now it has found its place in the Public Accounts Committee Report. The fact, however, is that these machines are required by the Centre and they have not been declared surplus and they are in use for the purpose of demonstration of training. This position was also explained to audit at the time of replying to the draft audit para.

In regard to the transfer of all the Extension Centres to the State Governments the comments and reply against paras 1.57, 1.58 and 1.59 may please be seen. It may again be mentioned that Administrative Reforms Commission in their Report, recommends transfer of only those Extension Centres which provide technical advice and guidance in common basic trades and in industries with comparatively lower technology. Steps have been taken to transfer the Centres to the State Governments and as indicated against para 1.57, 1.58 and 1.59 above, the matter is again being taken up in the meeting of the Directors of Industries of State Governments with the Small Scale Industries Development Organisation."

1.11. The Committee note that the question to disposal of the land acquired by the Extension Centre at Hubli is under consideration. The Committee feel that in case the land is not required, it may be returned to the original owners or to their successors as the case may be.

1.12. The Committee also note that the question of handing over the extension centre, Banqura (West Bengal) to the State Government is being revived. The Committee desire that a decision in the matter should be taken early and the committee apprised of it.

CHAPTER II

RECOMMENDATION|OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

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 set by doubts and indcision at every stage. Preliminary work was started between 1965 and 1966 on two projects on 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 casting 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.

[Serial No. 1 (Para 1.31) of Appendix to 104th report of P.A.C.
(4th Lok Sabha)]

Action Taken

Noted.

[Dept. of Ind. Dev. O.M. No. G. 25015 (3)—B&A/70 dt. 14-10-1970].

Recommendation

In respect of Haridwar, the project was conceived by a committee in 1960, further examined by another Technical Committee in 1963 and cleared by the 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 In-

dustrial 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 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 further examination would be made.

[Serial No. 3 (Para 1.33) of Appendix to 104th report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Deptt. of Ind. Dev. O.M. No. G 25015 (3)B&A/70 dated 14-10-1970].

Recommendation

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 estimates in September, 1964 was that the requirement by 1970-71 would be 4.75 lakhs tonnes per annum in respect of casting and 3.05 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 "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 "doubt of achievements."

[Serial No. 4 (Para 1.34) of Appendix to 104th report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Dept. of Ind. Dev. O.M. No. G 25015 (3)B&A/70 dated 14-10-1970].

Recommendation

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

(i) The Planning Commission should come to final decision, without any delay, on the targets for end-user industries.

(ii) Bases 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 or 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 percent in 1963 to 59.5 percent 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 Govt. demands.

[S. No. 6(Para 1.36) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

(i) The Fourth Five Year Plan has now been approved by Parliament. With regard to the targets for end-user industries, the Fourth

Five Year Plan lays down certain definite targets to be achieved during the Plan in respect of the industries included in the list of "core" industries. In respect of certain selected industries also vital to economic growth, indicative production targets have been laid down. Such targets have been arrived at after exhaustive studies undertaken by various working groups Development Councils, Panels, etc. constituted by Government and which were represented by the industry both in the Public and Private Sector, Government owned consultancy organisations and institutions engaged in economic research. Efforts have been made to correct the various lacunae and shortfalls in the methods adopted in the past in making assessment. The effects of recessionary trends that affected the earlier assessments and the trends that have developed since then have been carefully gone into before arriving at the estimates of demands/production. The status of each developing industry, the standards of skills and capabilities achieved to be achieved and the likely availability of technical and financial resources have been taken into account in arriving at the targets of capacity and production.

(ii) The targets laid down by the Planning Commission and the Working Groups for the steel Forging and Steel Casting industry are as under:

S.No.	Industry	Unit	1960-61 production	1965-66 production	1968-69 Pro- capacity	1973-74 Pro- duction	1973-74 anti- cipated production
1.	Steel Castings	ooo tonnes	34.0	57.0	186.8	48.0	225.0
2.	Steel Forgings	ooo tonnes	35.0	68.0	104.0	47.8	220.0

The Following were the earlier assessments :

III Five Year Plan Fourth Five year Plan
Production by 1965-66 Production by 1973-74

Steel Castings	200,000 tonnes	225,000 tonnes
Steel Forgings	200,000 tonnes	220,000 tonnes.

From the foregoing it may be seen that the production targets by 1973-74 have been set with a great degree of caution and are as realistic as possible. The emphasis is on the completion of the projects already undertaken and optimum utilisation of the existing capacities for steel castings and forgings both in the public and private sectors. The task before the Industry during the Fourth Plan is to reorganise its production, diversify wherever possible and to develop skills and processes by taking full advantage of the technical know how obtained from abroad for the production of sophisticated steel castings and forgings required by the Defence, Steel, Fertiliser, Petrochemicals and other industries.

(iii) Ministry of Steel & Heavy Engineering has been requested vide Ministry's D.O. Letter No. 14/51/69-EIM dated 15-12-1970 (Annexure I) to consider the setting up a Committee for assessing the captive requirements of the steel foundries and utilising the capacity of NAMC Durgapur and Heavy Engineering Corporation, Ranchi for meeting the requirements of Defence and other end-user industries.

(iv) The position regarding licensed capacity, installed capacity and the actual production during the calendar years 1969 and 1970 (January to September) is furnished below:

S. No.	Industry	Total licensed capacity (tonnes per annum)	Total installed capacity (tonnes per annum)	1969	Production 1970 (January to September)
1.	Steel Castings	1,87,910	1,37,270	45,902.0	35,015
2.	Steel Forgings	1,73,022	1,47,022	60,792.0	49,000

[These figures are in respect of commercial foundries and not captive units. These figures also do not include figures for Public Sector Undertakings].

Considering the capacity in the Private Sector, it will be seen that there is sufficient unutilised capacity in the existing units of the steel castings and steel forgings mainly because the pattern of the demand from the industrial consumers is changing more and more for quality production and quite a number of units established in these two industries do not have appropriate understanding and are not equipped to meet such higher quality demands from the industrial consumers. The leading units, however, are sufficiently booked in relation to their installed capacity, although there has been a recession in the general trend of the demand due to various factors including the current economic conditions. The industry is slowly picking up with the permission they were given provisionally for diversification of their manufactured products within the same capacity and with the needs of balancing and testing equipment in certain respects having been satisfied. The Casting Industry Panel and the Steel Forging Industry Panel set up by the Government of India are reviewing the definite installed capacities in respect of steel castings and steel forging, types and grades manufactured, as well as classified demand from various industrial consumers.

This has been seen by Planning Commission on 7-12-1970.

[Dept. of Ind. Dev. O.M. No. G 25015 (3)-B&A/71 dt. 25-3-71].

ANNEXURE

Miss M. Seth
Deputy Secretary

D.O. No 14/51/69-EIM
MINISTRY OF INDUSTRIAL
DEVELOPMENT AND INTERNAL
TRADE

December 15, 1970

Dear Shri Hari Bhushan,

The Public Accounts Committee in its 104th Report (Fourth Lok Sabha) has *inter alia* recommended that:

"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."

The Planning Commission has suggested that a Committee may be set up for assessing the captive requirements of the steel foundries and utilising the capacity of MAMC Durgapur and HEC Ranchi for meeting the requirements of Defence and other end-user industries.

In the 'Action Taken Note' on the PAC's recommendation, sent by this Ministry, it has been mentioned that the Ministry of Steel and Heavy Engg. is being requested to consider the setting up of such a Committee. I shall, therefore, be grateful if you kindly take necessary steps to constitute a Committee for HEC Ranchi and utilising their spare capacity for meeting requirements of Defence and other end-user industries.

Yours sincerely.
Sd/-
(M. SETH)

Shri Hari Bhushan,
Sr. Industrial Adviser,
Min. of Steel & Heavy Engg.
New Delhi.

Recommendation

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 collaboration sought for these projects was 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.

[S. No. 8 (para 1.38 of appendix to 104th Report of PAC (4th Lok Sabha)]

Action Taken

The Committee have observed that the Haridwar Foundry Forge was deferred because the collaboration sought for this project was perhaps, not necessary, or the same purpose would have been served by suitably enlarging the terms of collaboration of HEC, MAMC or ASP.

This does not seem to be correct as it has been generally accepted that the technology required for manufacturing superior quality forgings and castings which go into the manufacture of Heavy Electrical Equipment called for a collaborator who had specialised on these lines such as M/s. Schneiders of France. Even HEC have accepted this view-point and at one stage it was suggested that the possibilities of transferring the know-how proposed to be acquired by BHEL to HEC should be explored. However the main reason for not proceeding with the setting up the Foundry Project at Haridwar was due to the anticipated spare capacity with HEC, Ranchi for manufacture of castings and forgings consequent on the uncertain position regarding expansion of Steel plants and setting up of new plant. The question of BHEL's collaboration with M/s. Schneiders is still not closed and the matter is being further examined in the light of the fresh assessment of the situation, now that the work-load on HEC seems to have radically changed due to

Govt.'s recent decision on the steel production programme of the country.

A decision regarding implementing the Foundry Forge project at Haridwar or acquiring at least the know-how for which a major portion of the payments has already been made, would require to be pursued in consultation with the Ministry of Steel and Heavy Engineering and others concerned when a clearer picture of the build-up of skills and capacities in HEC complex as also progress in the expansion of steel capacity would be available. However, in arriving at a final decision on this matter, the above recommendation of the Public Accounts Committee will be kept in view by the Government.

[Deptt. of Ind. Dev. D.O. letter No. G 25015 (3)-B&A 70 dt. 13-10-1971]

Recommendation

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 make 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.

[Serial No. 9 (para 1.39) of appendix to 104th Report of PAC (4th Lok Sabha)]

Action Taken

NOTED. Consultancy services are being developed in all major fields and in case, in any particular field foreign consultancy is to be inducted, the primary consultant will be one of the Indian consultancy services.

[Deptt. of Ind. Dev. OM. No. G 25015 (3)-B&A/70 dt. 7-11-1970]

Recommendation

The Committee note that Government spend 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.

[Sl. No. 10 (Para 1.43) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Dept. of Ind. Dev. O.M. No. G 25015(3)-B&A/70 dated 14-10-1970].

Recommendation

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.

[Sl. No. 11 (Para 1.44) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action Taken

NOTED

[Dept. of Ind. Dev. O.M. No. G 25015(3)-B&A/70 dated 14-10-1970]

Recommendation

How grossly inflated the estimates underlying these new projects were 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 projects 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 projects 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 Mechanical Instrument Plant (Instrumentation Ltd.) 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 in-built capacity based on the product range stipulated (originally)".

[Sl. No. 12—(Para 1.45) of Appendix to 104th Report of PAC (4th Lok Sabha].

Action taken

[Dept. of Ind. Dev. O.M. No. G 25015(3)-B&A/70 dated 14-10-1970].

Recommendation

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, Neriamanglam 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.

[Sl. No. 13 (Para 1.46) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action Taken

The observations of the Committee have been noted and copy thereof sent to the Planning Commission.

[Dept. of Ind. Dev. O.M. No. G 25015(3)-B&A/70 dated 14-10-1970].

Recommendation

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 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.

[Sl. No. 17 (Para 1.60) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

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 work 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 lakhs 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.

[Sl No. 18 (Para 1.61) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

In addition to the system of Annual Award of Shield to small Industries Service Institutes on the basis of evaluation done by a team of officers on the performance of the Small Industries Service Institutes, the Evaluation Cell of Small Scale Industries Development Organisation takes stock of the performance of various Small Industries Service Institutes and Extension Centres by a thorough study made into its working. The findings and recommendations of the Evaluation Team when accepted by the Development Commissioner are implemented. The Evaluation Team has visited a number of Extensions Centres and Institutes. All the officers in Small Industries Service Institutes and Extension Centres are required to keep a diary where entries are made in regard to the daily work done by them. The Development Commissioner, the Joint Development Commissioner and other officers in the course of the tours make inspections and examine such diaries. Steps have been taken recently to modify the system of keeping diaries by the technical officers. It has been considered that in the best interest of giving technical assistance to small units and for the purpose of easy assessment of the work of individual officers each technical officer should maintain a register where entry should be made in regard to the names of the units in his field, within his jurisdiction, the time and dates when the officer visited such units and the purpose of the work done, other information about the industrial unit for instance, amount of investment, value of machines, annual production etc. The officer also will enter in the register other important work done by him. For instance, technical guidance given to new entrepreneurs and the nature of such guidance etc. etc. It is expected from the entries in the register maintained by them and the correctness of such entries can also be verified by various ways. This system, it is expected will be implemented without much delay. In regard to the work load study, the Department has been in correspondence with the Ministry of Finance Staff Inspection Unit and the latter has tentatively decided to conduct the work load study in Small Industries Service Institutes and Extension Centres.

The two cases referred to at para 1.61 in the Public Accounts Committee's Report relate to Branch Institute Hubli and Extension Centre Bankura.

In the case of Hubli, no construction could be taken up on the land acquired by the Government because of the ban on such construction by the Finance Ministry. (As the Ministry of Finance is not giving).

As funds for construction of new buildings at such places is not available, this Ministry is considering the proposal to dispose off the land. Purchase of machines was made and they are to be installed in a private house for which negotiation came to almost final stage. Ultimately, the party backed out and the building was not available to us. That caused delay in commissioning the machines. Finally, the State Government (Mysore) gave one shed in the Industrial Estate and we took possession of this in 1967. Installation of machines was done immediately and the machines are now commissioned.

In regard to Extension Centre, Bankura (West Bengal) the Government included the Centre in the list of those to be transferred to State Government. The Government of West Bengal also indicated their willingness to take over the Centre. The West Bengal Government, however, at later stage declined to take over the Centres with the staff and finally they declined to take over the Centre even without the staff. Proposals for creation of posts to start and run the workshop were rejected by the Government in view of the decision to transfer the Centre to the State Government. The question of handing over the Centre to the State Government is being revived.

The other case referred relates to machines for the Extension Centre Ranchi. Four machines in that Centre were regarded by the Junior Field Officer of that Centre to be surplus and he made a mention of this in his letter dated the 12th May, 1966. Apparently this letter came to the notice of the audit and now it has found its place in the Public Accounts Committee Report. The fact, however, is that these machines are required by the Centre and they have not been declared surplus and they are in use for the purpose of demonstration and training. This position was also explained to audit at the time of replying to the draft audit para.

In regard to the transfer of all the Extension Centres to the State Governments, the comments and reply against 1.57, 1.58 and 1.59 may please be seen. It may again be mentioned that Administrative Reform Commission in their Report, recommends transfer of only those Extension Centres which provide technical advice and guidance in common basic trades and in industries with comparatively lower technology. Steps have been taken to transfer the Centres to the State Governments and as indicated against para 1.57, 1.58 and 1.59 above, the matter is again being taken up in the meeting of the

Directors of Industries of State Governments with the Small Scale Industries Development Organisation.

[Dept. of Ind. Dev. O.M. No. 25015(2) /70-SSI(C) dated 10-12-1970]

Recommendation

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 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.

[Sl. No. 19 (Para 1.69) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

The rate of rent paid for the building of the Branch Institute, Agra is in conformity with the reasonableness certificate issued by the competent authority. The reason for failure to put up buildings on the land acquired by the Government in 1959 is that when estimates and plans were ready the Government put a ban on construction of buildings in 1962. The department had no choice and the construction was put off. The ban was formally lifted only a few years ago and even then it has not been possible to obtain the necessary financial sanction for construction as the Finance Ministry insisted that we should take up new construction only where the rents paid are too high and where the construction will be economical. In a meeting presided over by the Deputy Minister of our Ministry in October, 1968 it was decided that steps should be taken to process the cases for construction of buildings for C.F.T.C. Madras, Small Industries Service Institutes Patna and Branch Institute, Agra.

Preparation of estimates and plans for Agra was slightly delayed again because the Agra Municipality put objection to our constructing the building. Finally we decided that we should go ahead. Plans

and estimates are being made by the Central Public Works Department and the Government will be approached for the financial sanction.

[Deptt. of Ind. Dev. O.M. No. 25015(2)/70-SSI(C) dated 10-12-1970]

Recommendation

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.

[S. No. 20 (Para 1.70) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

The Recommendation has been noted. In this connection reply to 1.69 may be seen.

[Deptt. of Ind. Dev. O.M. No. 25015(2)/70-SSI(C) dated 10-12-1970]

Recommendation

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.

[S. No. 21 (Para 1.84) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

The estimated capacity of production at 250 pairs of shoe lasts a day was made by the German Expert on the basis of two shifts a day. The estimate also was made much before the unit was commissioned and the expert, who made the estimates did not see the trial test after installation of the machinery. The capacity of the installed machinery at Precision Shoe-lasts Factory, Agra according

to technical experts of Small Scale Industries Development Organisation is about 100 pairs a day on a single shift basis. In regard to the estimated cost of Rs. 8.56 per pair it may be stated that this estimate was based on the use of 'Phaldu' wood which was cheap comparatively. It was found, however, that 'Phaldu' wood did not prove useful and the unit has to depend on 'Sisam' wood which is much costlier.

There has been since last year improvement in working of the factory. During the period 1967-68 to 1969-70, figures in respect of production sale and loss are given below:—

	1967-68	1968-69	1969-70
Production (Pairs)	1,3543	3,483	8,638
Sales (Rs.)	35.841	57.838	1,42,615
Loss (Rs.)	1,16,274	75.722	68,350

From the above figures it will be seen that there has been improvement in the working of the Precision Shoe-lasts factory, Agra during this period.

[Dept. of Ind. Dev. O.M. No. 25015(2) 70-SSI(C) dated 10-12-1970]

Recommendation

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.

[S. No. 22 (Para 1.85) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

Small Scale units take time to understand the benefit they will derive from using precision shoe lasts. However, steps were taken to convince the units of the ultimate advantage of using precision shoe lasts. With a view to improve the working of the Precision Shoe Last Factory at Agra, an experienced officer was posted there about two years ago and since then there has been steady improvement. Steps are taken by the officers concerned in various ways. For instance, the Precision Shoe Last Factory started working in collaboration with the Research & Development Cell established at Agra by the Export Promotion Council of Finished Leather and Leather Manufacturers, Kanpur to popularise the models developed in the Precision Shoe Last Factory. The officers concerned have been in constant touch with State Trading Corporation and shoe manufacturers. Individual producers and exporters were encouraged to send samples of shoe lasts for production in the Precision Shoe Last Factory. Samples and new designs were also made in the Precision Shoe Last Factory and a number of such samples were displayed in the International Shoe Fair in Moscow held in September-October 1969. As a result of various measures taken it has been found that the State Trading Corporation as well as large scale producers of shoes like Bata, Carona etc. have shown preference to the shoes made with precision shoe lasts produced in the Precision Shoe Last Factory by small units which supply shoes to such big companies. There has been steady increase in the demand for shoe lasts made in the Precision Shoe Last Factory from small scale units particularly those who supply shoes to large scale organisations like Bata and Carona.

There are, however, problems and difficulties. Precision Shoe Last Factory makes shoe lasts only against specific orders which are not always steady. There has been difficulty also in regard to procurement of wood blocks in desired quantity. Agra where Precision Shoe Last Factory is located does not have wood seasoning plant. Wood blocks obtained through Director General of Supplies and Disposal are, therefore, to be sent to Barielly or other places for seasoning and this causes delay and adds to the cost. The location of the Factory at Agra was, however, decided keeping in view the concentration of small shoe making units in Agra.

In order to cut down losses and achieve higher production the Precision Shoe Last Factory has also started taking up job work from private parties. Parties like State Trading Corporation and other exporters are now encouraged to supply their own wood blocks for production into finished shoe lasts in the Precision Shoe Last

Factory. The revenue earned during 1969-70 for such job work was Rs. 16,115.

[Deptt. of Ind. Dev. O.M. No. 25015(2) 70-SSI(C) dated 10-12-1970]

Recommendation

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.

[Sl. No. 23 (Para 1.86) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action taken

Various steps were taken to improve the working of the Precision Shoe Last Factory. One of the reasons for incurring losses was that raw materials, namely, wood blocks, were not available in time and in sufficient quantity. This has now been more or less removed. The Department resorted to the practice, as permissible by rules, of making purchase under accepted procedure upto Rs. 25,000 annually during the last two years. Vigorous steps were taken to ensure quicker supply through indents through Director General of Supplies & Disposal. The raw material position on the whole improved during the last two years.

An experienced officer, was appointed as Deputy Director to look after the Precision Shoe Last Factory with effect from 22-3-1968. The officer took various measures to improve the Precision Shoe Last Factory both in the administrative line and in the factory production level. Steps were taken to cut down the expenditure on establishment, and also to achieve higher production. A number of shoes making units were personally visited by the concerned officers and this in the last two years has resulted in procuring orders from shoe makers in much higher rate as compared to the previous year. Apart from this, the factory also undertakes common facility work and makes shoe lasts from the wood blocks supplied by State Trading Corporation and other agencies. The progres-

utive figures of production and sale proceeds during the last five years are given as follows:

	Production (Pairs)	Sales(Rs)
1965-66	7575	65,346.00
1966-67	6010	64,662.00
1967-68	1354½	35,841.00
1968-69	3483	57,838.00
1969-70	8668	1,42,615.00

This would indicate considerable improvement in the working of the Precision Shoe Last Factory.

It has also been decided that our Industrial Management Experts along with experts in Footwear and other technical personnel will conduct an in-plant study of Precision Shoe Last Factory with a view to improve the efficiency further.

[Dept. of Ind. Dev. OM No. 25015 (2) 70-SSI(C) dated 10-12-1970].

Recommendation

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.

[Sl. No. 24 (Para 1.87) of Appendix to 104th Report of P.A.C. (4th Lok Sabha].

Action taken

The observation of the Public Accounts Committee is noted and circulated to all concerned under this Organisation.

[Dept. of Ind. Dev. O.M. No. 25015(2) 70-SSI(C) dated 10-12-1970]

Recommendation

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 as 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.

[Sl. No. 25 (Para 1.88) of Appendix to 104th Report of P.A.C.
(4th Lok Sabha)]

Action Taken

The project was of a very special nature at that time. Shoe makers in the country were used to only hand-made shoe lasts and it was considered that use of such shoe lasts would ultimately be not beneficial particularly, for the purpose of increasing export of the shoes. It was also difficult to get know-how for the venture at that time. It may also be mentioned that the services of the foreign expert were obtained practically free of cost and only nominal local cost was borne by the Government. The observation of the Committee, however, is noted.

[Dept. of Ind. Dev. O.M. No. 25015(2) 70-SSI(C) dated 10-12-1970]

Recommendation

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.

[S. No. 26 (Para 2.17) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Dept. of Labour & Employment O.M. No. BP-110/22/69, dated 3-11-1970].

Recommendation

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.

[Sl. No. 27 (Para 2.18) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)]

Action taken

Noted.

[Dept. of Labour & Employment O.M. No. BP-110/22/69, dated 3-11-1970]

Recommendation

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.

[S. No. 28 (Para 2.19) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Dept. of Labour & Employment O.M. No. BP-110/22/69, dated 3-11-1970].

Recommendation

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.

[S. No. 29 (Para 2.20) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

The first draft outline of the Fourth Plan (1966-71) required introduction of one lakh additional seats in the Industrial Training Institutes so that seven lakh trained Craftsmen could become available in the Fourth Plan. To cope up with this expansion, the capacity of the 7 Central Training Institutes was also proposed to be increased from 1948 to 3100 seats so as to train about 9000 instructors by end of the Fourth Plan. Advance action was taken accordingly and 448 additional seats were introduced from October, 1965. These additional seats were introduced with the minimum expenditure to the Government utilising the existing facilities available at the Central Training Institutes and by running the Central Training Institute in 3 shifts. No additional equipment was provided except certain hand tools. Simultaneously the State Governments were also requested by way of advance action, to recruit instructors and send them to the Central Training Institutes so as to fulfil the objectives that were then envisaged.

While the Central Training Institutes were thus partially expanded to meet the additional demand, financial constraints had to be exercised owing to recession in the industrial field. The emphasis thus shifted from expansion to consolidation and diversification of the training programmes to the extent possible. The expansion under the Industrial Training Institutes was thus frozen with the introduction of only 27,000 additional seats as against the original stipulation of one lakh additional seats. The direct impact of this was felt on the Central Training Institutes. Various efforts were therefore, made to ensure effective utilisation of the facilities created at these Central Training Institutes. A large number of agencies in the Public Sector Industries and Directors of Technical Education

etc., were approached to depute their instructors so as to utilise the Central Training Institute capacity to the fullest in the wider national interest. Refresher courses were introduced to bring the Instructors up-to-date with the latest teaching techniques and technical content. A retraining course to train instructional staff in alternative trades has also been introduced. Along side this the physical facilities of the Central Training Institutes are also being utilised for the new Institutes e.g. Advanced Training Institute at Madras, Central Staff Training and Research Institute at Calcutta, Regional Directorates of Apprenticeship Training at Kanpur and Bombay and Vocational Rehabilitation Centres at Hyderabad and Bombay. When all these measures did not catch up with the facilities the intake capacity of the Central Training Institutes was brought down from 2396 to 1198 with effect from 1st August, 1969, so as to avoid wastage of any available training facilities.

It may be stated that of the 5129 persons trained at the Central Training Institutes during the three consecutive years ending 1967-68, as many as 4116 persons were deputed by the State Governments, and Industries, who went back to their respective State Governments/organisations after training. Only 1013 were private trainees. Based on a representative sample of information received from the private trainees 45 per cent of them reported that they were employed while 25 per cent stated that they were still unemployed. No information was received in respect of the balance 30 per cent, which number represented only 5 per cent of the total number trained.

It may also be stated that like any other educational institution, the Central Training Institutes also are essentially Training Institutes. With the training thus received the candidates become more employable.

[Depatt. of Labour & Employment O.M. No. BP 110/22/69, dated 3-11-1970].

Recommendation

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.

[S. No. 31 (Para 2.22) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

According to the existing procedure, each private trainee at Central Training Institute, on completion of his course is given a reply-paid card which is designed to indicate his whereabouts and intimate whether he has been employed or not. The onus of mailing this card rests with the trainee himself. A majority of the trainees do not mail back the cards. Instructions are, again, being issued to the Principals to follow up the cases by sending reminders to the trainees at the last known address.

[Depatt. of Labour & Employment O.M. No. BP 110/22/69, dated 3-11-1970].

Recommendation

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.

[S. No. 32 (Para. 2.27) Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Noted. Measure have been taken to promote sale of the publications.

[Depatt. of Labour & Employment O.M. No. BP 110/22/69, dated 3-11-1970].

Recommendation

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.

[S. No. 33 (Para. 2.28) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Noted.

[Depatt. of Labour & Employment O.M. No. BP 110/22/69, dated 3-11-1970].

Recommendation

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.

[S. No. 34 (Para. 2.31) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

Instructions have already been issued to the Central Training Institutes that equipment-material surplus with them will be transferred to the new Institutes, who will select the equipment which is most suitable for their own requirements in consultation with the Central Training Institutes.

[Depatt. of Labour & Employment O.M. No. BP 110/22/69, dated 3-11-1970].

CHAPTER III

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

Recommendation

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 purposes of planning the production of gun barrels from Heavy Engineering Corporation, Ranchi, but this has not been done to date.

[Sl. No. 5 (Para. 1.35) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

The Ministry of Defence (Directorate of Planning and Coordination) had furnished a "Secret" note vide D.O. letter No. 7(2)70/IP (Plg. III) dated 16th August, 1971. Not printed.

Recommendation

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.

[Sl. No. 14 (Para. 1.57) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

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 these 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.

[Sl. No. 15 (Para. 1.58) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

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.

[Sl. No. 16 (Para. 1.59) of Appendix to 104th Report of P.A.C. (4th Lok Sabha)].

Action taken

The Small Scale Industries Development Organisation, Government of India, has at the moment 16 Small Industries Service Institutes, 2 Production Centres, 7 Branch Institutes, 58 Extension Centres under its control. 5 Extension Centres, (2 in Haryana, 2 in Maharashtra and one in Tamil Nadu) have been transferred to State Governments and the above figures exclude these 5 centres already transferred.

Entry 24 of the State List of the Constitution covers industries, subject to Provisions of Entry 52 and Entry 7 of Union List. The Industries (Development and Regulations) Act 1951 by virtue of Entry 52 in the Union List contains list of industries in the First

Schedule of the Act, the control of which has been declared as expedient in public interest. The Schedule itself does not distinguish between units engaged in large scale and small scale; but under Section 29(B) of the Industries Development and Regulation Act, units which by definition fall in the small scale sphere may be excluded from all or any provisions of the Act. Specifically, such small units are excluded from the purview of licensing provisions of the Act by relevant orders under Section 29(B). This would show that activities of the Central Government in relation to small scale industries falling under the First Schedule of the Act do not impinge on the activities or the powers of the State Government. It will not be correct to assume that development of small scale industries is the exclusive responsibility of State Governments. In fact, the Central Government recognise and give due importance to development of small scale industries. This is clearly shown in the Industrial Policy Resolution 1956 and various steps taken by the Central Government for the promotion of small scale industries in keeping with the basic policy of the Government. Establishment of Small Scale Industries Development Organisation, Small Scale Industries Service Institutes and Extension Centres, National Small Industries Corporation, Small Industries Extension Training Institute and various other institutions and the Small Scale Industries Board itself speaks out the concern of the Central Government in regard to the development of small scale industries. As time goes on, the national importance of the programme of small scale industries does not decrease but it increases.

Regulatory and promotional functions cannot be completely separated because the two often go together. In the interest of development of small scale industries, it is necessary for the Central Government to lay down policies and make decisions with the advice of Small Scale Industries Development Organisation and the State Governments, as well, in regard to various matters such as import of capital goods, raw materials and their distribution; fiscal measures like tax relief, reduction in excise duties, transport subsidies on certain categories of industries. Such measures taken by the Central Government, as relating to above, to some degree, constitute regulatory measures as well as promotional. It is not possible nor administratively expedient to leave such policy matters entirely to individual State Governments.

Many State Governments have in fact failed to give desired priority to development of small scale industries and have failed to set apart even 3 per cent of the planned budget for small scale industries.

In regard to taking over of Extension Centres under Small Scale Industries Development Organisation, State Governments have not shown much interest to take over such Centres even without staff. This would indicate the lack of interest on the part of the some State Governments in taking over the Extension Centres and to help the development of small scale industries through the facilities of such Centres.

Observations said to have been made by a Study Group of the Administrative Reforms Commission as quoted at para 1.57 of P.A.C's. Report are apparently rejected by the A.R.C. finally. The A.R.C. in their final Report on Small Scale Sector at page 118 recommends "Small Industries Service Institutes should be well equipped to give technical advice for the requirements of the industries with advanced technology. For this purpose they should be further strengthened by such subordinate staff and equipment as may be found to be necessary. They should continue to be under CSIO." CSIO here stands for Central Small Industries Organisation which we now call the Small Scale Industries Development Organisation. The A.R.C. in their final Report at page 118 recommends expansion and strengthening of Small Industries Service Institutes Workshops in the metropolitan cities into full-fledged regional testing centres.

The Working group on Small Scale Sector of the A.R.C. in their Report at page 71 specifically states "it is, however, the confirmed view of the State Directors of Industries that there is no question of overlap as the scope for rendering assistance and advice is very vast indeed. Whatever is being done by the State Governments is entirely to supplement the efforts of the Small Industries Service Institutes and their Extension Centres." The same Report also states "In spite of the Constitutional responsibilities of the State Governments in the matter of small scale industries development, the existing set up in the States is not at all conducive to the realisation of the objectives". It has been our experience that the activities of Small Industries Service Institutes and Extension Centres do not impinge on those of the State Governments. The activities of Small Industries Service Institutes are concerned with technical guidance to the small units, training of workers and entrepreneurs, assistance for finding out credit facilities for small units etc. Most of such activities, even if not done by Small Industries Service Institutes are at any rate not touched upon by many State Governments so far.

The suggestion by the Public Accounts Committee that the Central Government's responsibility would be planning, coordina-

tion and rendering technical advice to State Governments, does not seem to take the correct functioning of Small Industries Service Institutes into account. Technical advice is given by technical officers to industrial units direct. Such advice cannot be given to the State Governments. Such advice relates to installation of machines, production procedures, maintenance, management and other technical issues which require attention by our technical officers at the factory itself. Such technical advice given to the State Government will not serve any purpose. If the Public Accounts Committee has in mind absorption of such technical officers in the State Governments, the matter may be different. Our experience, however, is that many State Governments are not interested to take over the Extension Centres with or without the staff.

Where it has been found necessary and possible to transfer certain activities of Small Scale Industries Development Organisation to State Governments, steps were taken in that line. For instance, the Ministry appointed some time in 1961 a Committee under the Chairmanship of Shri Venkatachalam, then Joint Secretary in the Ministry of Industrial Development. This Committee recommended gradual transfer of Extension Centres purely engaged in common facility services to State Governments. As a result 5 Centres have been transferred to State Governments and a decision to transfer more Centres have been delayed because the State Governments concerned are not interested to take over such Centres even without the staff. However, the matter is being pursued with the State Government concerned and in consultation with them for the transfer of some of the Extension Centres. This matter was also discussed recently in the meeting of Directors of Industries, State Governments and no final decision could be taken by the concerned Directors of the respective States.

The Government have decided to transfer 2 Production Centres and 2 Extension Centres to the Government of Kerala and that Government is now processing the matter.

The Administrative Reforms Commission in their final Report at page 54, recommends transfer of Extension Centres which provide only technical advice and guidance in common basic trades and in industries with comparatively lower technology. A beginning has already been made in this regard as mentioned above.

[Dept. of Ind. Dev. O.M. No. 25015(2)/70-SSI(C), dated 10-12-1970]

Recommendation

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 Institute 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. 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 these three institutions, will not serve the purpose equally well and prove economical.

[Sl. No. 30 (Para 2.21) of Appendix to 104th Report (4th Lok Sabha)]

Action taken

Noted for guidance.

The three new Institutes *viz.* the Central Staff Training and Research Institute, Calcutta, Advanced Training Institute, Madras and Foremen Training Institute, Bangalore have clearly defined and distinct objectives. While the Central Staff Training and Research Institute is charged with the responsibility of conducting research in training Techniques and for providing training to Senior Officers against the background of the vast technological and industrial progress that has been achieved in the industrial field, the Advanced Training Institute has the primary function of training existing skilled craftsmen required by the industry in advanced skills on complex machinery. The Foremen Training Institute on the other hand is designed to undertake the training of Shop Foreman in technical, theoretical and managerial skills and also give them the necessary quantum and spectrum of manipulative and conceptual skills for the specific requirements of their own type of production. The objectives are, therefore, clearly distinct and well defined. These two institutes e.g. Advanced Training Institute and Foremen Training Institute are designed to provide advanced training of different types at different levels whilst one of them (e.g. STARI) will conduct research of a kind which has not been undertaken in this country so far with a view to preparing the necessary technical infrastructure for the foreseeable advanced technology in the country. The ques-

tion of integrating the two Institutes (e.g. A.T.I. and F.T.I.) into one had also been carefully examined on an earlier occasion by Government and they considered that it would be in the best interests of training that these institutes function independently. This would ensure their proper development in their respective fields of advanced training and training technology.

[Dept. of Labour & Employment O.M. No. BP-110/22/69 dated 3rd November, 1970].

CHAPTER IV

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

—NIL—

CHAPTER V

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

Recommendation

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 of 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 amount 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.

[Sr. No. 2(Para 1.32) of Appendix to 104th report of PAC (4th Lok Sabha)].

Action taken

The observations made in this recommendation have been taken note of. As for the failure of the HEC Ranchi to the committed deliveries for orders placed on them by the DGDF for certain gun barrels, and the under utilisation of capacity of the foundry forge both at Ranchi and Durgapur, it may be stated that since both the Heavy Engineering Corporation Ltd. Ranchi, and the Mining and Allied Machinery Corporation Ltd. Durgapur are under the administrative control of Ministry of Steel and Heavy Engineering that Ministry have been requested to take necessary action on the part of recommendation pertaining to these two undertakings.

[Dept. of Ind. Dev. D.O. letter No. G25015(3)B&A/70 dated 13th October, 1971].

Recommendation

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.

[Serial No. 7 (Para 1.37) of appendix to 104th Report of PAC (4th Lok Sabha)].

Action taken

The observations made about the need for realistic planning and for extreme circumspection before embarking on new ventures has been taken note of. However, in regard to the permanent arrangement for supply of gun barrels of acceptable quality required for

Defence and steps necessary to ensure that the orders placed with the HEC are speedily executed, the matter has already been brought to the notice of the Ministry of Steel and Heavy Engineering who are the administrative Ministry in control of the HEC, Ranchi.

[Dept. of Ind. Dev. D.O. letter No. G 25015(3)B&A/70 dated 13th October, 1971].

NEW DELHI;
March 22, 1972.

Phalguna 3, 1893 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Statement showing the Main Conclusions/Recommendations

Ministry/Department Concerned	Main recommendations/observations
1 1.4 Steel and Mines	The Committee hope that the Ministry of Steel and Mines will furnish the replies in respect of SNos. 2 and 7 mentioned above expeditiously after getting them vetted by Audit.
2 1.8 Industrial Development Finance	The Committee note that the Staff Inspection Unit of the Ministry of Finance have tentatively decided to conduct a work load study in Small Industries Institutes and Extension Centres. The Committee hope that this study would be made early. The Committee would like to be apprised of the results of the study.
3 1.11 Industrial Development	The Committee note that the question of disposal of the land acquired by the Extension Centre at Hubli is under consideration. The Committee feel that in case the land is not required, it may be returned to the original owners or to their successors as the case may be.
4. 1.12 -do-	The Committee also note that the question of handing over the extension centre, Bankura (West Bengal) to the State Government is being revived. The Committee desire that a decision in the matter should be taken early and the Committee apprised of it.

