

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

FIRST REPORT

NATIONAL BUILDINGS CONSTRUCTION
CORPORATION LTD., NEW DELHI

(MINISTRY OF WORKS & HOUSING)



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NEW DELHI

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First Report of the Committee on Public Undertakings (Third Lok Sabha) on the National Buildings Construction Corporation Ltd., New Delhi.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

INTRODUCTION

1. The Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this First Report on the National Buildings Construction Corporation Ltd., New Delhi.

2. In pursuance of a motion passed by Parliament towards the end of 1963, the Committee on Public Undertakings was constituted for the first time with effect from the 1st May, 1964 to examine the working of Public Undertakings. It consists of fifteen members—ten elected from the Lok Sabha and five from the Rajya Sabha. The term of the Committee is for the duration of the current Lok Sabha.

3. The Report is based on the examination of the working of the National Buildings Construction Corporation Ltd. upto the year ending 31st March, 1964. The Committee took the evidence of the representatives of the Ministry of Works and Housing and the National Buildings Construction Corporation Ltd. on the 30th November and 1st and 2nd December, 1964.

4. The Report was adopted by the Committee on the 10th March, 1965.

5. The Committee wish to express their thanks to the officers of the Ministry of Works and Housing and the National Buildings Construction Corporation Ltd. for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of the Corporation.

NEW DELHI;
March 24, 1965

Chaitra 3, 1887 (S)

PANAMPILLI GOVINDA MENON,
Chairman,
Committee on Public Undertakings.

INTRODUCTORY

A. Background

The idea of a Construction Corporation originated in an observation made by the late Prime Minister that an appreciable proportion of the money spent on the construction of buildings accrued to contractors as profits and that the question of setting up a Corporation to effect savings in construction costs should be examined by the Planning Commission. In pursuance of this idea, the erstwhile Ministry of Works, Housing and Supply prepared a Paper on 'Reduction of Buildings Costs' in consultation with other Ministries. The Paper was discussed by the Planning Commission on 30th March, 1959 and an Officer on Special Duty was appointed to examine the proposal further. He submitted a report on the 31st March, 1960, on the basis of which the Cabinet approved, on the 10th September, 1960, the setting up of the National Buildings Construction Corporation. The Corporation was incorporated on the 15th November, 1960, as a wholly Government-owned company under the Companies Act, 1956.

B. Objectives

2. When setting up the Corporation it was expected that it would achieve the following objectives:

- (a) It would improve the quality of work undertaken by it.
- (b) It would bring down constructional costs by—
 - (i) eliminating or reducing considerably the number of middlemen; and
 - (ii) by rationalising the planning and execution of works.
- (c) It would take up constructional works in border areas and at other inaccessible places at competitive rates.

- (d) It would make headway in undertaking works of new and unfamiliar designs and specifications and in introducing new methods and techniques.
- (e) It would eliminate delay in the execution of works by combining the advantages of departmental construction with the flexibility and speed of private firms.
- (f) It would give a fair deal to harness the co-operation of voluntary social service agencies and labour co-operatives.
- (g) With the development of N.B.C.C. it should be possible to reduce the size of the Supervisory Engineering Organisations.

3. The Committee enquired how far these objectives had been achieved by the Corporation. In reply it was stated that:—

- (a) The quality of work done by the Corporation was superior to that of an ordinary contractor.
- (b) "It is difficult to judge if the Corporation had brought down construction costs."
- (c) The Corporation had taken up some works in border areas at rates negotiated with the departments.
- (d) "The Corporation has not made any headway in undertaking works of new specification". It had "also not introduced any new methods and techniques in building construction."
- (e) "We have not been able to completely eliminate delays in execution of works. Invariably on all the works there have been delays in completing the works in time."
- (f) "We have not been able to harness the co-operation of any voluntary social service agency and labour co-operatives."
- (g) The Corporation "has not so far developed sufficiently so as to create confidence amongst the supervisory agency to enable them to reduce their staff."

4. *The Committee consider that the objectives with which the Corporation was set up, have remained largely unfulfilled.*

5. *The Committee were informed that Government did not issue any Instrument of Instructions to the Corporation specifying the objectives for which it was set up. The Committee also note that the Corporation has not been constantly keeping all those objectives in view, though they were aware of them. The Annual Reports of the Corporation do not give a review of all the objectives for which it was set up.*

6. *The Committee consider that, whenever a public undertaking is set up, Government should issue an Instrument of Instructions embodying, inter-alia, the objectives, so that they are constantly kept in view.*

The Committee also consider that when public undertakings are constituted for the achievement of certain objectives, it is only proper that, in their Annual Reports, they should review their performance in the light of the objectives also. The Committee recommend that Government should issue necessary instructions to ensure that this is done.

II

BUSINESS AND PERFORMANCE

A. Value of Works Secured and Executed

7. The Officer on Special Duty, in his report, had suggested a gradual increase in the value of work to be undertaken by the Corporation during the first five years as indicated below:—

Year	Volume of work (Rs. in lakhs)
1960-61	10
1961-62	35
1962-63	70
1963-64	140
1964-65	280
TOTAL	535

8. The value of works secured by the Corporation and that actually executed by it since its inception is given below:—

	1960-61 (Nov. 1960 to March, 1961)	1961-62	1962-63	1963-64	1964-65
	(Rs. in lakhs)				
(i) Value of works secured during the year	3.2	649.7	593.0	253.40	192.5 (Nov., 1964)
(ii) Value of works secured upto the end of the year	3.2	652.9	1,245.9	1,499.3	..
(iii) Value of works actually executed during the year	0.5	108.1	352.3	449.7	..
(iv) Value of works executed upto the end of the year	0.5	109.6	461.9	911.6	..

B. Targets

9. The Committee enquired whether the Corporation set for itself annual targets of work. The Managing Director stated that no targets could be fixed as they were uncertain about the works which could be secured by them on the basis of open tender. In the last two years, however, they had been able to stabilise the position at about Rs. 4 crores worth of turnover every year. It was his expectation for the next few years also, that the turnover would be about the same. The Secretary of the Ministry also stated that, beyond providing necessary funds, no targets of work for the Corporation have been fixed by the Ministry. No Targets Fixed.

10. *The Committee consider it very essential for public undertakings to prepare a well considered long-term programme of work not only to enable them to assess their requirements of finance, staff and machinery but also for a proper appraisal of their performance later on. Apparently the Corporation has so far been working on an ad-hoc basis. The Committee recommend that the Corporation should have a systematic plan for securing contracts and should lay down targets of work for each year.*

The Committee appreciate that the Corporation has stabilised its turnover at Rs. 4 crores. Since there is enormous scope for public works to be undertaken by the Corporation there is no reason why turnover should be stabilised at this level. The Committee recommend that the Corporation should equip itself for the execution of bigger targets.

C. Delays in Execution of Works

11. The Committee were informed by the Corporation that out of 57 works executed so far, 26 have been delayed for periods ranging from one month to over a year. In three of these delays have been of over two years.

12. Explaining the reasons for the delays it was stated by the Corporation that these delays were primarily due to Reasons for delays.
 (i) the Corporation being new in the line, (ii) delays caused in finalising detailed designs and drawings by the clients, and (iii) delay by the clients in the supply of materials like steel and cement in time.

13. The Committee feel that the delays are due to the Corporation not having properly organised its work. In some cases, however, there have been delays due to the inability of the clients to supply detailed designs and drawings. The Committee are very much concerned at the delays in execution of works by the Corporation. Such delays result not only in higher costs to the Corporation, by way of mounting overheads on establishment charges, and depreciation of tools and plants but also disrupt the plan schedules of the clients in regard to incomplete works. It is, therefore, of utmost importance that the works are completed by the Corporation within the time schedules fixed. Prompt execution of works would not only reduce the costs of the Corporation but would also attract more clients to it.

D. Withdrawal of Works

14. The Committee were informed that the following constructional works which were originally given to the Corporation at Ranchi, Madras, Trichy and Bhopal stations were subsequently withdrawn by the clients:—

Particulars of the work	Reasons for withdrawal
1. Building No. 100 costing Rs. 40 lakhs, Ranchi.	Corporation not able to locate suitable staff at Ranchi.
2. Extension of Madras Runway costing about Rs. 10 lakhs, Madras.	Corporation not able to make full planned progress with the work.
3. Fabrication and erection of about 1700 tons of steel at Trichy.	Corporation not able to equip itself with fabrication equipment.
4. Construction of 200 quarters at Bhopal.	Progress had been extremely unsatisfactory.

15. From the reasons given it is clear that the withdrawal of these works is due to the inadequacy of the Corporation in equipping itself with the required men and machinery. The Committee trust that the Corporation would ensure that such cases are avoided in future, as these adversely affect its reputation with the clients.

E. System of Securing Contracts

16. The Officer on Special Duty, in his report, had envisaged that the Corporation would undertake building works through competitive open tender. He conceived that in the initial stages, however, it may help the Corporation if contracts were farmed out to it at negotiated rates or on cost-plus basis.

17. The table below gives the number of works secured by the Corporation till 1963-64, their value and the procedure adopted in securing them:—

(Rs. in lakhs)		
Procedure	No. of Works	Value of Works
By direct negotiation without calling for tenders .	29	725·0
By open tender but subsequently negotiated	49	N.A.
Cost-plus basis	13	178·82
By open tender	8	N.A.
TOTAL	99	

18. It will be seen that out of 99 works, only 8 were secured by the Corporation through competitive open tendering. In the case of other 49 works the contracts were negotiated after tendering. The remaining i.e., about 43% were secured by direct negotiations and on cost-plus basis. In future also the Corporation has desired that it should be allocated Rs. 4 to 5 crores worth of works every year by the C.P.W.D. at places like Delhi, Calcutta, Madras and Bombay. The Corporation has categorically stated that it is impossible for it to get works on the lowest tender basis as it has to compete with ordinary contractors.

19. It is thus clear that the Corporation has not only so far depended on negotiated and cost-plus basis works but in future also desires to be allocated works without competitive tendering. It is surprising that the Corporation should try to sustain itself on negotiated works which is contrary to the original intention. Such a practice is also a deviation from the system of calling competitive tenders for works which is commonly in vogue. Works at

negotiated rates and on cost-plus basis would leave no incentive to the Corporation to economise on its expenditure and to improve its efficiency. Further, this practice, if followed by the Ministry/C.P.W.D., would also expose them to the charge of according preferential treatment and awarding works at higher rates to the Corporation. The Committee, therefore, urge that the Corporation should observe the normal procedure of securing works through open tenders. Towards that end it should develop its competitive strength and efficiency.

F. Agreements

20. It is observed that there are a number of contracts for which agreements have not been executed by the Corporation. The year-wise details of the contracts secured, agreements signed by the Corporation are given below:—

(Rs. in lakhs)

Year	Contracts Secured		Agreement Signed		Agreement not signed	
	Number	Value	Number	Value	Number	Value
1960-61	1	3.18	1	3.18	..	..
1961-62	66	649.68	66	649.68	..	..
1962-63	86	592.94	73	485.69	13	107.25
1963-64	94	305.40	87	276.42	7	28.98
1964-65	9	192.50	4	75.31	5	117.19
TOTAL	256	1,743.70	231	1,490.28	25	253.42

21. The Committee note that the Corporation has not yet signed agreements for 25 works, which include 13 pertaining to the year 1962-63. Since non-finalising of contract agreements may lead to difficulties and disputes eventually, the Committee urge that the Corporation should ensure that all the agreements are signed within a stipulated time.

G. Procedure for Tendering for Works

Estimates of
Costs not
prepared
before ten-
pering.

22. All tenders for works over Rs. 1 lakh are prepared by the Head Office after collecting from the field units the rates of labour and material prevailing in the locality. It was stated that after the works were obtained no estimates of prime cost, overhead and profit were prepared for the works, by the Corporation. This would show that the Corporation does not prepare

estimates of costs in a scientific and systematic manner and submits tenders on the basis of incomplete and inaccurate data. The Managing Director admitted that it was an omission on their part not to have prepared estimates subsequently as it was the practice with all contracting organisations. It was only after the heavy losses had been incurred by them that this matter received their notice.

23. *The Committee are amazed at the perfunctory and unbusiness-like procedure adopted by the Corporation in this regard. This lapse has been mainly responsible for the heavy losses incurred by the Corporation, which have been referred to in paras 27—29 infra. The Committee recommend that the responsibility for the lapses in this respect should be fixed and disciplinary action taken against the persons responsible.*

H. Norms of Consumption of Material and Labour

24. The Committee were informed that the ceilings and norms for material and labour to be consumed on works, were not laid down by the Corporation till the end of 1962-63. Even after the norms were laid down the actual performance of the field units does not appear to have been watched. Neither was it ensured during inspection that this was adhered to. It has, however, been stated that a procedure has now been laid down to regularly watch the performance of the units and the financial results of the various works in progress.

Norms of Consumption of Labour and Material not fixed.

25. *The Committee consider that the fixing of norms of consumption of material and labour and watching them regularly are obvious tools of management control in this business. Labour and material account for 60 to 70 per cent of the cost of works and, therefore, it is necessary to provide safeguards against their excessive consumption. The private contracting firms which enforce these controls rigidly, are able to economise in costs effectively. The Committee deplore that this is yet another instance where the management failed to do its primary duty.*

I. Financial Results of Working

26. The Officer on Special Duty had anticipated that the Corporation should be able to earn profits from the second year of its working and that the net profits at the

O.S.D.'s Estimates..

end of 1964-65 would amount to over Rs. 21 lakhs as per details given below:—

(Rs. in lakhs)

	1960-61	1961-62	1962-63	1963-64	1964-65	Total
(i) Value of works to be executed	10	35	70	140	280	535
(ii) Net profits		0.6	3.6	9.0	18.0	21.12

Results.

27. The following table gives the actual financial results of the working of the Corporation upto the year 1964-65:—

(Rs. in lakhs)

Particulars	1960-61	1961-62	1962-63	1963-64	1964-65 (estimated)
(i) Value of works executed	0.5	108.1	352.3	449.7	400
(ii) Loss sustained	(—)0.7	(—)1.2	(—)31.7	(—)43.7	(—)20
(iii) Total loss sustained upto the end of the year	(—)0.7	(—)1.9	(—)33.6	(—)77.3	(—)97.3

Losses.

28. It will be seen that as against the expectation of profit of Rs. 21 lakhs in the report of the O.S.D., the Corporation would actually be incurring a loss of over Rs. 97 lakhs by the end of the year 1964-65. The losses have been incurred by the Corporation from its very inception. From Rs. 1.2 lakhs in 1961-62 the losses increased abruptly to Rs. 31.7 lakhs in 1962-63 and to Rs. 43.7 lakhs in 1963-64. The total loss suffered by the Corporation would in fact exceed Rs. 1 crore, if the interest on share capital is also notionally added to it.

Heavy Losses at certain places.

29. The break-up of the value of works executed by the Corporation and the profit/loss made by its various units during the years 1961-62, 1962-63 and 1963-64 are given at Appendix I. It will be seen therefrom that the Corporation has suffered losses at practically all the places. They

have been particularly heavy at Bhopal, Madras, Patratu, Delhi and Imphal as shown below:—

(Rs. in lakhs)

	Value of work done			Profit/Loss		
	1961-62	1962-63	1963-64	1961-62	1962-63	1963-64
Bhopal .	40.4	103.2	89.6	(+)0.6	(-)3.2	(-)11.9
Madras .	13.2	87.6	87.5	(+)0.6	(-)8.8	(-)6.5
Patratu	11.5	15.3	3.1	(+)0.3	(-)4.7	(-)1.2
Delhi	28.9	70.1	116.0	(-)1.3	(-)10.6	(-)10.5
Imphal .	0.06	11.4	10.8	(-)0.2	(-)1.7	(-)3.5

30. The Committee enquired the reasons for these heavy losses. It was stated that these were due to lack of experience, tendering low, increase in the cost of material, excessive consumption of material and labour and high overheads. Reasons for Losses.

31. *The reasons advanced for the loss of over Rs. 97 lakhs clearly indicate that due care was not exercised by the Corporation at the time of tendering or negotiating for contracts. Works were undertaken without analysing costs or providing for likely increase in the cost of materials. Proper control was not exercised over the consumption of material or expenditure on labour. The performance of the field units was not watched regularly. Machinery and men do not appear to have been fully utilised. Overheads and indirect charges were not kept under control and works were delayed.*

32. *Considering that the problems faced by the Corporation are not new but are inherent in this business, it is clear that the management not only failed to organise and man its field units properly but did not also provide the necessary drive and leadership that was expected of it.*

J. Inquiry into the Losses

33. The Committee enquired whether these losses had been investigated. It was stated that no detailed investigation had been made through any Inquiry Committee. However, investigations had been made by the Ministry Formal Inquiry not held.

about the losses sustained during 1962-63, through the Chief Technical Examiner and also through the Housing Commissioner. Further investigations were now being made by the Board of Directors. During evidence the Secretary of the Ministry stated that it was only in December, 1963 when the magnitude of the losses was revealed that 'we really got alarmed'. He further added that even the Corporation itself did not realise till then that they were running into such losses.

Inquiry by
Chief Technical
Examiner.

34. From the report of the Chief Technical Examiner, which was submitted in December, 1963, it is, however, seen that he was asked to examine the matters relating to the expansion of the Corporation rather than its losses. He did not specifically go into the reasons for the losses but listed them in a general way as follows:—

“From the Balance Sheets of the Corporation for the last three years, it is seen that the Corporation incurred losses to the extent of Rs. 67,039, Rs. 1,24,643 and Rs. 31,71,460 during the years 1960-61, 1961-62 and 1962-63 respectively. It is understood that the main reasons for loss were (a) inadequate financial resources resulting in slow tempo of work and hold-ups, (b) procedural delays, resulting in slow progress, (c) excessive consumption of materials due to inadequacy of control, (d) non-availability of technical staff of the right type for the field units (e) rising trend of prices, (f) scattered nature of works undertaken, and (g) low productivity because of lack of any incentives for the field staff.”

Inquiry by
Housing
Commissioner.

35. The Housing Commissioner was, however, asked to go into the question of losses of 1962-63. In his note, submitted in January 1964, he has categorised the causes of losses into five major heads and has stated that “it has not been possible to go into full details of the losses of the Corporation in 1962-63.”. An extract of his note dealing with losses is given at *Appendix II*.

36. It would further appear that the Housing Commissioner though asked to go into the reasons for losses was not asked to fix responsibility therefor. His note suggested only measures for improving the working of the Corporation in future.

37. *The Committee deplore the casual manner in which the Corporation and the Ministry have dealt with the question of losses. It is amazing that the Ministry did not bestir itself to the fact that the Corporation was running at a loss until after it had run into huge losses consecutively for three years.*

38. *It was normally expected of the Managing Director and the Board to have examined the reasons for the losses during the two years 1960-61 and 1961-62, with a view to fix responsibility and to devise remedial measures. Had this been done, the subsequent heavy losses would have been minimised. Even the inquiry conducted by the Ministry in January, 1964, did not indicate that it was intended for probing into the reasons for the heavy losses and fixing responsibility therefor.*

39. *It is surprising that the Housing Commissioner who is a Member of the Board of the Corporation and is partly responsible for its working should have been entrusted with this enquiry. The Committee consider it necessary that such heavy losses, as have been suffered by the Corporation should have been investigated expeditiously by an independent body. They regret that this was not done. The Committee therefore, recommend that a formal Committee of Enquiry with precise terms of reference may be appointed to probe into these losses and fix responsibility therefor*

K. Disciplinary Action

40. *The Committee enquired whether any disciplinary action had been taken for the losses due to excessive consumption of material and labour. It was stated that seven Resident Engineers had been served with charge-sheets only recently (December, 1964) and that similar action was proposed to be taken in respect of all Resident Engineers in whose cases there had been excess consumption of labour and material. The Committee were also informed that the former Managing Director and Chief Engineer of the Corporation had been reverted to their parent offices. The question as to what action may be taken against them is being looked into.*

Delay in taking disciplinary action.

41. *The Committee are not happy at the manner in which these cases have been dealt with by the Ministry and the Corporation. They regret that there has been so*

much delay in taking disciplinary action. They feel that lack of prompt action in such cases encourages malpractices and engenders indiscipline in the staff. It is apparent that due importance was not given to this vital matter by the Ministry and the top management. The Committee trust that action would at least now be taken promptly in all cases where disciplinary action is indicated.

L. Margin of Profit

42. It has been stated that after the prime cost of works is worked out a margin of 21·3 per cent which includes a margin of profit of 2·5 per cent is added to the tenders submitted by the Corporation. The break-up of 21·3 per cent is given below:

	On Turnover	
I. (a) Water & Electricity charges .	2·0%	
(b) Small tools and stores .	0·5%	
(c) Running expenditure of plant and machinery .	1·0%	
(d) Depreciation of plant and machinery .	2·5%	
	<hr/>	
a) Field Units	6·0%	6·0%
Office	*4·0%	
	<hr/>	
(*2·25% on Establishment and 1·75% on interest on loan etc.)		10·0%
III. Profit on turnover .	2·5%	
	<hr/>	
		18·5%
Extra 15% over 18·5% to make it applicable to prime cost		2·8%
	<hr/>	
TOTAL		21·3%
	<hr/>	
		On Prime Cost

43. It is understood from the National Buildings Organisation that in the building industry it is the practice to add 10 per cent net contractor's profit. It is not uncommon for the private contractors to increase their profit to 15 or 20 per cent by their efficiency and good organisation. The Central Public Works Department also allows a margin of profit of 10 per cent.

44. During evidence the Managing Director agreed that the margin of profit of 2·5 per cent provided by them was definitely low. He added that it was necessary for them to keep it low to enable them to compete with ordinary contractors who did not employ very qualified engineers and whose methods of working were quite different. He, however, admitted that there was scope for reduction in the present percentage of field overheads from 6 per cent to 4 per cent. Low Margin
of Profit.

45. It is apparent that the margin of 2·5 per cent profit provided by the Corporation is not an adequate return on its share capital and is very low. Public Undertakings are expected to earn reasonable profits after providing for depreciation and reserves. In the opinion of the Committee the Corporation should aim to fulfil at least those expectations if not earn the profits normal in this industry.

III

FINANCE AND ACCOUNTS

A. Capital Structure

46. The authorised share capital of the Corporation is Rs. 2 crores, divided into 20,000 shares of Rs. 1,000 each. Its paid up capital which has been increased from time to time was Rs. 117 lakhs as on 1st December, 1964. In addition, the Government have been granting loans and allowing cash credit facilities from time to time.

B. Turnover

47. The table below gives the figures of paid-up capital, total capital employed and the value of work done by the Corporation from year to year:—

(Rs. in lakhs)

	1960-61	1961-62	1962-63	1963-64
(i) Paid up capital	3	34	72	94.50
(ii) Total Capital . . .	3	136	251	292
(iii) Value of work done	0.5	108.6	352.3	449.7
(iv) Ratio of (ii) to (iii) . . .	..	1:0.8	1:1.4	1:1.5

Capital turnover ratio low.

48. It will be seen that the capital ratio in the Corporation has been consistently low. It was only 1:0.8 in 1961-62, 1:1.4 in 1962-63 and 1:1.5 in 1963-64. The Committee have been informed that even in the year 1964-65 the turnover ratio is expected to be 1:1.7.

Reasons for low ratio.

49. During evidence the Committee were told that the low turnover in the Corporation was due to the heavy out-standings with clients.

50. Asked about the normal turnover in similar organisations in the private sector, the Committee have been informed that the Corporation had no knowledge about it and that it would now collect this information. The Committee note that during the examination of National Projects Construction Corporation by the Estimates Committee in 1961-62, the representative of the Ministry of Finance had stated that a normal ratio of turnover in such organisations was expected to be 3·5. On this basis the turnover of the Corporation in 1963-64 should have been over Rs. 10 crores. The Officer on Special Duty also visualised a turnover of Rs. 280 lakhs on a paid up capital of Rs. 50 lakhs. Turnover in private organisation.

51. The Committee are very much surprised to note that the Corporation is not even aware of the normal turnover of similar organisations in the private sector. It is expected of every business organisation that it should collect such basic data about its competitors. The Committee regret that this has not been done by the Corporation so far. They hope that the Corporation would now make a study of the turnover and other important norms of working of the private contracting companies in the building industry as early as possible.

52. Judged from any standard it is evident that the turnover of the Corporation has been below normal expectations. As admitted by the representatives of the Corporation, it has been partly due to non-realisation of dues from clients and partly to under or non-utilisation of machinery and men. The Committee urge that the Corporation should make earnest efforts to improve its turnover so as to come up to the normal standards in this business.

C. Cost Elements

53. The following table gives the actual cost elements of works together with their percentage to the value of work

executed by the Corporation during the years 1961-62 to 1963-64:—

	(Rs. in lakhs)					
	Actuals			Percentages on value of work done		
	1961-62	1962-63	1963-64	1961-62	1962-63	1963-64
Prime Cost	94.92	3,29.77	4,26.02	87.81	93.60	94.73
Indirect Charges on works	6.78	36.34	34.55	6.27	10.32	7.68
General and Administrative Overheads	7.64	17.91	32.90	7.07	5.08	7.31
Less Net Loss	1.09.34 1.24	3,84.02 31.71	4,93.47 43.72	1,01.15 1.15	1,09.00 9.00	1,09.72 9.72
Value of work done	1,08.10	3,52.31	4,49.75	1,00.00	1,00.00	1,00.00

Increase in percentages of prime costs and Indirect Charges.

54. It will be seen that the percentage of prime cost to the total value of works increased from 87.81 in 1961-62 to 93.60 in 1962-63. Similarly, the percentage of indirect charges also rose from 6.27 to 10.32 during the same period.

Reasons for increase in percentages.

55. The rise in the percentage of indirect charges during 1962-63 have been mainly attributed to the following reasons:—

- (i) Depreciation on machinery for the runway work at Madras was heavy. This machinery once purchased could not be utilised elsewhere.
- (ii) Similarly, the hire charges paid to the C.P.W.D. for their machinery for their Madras Runway works were heavy.
- (iii) Royalty had to be paid for the materials at Bhopal.

56. It has also been stated that the increase in the prime cost was due primarily to loose control over labour and materials.

57. *The Committee consider that the efficient functioning of this business is intimately dependent on full utilisation of labour and equipment as well as strict control over pilferage and wastage of materials. They are constrained to observe that the Corporation failed to do this. This also shows that there was utter lack of cost consciousness. As already referred to in para 22 the Corporation did not prepare any estimates of prime cost, works overheads and general overheads of the works undertaken by it and hence could not exercise any control over the field units in this regard.*

58. During evidence the Committee were assured that in future the estimates for prime cost, works overheads and general overheads would be prepared for each work and communicated to the field units for strict compliance. In case they went outside these estimates, sanction of the Head Office would have to be obtained in time. The Committee hope that with the introduction of this procedure, the prime costs and overheads would be considerably reduced by the Corporation.

D. Outstanding against clients

59. The following table gives the figures of outstandings against clients, year-wise:—

Year	Amount (Rs. in lakhs)
1961-62	6.9
1962-63	36.4
1963-64	77.37*

60. It is noticed that the amount due from clients which stood at Rs. 6.9 lakhs at the end of 1961-62 rose to Rs. 77.37 lakhs at the end of 1963-64. The Committee enquired the period for which the payments were due and the reasons in each case. *They regret to state that this information has not been furnished to them.*

Heavy Outstandings.

61. The general reason for these heavy outstandings is attributed to the fact that the Corporation has not been preparing its own monthly bills and submitting them to the clients. It has been depending on the clients for the preparation of their bills. It has now taken steps to prepare its own bills for submission to clients.

Reasons for heavy outstandings.

During evidence the Committee were also informed that 5 to 10 per cent of the outstandings were due to disputed claims.

62. In this context the following extract from the Financial Adviser's Review for the quarter ending 30th September, 1963 is pertinent:—

Financial Adviser's Review.

"In this connection, it may be pointed out that no procedure has been laid down by the Corporation for ascertaining the amount outstanding against the clients on a particular date. Though according to most of the contract agreements, the contractor is required to submit a bill for the work done to the clients, in actual practice the bills are being prepared by the clients themselves."

*The details of the clients are given at Appendix III.

63. *These heavy outstandings indicate that the officers of the Corporation have not vigorously pursued the recovery of their dues from the clients. There was no procedure to ascertain the amount of outstanding dues against the clients on a particular date. Large amounts were allowed to remain unrecovered with the result that the Corporation had to borrow money to carry on its work. Apart from the fact that bills were not prepared by the Corporation, it appears that the measurements of works were also not recorded in time and were left to be recorded by the clients. This is unsatisfactory although the clients were public undertakings and Government Departments.*

The Committee feel that the field units did not perform their duties, in this regard, and the Head Office and the Board were also remiss in that they had no procedure for watching the outstandings. It is apparent that they felt no urgent need to recover the moneys due as they had no difficulty in finding working capital by resorting to loans from Government and the State Bank. Normally no contracting organisation can afford to allow its funds to be blocked for long periods. Since the outstandings are mainly due from public undertakings and Government departments, it should not have been difficult for the Corporation to recover these dues in time. The Committee further suggest that all cases of outstandings should be investigated promptly and steps taken to recover them as early as possible. They hope that in future the bills would be prepared regularly and payments recovered promptly.

Rebate System.

64. *The Committee note that Ministry of Finance has made a suggestion that a system of rebates for prompt payments and penalties for delayed payments of bills by the clients might be introduced. The C.P.W.D. who are the biggest clients of the Corporation examined this question sometime ago and found it difficult to accept the proposal. During evidence, the Secretary of the Ministry stated that this suggestion was examined by the Works Advisory Board which felt that it would introduce a new element and should not be accepted.*

65. *It appears to the Committee that the acceptance of the suggestion to allow rebates for prompt payment would lead to prompt recovery of bills and would consequently*

result in lowering of tender rates. It would help in eliminating malpractices and will put the client departments on their toes as any delay in payment would be promptly detected. The Committee, therefore, suggest that the proposal may be reconsidered.

E. Write Offs

66. The following table shows the amounts written off by the Corporation during the years 1961-62, 1962-63 and 1963-64:—

	1961-62	1962-63	1963-64
	Rs.	Rs.	Rs.
(i) Temporary Hutments	29,392	1,54,318	1,81,132
(ii) Small Tools & Stores	38,250	1,87,252	2,68,038
(iii) Centering, Shuttering and scaffolding	1,42,924	6,91,338	11,72,515
	<u>2,10,566</u>	<u>10,32,908</u>	<u>16,21,685</u>

67. During evidence the Managing Director stated that the expenditure on small tools and plants and temporary hutments was not excessive but the wastage on account of centering and shuttering was abnormal and unreasonable. He was, however, trying to avoid this during the current year. He added that no norms of percentages for writing off amounts on this account could be fixed.

Norms for
Writes Off
not fixed.

68. The Committee are unable to appreciate as to why no norms for wastage and depreciation can be fixed. Since the expenditure on this account also has to be added in the tenders, there should be some norms for assessing them. The Committee feel that there is scope for reduction in expenditure on small tools and plants and temporary hutments, if effective control is exercised over them. They trust that these norms would be fixed by the Corporation after a comparative study of the practice followed by the private contracting firms and the expenditure on this account would be kept under constant watch with a view to minimising the same.

IV

PLANT AND MACHINERY

Acquisition.

69. The value of constructional plant, machinery and vehicles acquired by the Corporation during each of the years upto 1963-64 is given below:—

Year	Value (in Rs.)		
	Plant & Machinery	Vehicles (Trucks and Jeeps)	Total
1960-61 . . .	18,609	..	18,609
1961-62 . . .	7,11,570	8,27,572	15,39,142
1962-63 . . .	12,81,743	10,92,994	23,74,737
1963-64 . . .	2,66,700	47,034	3,13,734
	22,78,622	19,67,600	42,46,222

70. It will thus be seen that till 1963-64 the Corporation had acquired plant, machinery and vehicles worth Rs. 42.46 lakhs.

Utilisation.

71. It has been stated by the Corporation that while concrete mixers and vibrators have been utilised, except during periods of breakdowns and monsoons, stone crushers have remained idle for some periods on account of difficulties encountered in their installation and in finding personnel to operate them. The details regarding the utilisation, breakdown period and idle time of each type of machinery which were promised to be furnished, have not, however, been supplied to the Committee so far. During evidence, it was admitted that the non-utilisation of plant and machinery was largely due to the purchase of defective machinery and bad maintenance. A knowledgeable person also informed the Committee that the Corporation purchased items of equipment without mature consideration and that many items of equipment could not be utilised under present Indian conditions. In reply to a specific question,

the Committee were informed that no investigation as to how defective machines happened to be purchased was made by the Corporation.

72. *The Committee cannot help agreeing with the view that plant and machinery was purchased by the Corporation without fully considering the need therefor. Large sums of money were invested in defective machinery which could not be fully utilised. Apart from uneconomic capital investment, this resulted in increasing the overheads of the Corporation by way of depreciation of the machinery and the wages of the staff.*

73. *It is vital for a business organisation to see that the entire plant and machinery is brought into full use. The Committee, therefore, recommend that effective steps should immediately be taken to utilise all the machinery to the optimum extent so as to ensure maximum out-turn from the large capital investment made therein.*

74. *The Committee are also concerned at the light manner in which the purchase of defective machinery was treated by the Corporation. They are surprised that no enquiry in this regard was even considered necessary to find out whether any malpractices were involved. They recommend that this matter should be investigated and responsibility fixed.*

ORGANISATIONAL AND STAFF MATTERS

A. Government Control

Organisation] in the Ministry.

75. The work of the Corporation is coordinated/controlled in the administrative Ministry by a Joint Secretary assisted by a Housing Commissioner and an Under Secretary. Besides there is a Section in the Ministry which looks after all the four public undertakings viz. Ashoka Hotels, Janpath Hotels, Hindustan Housing Factory and the National Buildings Construction Corporation under the administrative charge of the Ministry. This Section attends to all administrative matters and watches the receipts of reports and returns from all these undertakings.

B. Board of Directors

76. The Corporation is managed by the Board of Directors. Article 80 of the Articles of Association of the Corporation specifies that the number of Directors shall not be less than two and not more than twenty. In practice, however, this number has varied between 4 and 5 only.

Composition.

77. The Board of Directors consists of a part-time non-official Chairman and a full-time Managing Director and three Directors.

78. Except the Chairman and a member all other members of the Board are Government Officers. It has been stated that there is no definite criterion for the selection of the members of the Board. The senior technical and non-technical Officers of the Ministry of Works and Housing and its attached Offices and the Ministry of Finance who are connected with the affairs of the Corporation are generally appointed as Directors. The other members of the Board are appointed from amongst Government officials or public men depending upon their technical knowledge, their ability to guide the affairs of the Corporation and the interest they are likely to take in its working.

Chairman:

79. The Committee note that there have been four changes in the incumbency of the post of Chairman of the Corporation since its inception in November, 1960. Prior to 10th December, 1963, when the present non-official Chairman took over, this post was held by the Secretary of the Ministry.

80. *The Committee consider that the appointment of the Secretary of the administrative Ministry as Chairman of a public undertaking, was ill advised as these busy Officers could not obviously be expected to spare sufficient time to effectively supervise the affairs of the Corporation which was expected of them in their capacity as Chairman. Moreover such an arrangement is not conducive to assessing the working and efficiency of the Corporation in an objective and impartial manner by the administrative Ministry. The Committee regret to point out that the continuation of this arrangement after November, 1961 was in clear contravention of the decision by Government on the recommendations of the Krishna Menon Committee, that no Secretary of a Ministry/Department shall be a member of any Board. The Committee trust that in future Secretaries would not be appointed to the Board of any Public Undertaking.*

Managing Director:

81. The Corporation has had three Managing Directors so far. The first Managing Director who was also the Officer on Special Duty in connection with the setting up of the Corporation, was a retired senior Officer of the Indian Defence Accounts Service. The second was the Additional Chief Engineer of the C.P.W.D. He was reverted to his parent department on the completion of his period of deputation. The present Managing Director is also a serving Additional Chief Engineer of the C.P.W.D. It was stated that although the latter two Managing Directors were from amongst the experienced Engineers of the C.P.W.D., they had no experience of working as contractors. This is the first time that these Engineers have been appointed to a post of this nature to act as contractors. On enquiry whether any of the Managing Directors was attached to the National Projects Construction Corporation

to gain experience in this line, it was stated that it was not done as they were doing a different kind of work.

82. *The Committee consider it necessary that top management viz. Managing Director, Chief Engineer and Financial Adviser & Chief Accounts Officer bring with them some previous experience of managing similar undertakings. One way of securing this would be to select them in advance and to give them intensive training and orientation in similar undertakings where they can acquaint themselves with the organisation, methods of working and problems of public undertakings. It is unfortunate that even when such training could easily have been arranged with the National Projects Construction Corporation, no attempt was made to do so. The Committee have no doubt that had this been done, the losses suffered by the Corporation would have been minimised if not avoided altogether.*

83. *The Committee recommend that to avoid similar situations in future, Government should take timely action to impart the requisite training and orientation to the top management of new undertakings.*

**Experience
and Quali-
fications of
Directors.**

84. Asked about the qualifications and experience of the only non-official member, it was stated that he had no experience of house building and similar works but was associated with the business of printing and stationery.

85. *The Committee consider it important that great care is exercised in the selection of members of the Board of Directors as they are expected to contribute effectively to the efficient working of the Corporation. Apart from the officers of the Ministry of Finance and the administrative Ministry, other members should possess such experience and knowledge as could really be useful in promoting the business of the Corporation and its efficient functioning. The Committee trust that this would be kept in view in future.*

Frequent Changes:

86. There have been frequent changes in the membership of the Board of Directors including the posts of Chairman and the Managing Director. During the last four years there have been four changes in the incumbency of the post of Chairman and three changes in the post of

the Managing Director. A number of Directors have served on the Board of the Corporation for a year or even less as shown below:—

Name	From	To
1. Shri N. G. Dewan	30-7-64	27-8-64
2. Shri I. K. Gujral	22-2-64	10-3-64
3. Shri V. V. Chari	2-12-63	23-1-64
4. Shri D. J. Madan	1-9-63	2-12-63
5. Shri R. N. Vasudeva	29-12-62	1-9-63
6. Shri C. P. Gupta	31-12-63	19-10-64

87. *The Committee consider that frequent changes in the Board of Directors detract from the effective direction and supervision that is expected from this body. The Committee hope that as agreed to by the Secretary of the Ministry this would be avoided in future.*

88. At present neither the N.P.C.C. nor the National Buildings Organisation nor the Central Building Research Institute, which are engaged on research in the field of building construction, are represented on the Board of Directors of the Corporation.

Interlocking
of Director-
ship.

89. The Secretary of the Ministry, during evidence, stated that N.P.C.C. was not represented on the Board as it was engaged on a different type of work and was under a different Ministry. The association of National Buildings Organisation or Central Building Research Institute was also not considered necessary as the Corporation had no technical problems.

Reasons for
not repre-
senting
others on the
N.B.C.C.

90. *The Committee are not convinced by the above reasons. They feel that it would be advantageous for the public undertakings working in the same or allied fields to have inter-locking of Directorships as this would enable them to benefit from mutual experience. The administrative control of different Ministries over such undertakings should not stand in the way of this arrangement. The Committee understand that since 1962-63 the National Projects Construction Corporation has extended the scope of*

its activities to civil and structural engineering works and has in fact constructed airfields and civil works. They, therefore, recommend that early steps should be taken to have the Chairman or the Managing Director of the National Projects Construction Corporation on the Board of this Corporation.

91. The Committee also feel that the association of the heads of research organisations like National Buildings Organisation or Central Building Research Institute on the Board of the Corporation would also contribute to efficiency and economy by introducing new designs and techniques in the building industry which is one of the objectives of the Corporation. The Committee, therefore, recommend that the Board of the Corporation may be suitably reorganised as early as possible.

Working of the Board:

92. The Committee are informed that the Board became aware of the heavy losses incurred by the Corporation in 1962-63, when the accounts for that year were finalised in December, 1963. Similarly the position regarding the financial results of the working of the Corporation during 1963-64 was not known to them before the finalisation of the accounts of that year.

93. It is thus evident that there is no continuous and concurrent watch over the performance of the Corporation by the Board. This conclusion is further strengthened by a perusal of the agenda and minutes of the meetings of the Board, which do not give any indication that they have evolved any method to measure the performance of the Corporation as the works proceed. The Committee cannot help observing that the Board failed to perform its principal task of evaluating the performance of management and giving it the necessary direction and guidance. Had the Board been vigilant, the mistakes and shortcomings of the management would have been detected in time and the losses minimised. The Committee trust that Government would take suitable steps to watch that the Boards in Public Undertakings not only realise their responsibilities but discharge them properly.

C. Organisational set-up

(a) *Head Office:*

94. The Head Office of the Corporation, which is located at New Delhi, has four branches, viz.:—

- (1) Administrative Branch
- (2) Engineering Branch
- (3) Finance & Accounts Branch; and
- (4) Purchase Branch.

95. In reply to an enquiry from the Committee, it has been stated that hitherto there has been no Designing and Planning Cell at the Headquarters exclusively for evolving specialised and economic designs. This has not been felt necessary as the Corporation works on the designs supplied by the clients themselves. A Planning Cell has, however, recently been set up under a Planning Engineer with the following duties:—

Design and
Planning
Cell

- (a) to plan what works should be obtained for the Corporation and prepare tender papers for submission.
- (b) to watch the progress of work.
- (c) to think of ways and means of bringing into operation new fields of activity.
- (d) to help the units in instituting claims against the clients for works done and not covered by the agreement.
- (e) to plan T. & P. and other equipment.
- (f) to look after the vigilance work of the Corporation.

96. *The Committee consider that the setting up of a Planning Cell, with the duties enumerated above, should have been the first step for an organisation of this nature. The Committee trust that this Cell would be suitably organised and would prove a real help in improving the working of the Corporation.*

The Committee further suggest that the Corporation should also set up a Cell at the Headquarters which can prepare designs for works undertaken by it. This would

enable the Corporation to secure more works on the basis of economic designs as also to introduce new and unfamiliar designs, which is one of its objectives. The Committee understand that reputed private contracting firms also follow this practice and submit alternate designs at the time of tendering which is a factor in their securing works readily.

(b) *Reorganisation:*

97. Till recently the Corporation has had five Regional Offices at Delhi, Bhopal, Bangalore, Namrup and Durgapur under Regional Managers and 30 unit offices either under Resident Engineer or Assistant Engineer in 12 different States. Although certain powers had been given to the Regional Managers, there had been too much of Central control from the Head Office. The control of the Regional Managers over the Resident Engineers had also been loose in the matter of watching the progress of work. To add to the difficulties the accounts of all the areas had also been centralised in Delhi.

98. The Committee are informed that a scheme to re-organise the set up of the Corporation and to decentralise the responsibility of preparation of accounts and control over works has been decided upon. Under the re-organised scheme the Corporation will have three distinct zones spread all over the country which will be controlled by Chief Regional Managers in the scale of Rs. 1,300—1,800 (+ 20%) or Rs. 1,600—1,800. They will have the necessary complement of Resident Engineers. Their headquarters will be located at Calcutta, Bangalore and Delhi. The stations under each Chief Regional Manager are given below:—

I. Chief Regional Manager Calcutta:

Calcutta
Durgapur
Ranchi
Namrup
Manipur
NEFA

II. Chief Regional Manager, Bangalore:

Bangalore
 Madras
 Pondicherry
 Trichy

III. Chief Regional Manager, Delhi:

Delhi
 Bhopal
 Bailadila
 Bombay.

99. In addition it is proposed to have Regional Managers (in the scale of Rs. 1,300—1,600) at Delhi, Bhopal, Bailadila and Namrup. It is stated that these Regional Managers are being located only in those places where communications are difficult and where there is concentration of works.

100. The Committee were informed that no detailed studies of the organisational set up of big private contracting firms or any other organisation in the line were made by the Ministry of Works and Housing before the setting up of the Corporation. The Management of the Corporation has also not made any such study since its constitution.

No study made of the organisational set up of similar organisations.

101. *The Committee consider that a study of the organisation structure of similar organisations in the private and public sectors was necessary before launching a new undertaking as it would have been helpful in organising it on sound lines. It is regrettable that no such prior study was made. At the instance of the Committee the Managing Director of the Corporation has now undertaken to do it. The Committee hope that this study would be completed at an early date and the organisation of the Corporation reviewed.*

D. Staff Matters**Categories of Posts:**

102. There are a number of categories of posts in each department of the Corporation. In the four departments

there are 31 different categories of posts as detailed below:—

(i) Engineering Establishment	13 types
(ii) Accounts Establishment	5 types
(iii) Purchase Establishment	3 types
(iv) Administration Establishment	10 types

Total : 31 types

103. Thus in each department there is a hierarchy of officers. For example, on the engineering side, besides the Chief Regional Manager, there are Regional Manager, Resident Engineer, Assistant Engineer, Junior Engineer, Clerk of Works, Section Officer, Works Assistant, Work Supervisor and Work Mistry. Similarly, on the accounts side, besides the Financial Adviser-cum-Chief Accounts Officer, there are Accounts Officers, Assistant Accounts Officers, Superintendent of Accounts, Assistant Accountants, Senior Clerks and Junior Clerks.

**Overlapping
in categories
of Engineer-
ing Staff.**

104. During evidence the Managing Director admitted that there was overlapping in the three categories of Engineering staff, viz., Assistant Engineers, Junior Engineers and Clerks of Works, as all of them were performing the same duties.

105. *The Committee consider that the multiplicity of categories of posts in a public undertaking leads to blurring of responsibilities and consequential delays in execution of works. They also feel that there are a large number of higher posts in the Corporation than is necessary and that there is scope for reduction therein. The Committee recommend that the question of rationalising the categories of posts in the Corporation with a view to their reduction may be examined. While doing so the position prevailing in similar undertakings in the private and public sectors may also be taken into account. At the same time it is important that the responsibilities of each category of post are clearly determined and demarcated.*

**Strength of
Resident
Engineers.**

106. The Committee were informed that the strength of Resident Engineers and of the Corporation was determined on the basis of each Resident Engineer's unit turning out a work-load of Rs. 20 to 25 lakhs a year. It is, however, seen from the statement of the value of works

executed by the Resident Engineers during the years 1962-63 and 1963-64, given at Appendices IV and V respectively, that during the year 1962-63 only six of them executed works of the value of Rs. 20 lakhs. Similarly during 1963-64, out of 33 Resident Engineers only 7 did work of Rs. 20 lakhs and more. In fact a large number of Resident Engineers did work of less than even Rs. 10 lakhs per year during this period. Thus the turnover of the majority of Resident Engineers has been much below the norms fixed for them.

107. From the information furnished to the Committee it is further seen that the Corporation has 36 Resident Engineers. Out-turn of Resident Engineers.

Considering that the Corporation desires to stabilise its annual turnover for some years in future at Rs. 400 lakhs, it would require not more than 20 Resident Engineers, if the norm of work load of Rs. 20 to 25 lakhs for each Resident Engineer is adhered to. The Committee, therefore, recommend that immediate steps should be taken by the Corporation to reduce the strength of the Resident Engineers so as to bring it in conformity with the workload. At the same time it should ensure that the out-turn of work by the Resident Engineers is of the required standard.

Deputationists:

108. On 1st October, 1964, the Corporation had 47 deputationists in various categories of posts. The posts on which they have been employed are shown in Appendix VI. Under the reorganised scheme, the Corporation is proposing to take on deputation from the C.P.W.D. three Chief Regional Managers, four Resident Engineers and six Assistant Engineers.

109. It will be seen that the deputationists have been taken to fill mostly the engineering and accounts posts in the Corporation. Explaining the reasons, it was stated that good senior engineering staff, which they had taken on deputation from the C.P.W.D., was not available in the market. Similarly difficulty was also experienced in the recruitment of accounting staff. Reasons for taking persons on deputation.

110. It was further stated that the deputation of top level engineering staff from the C.P.W.D. with previous experience of departmental work, was considered necessary in view of the heavy losses suffered by the Corporation. The Managing Director added that he wanted to send the deputationist Resident Engineers back after weeding out officers of doubtful integrity. It had also been decided to recruit Assistant Accountants from the open market and to train them for their work.

111. *It may be that in the initial stages taking of some top officers on deputation would be necessary. The Committee, however, feel that deputationists, besides being costly on account of the incidence of deputation pay and leave salary and pension contribution are not ultimately conducive to the efficiency of any organisation as they have no stake in it. Moreover, by their attitudes and training the deputationists are used to different way of working which hardly fit in to a business organisation of this type. The Committee, therefore, recommend that the Corporation should take energetic steps to recruit, train and develop its own staff so as to do away with the deputationists at all levels within a period of five years. if not earlier.*

VI

OTHER MATTERS

A. Execution of works direct by the Corporation

112. The Committee are informed that construction works of all the Ministries are executed through the agency of the Central Public Works Department (C.P.W.D.). The C.P.W.D. usually awards contracts to the building contractors and supervises the execution of works through its own engineering staff. For its service, the C.P.W.D. levies departmental charges ranging from 8 to 14 per cent on the cost of works.

113. The Committee enquired whether the Ministries could entrust the execution of their works direct to the Corporation. The Secretary of the Ministry stated that time was not yet ripe for such an arrangement. The representative of the Ministry of Finance, however, stated that if the Corporation could be developed further, the intervention of the C.P.W.D. could be reduced or completely eliminated.

114. *The Committee consider that it would make for economy and speedy execution, if the Corporation, which is wholly Government-owned and is managed by technical persons, is made directly responsible for execution of works of the Ministries, rather than through the agency of the C.P.W.D. as it would avoid duplication of supervisory staff and levy of departmental charges by the C.P.W.D. Such an arrangement obviously presupposes that the Corporation is fully geared to undertake the required type of works and has acquired a reputation for executing quality work expeditiously and at economic rates.*

The Committee suggest that the feasibility of entrusting works directly to the Corporation may be examined as early as possible.

B. Reports and Returns

115. The Committee note that the Corporation is required to submit 11 reports and returns to the Ministry.

of Works and Housing and the Ministry of Finance. A list of these reports/returns, their subject matter and periodicity is given at Appendix VII.

116. *Despite these reports, neither the administrative Ministry nor the Ministry of Finance were aware of the difficult financial position of the Corporation in good time. On the other hand, these reports, on the basis of a set formula, calculated that a margin of profit would be earned by the Corporation on each work. Such reports can only be categorised as misleading. The Committee, therefore, feel that there is a need to re-examine the utility of these reports and returns. Their form and content also need to be modified. They recommend that the Government should review the matter.*

Reviews of
Financial
Adviser.

117. The Committee note that the Quarterly Reviews of the Financial Adviser were not submitted in time and were delayed for periods ranging from three to nine months. The Reviews for the quarters ending March, June and September, 1963, were consolidated into one and submitted together on 3rd January, 1964. The Reviews for the quarters ending June and September, 1964, which were due to be submitted by 5th July and October, 1964, respectively, have not so far been submitted.

Reasons for
Delays in
Submission.

118. The reasons for delays in submission of these Reviews were attributed to late receipt of returns from the field units and branches of the Corporation. The heavy duties and responsibilities attached to the post of Financial Adviser and Chief Accounts Officer of the Corporation were also stated to be the reasons for delays.

119. *The Committee feel that the position in this regard is not happy. They hope that once a report or return is prescribed and a time limit fixed for its submission, it should be adhered to.*

C. Audit Reports

Losses not
mentioned in
Audit
Report.

120. The Committee note with regret that cases of excess consumption of material and labour, excess expenditure on overheads, giving lower tenders and other irregularities, which resulted in heavy losses to the Corporation amounting to nearly one crore, have so far not been pointed out by the Comptroller & Auditor General in his Audit

Reports or in his comments on the Annual Accounts of the Corporation. The Commercial Auditors have also not brought them out in their report.

121. *The Committee regret that it has not been possible for the Comptroller and Auditor General to detect these irregularities and losses so far and report on them. They consider it essential that such cases should be detected and brought to the notice of Parliament as early as possible. The Committee, therefore, recommend that the feasibility of devising a procedure under which this can be done may be examined.*

D. Mechanised Brick Kiln

122. From the Review of the Government on the working of the Corporation for the year 1960-61, it is seen that the Corporation was planning to set up a mechanised brick kiln in Delhi to produce bricks of a high quality at economical rates. It has been stated that the Corporation has now entered into an agreement with a Rumanian concern to set up the brick kiln. The order for the plant has been placed in July, 1964. The kiln is proposed to be set up in Sultanpur village, at an estimated capital cost of Rs. 22 lakhs. The cost of imported equipment is estimated at Rs. 7.1 lakhs. The kiln is expected to manufacture about 3 to 3½ crores of bricks at an estimated cost of Rs. 31/- per thousand bricks. In addition, it is proposed to produce special and perforated bricks which would be lighter and stronger and would result in a saving of about 5% on the cost of structure.

123. Regarding the delay in setting up the brick kiln it was stated that enquiries and clarifications from the rupee currency areas from where the mechanised equipment was to be imported took time and ultimately the agreement for the supply of mechanised equipment was finalised with Rumania.

Delay in setting up the Kiln.

124. *The Committee deplore the delay in setting up the brick kiln as delays invariably increase costs. They hope that the kiln would now be commissioned expeditiously and it would be ensured that the cost of bricks would be kept within the estimates.*

VII

CONCLUSION

125. After a study of the working of this Corporation, the Committee are constrained to observe that its performance has been extremely poor and thoroughly disappointing. The desirable objectives with which the Corporation was brought into existence have not been fulfilled. This is not the result of inherent difficulties but due to want of proper planning and absence of direction and superintendence by the concerned administrative Ministry and the Management of the undertaking. The main failures of the Corporation have been indicated in the paragraphs supra. They are:—

- (i) The Board failed to give necessary direction and guidance to the Corporation.
- (ii) The Board did not evolve any method to measure the performance of the Corporation or to detect the losses concurrently.
- (iii) The Board did not become aware of the mounting losses until December, 1963. Although the Financial Adviser has to report to the Ministry about the financial performance, he did it only after the aforesaid date.
- (iv) The Ministry also does not appear to have looked into the performance, financial and otherwise, of the Corporation.
- (v) Reasons of losses were not investigated and responsibility fixed.
- (vi) There was delay in taking disciplinary action.
- (vii) Estimates of Prime Costs, and works overheads were not prepared and tenders for works were submitted on inadequate and perfunctory data.
- (viii) There was excessive consumption of material and labour; norms were not fixed.

- (ix) There was lack of control over the performance of field units.
- (x) Targets of works for execution were not fixed.
- (xi) Works were mostly delayed.
- (xii) Outstanding dues were allowed to accumulate.
- (xiii) Defective plant and machinery was purchased.
- (xiv) Plant and machinery was not utilised fully.
- (xv) Performance of a number of Resident Engineers was very poor.

126. *The Committee have no doubt that with the increasing building activities in the country there is great scope and need for a public sector undertaking like the National Buildings Construction Corporation. But unless the Ministry reviews the working of the Corporation since its inception and devises means to mend the Corporation and its working, it is not likely to achieve the objectives with which it was established.*

The Committee, therefore, recommend that the Ministry should take up the question of rectifying the defects in the organisation and methods of working of the Corporation with the utmost expedition.

PANAMPILLI GOVINDA MENON,

Chairman,

NEW DELHI;

Committee on Public Undertakings.

March 24, 1965.

Chaitra 3, 1887 (Saka).

APPENDIX I

(Vide para 29)

Value of Work executed by the Corporation along with Profit/Loss in each Unit during the years (1961-62, 1962-63 and 1963-64)

	1961-62			1962-63			1963-64		
	Value of work done (Rs.)	Profit/Loss (Rs.)	Value of work done (Rs.)	Profit/Loss (Rs.)	Value of work done (Rs.)	Profit/Loss (Rs.)	Value of work done (Rs.)	Profit/Loss (Rs.)	
Bhopal	40,41,059 (+)	58,826	1,03,25,906	(-)	3,18,119	89,61,811	(-)	11,94,036	
Ecrr:bay	3,03,360 (-)	18,396	11,59,613	(-)	72,388	8,48,755	(-)	63,540	
Farauli	10,13,430 (-)	56,692	8,79,676	(-)	56,784	—	(-)	2,828	
Delhi	28,87,291 (-)	1,30,464	70,11,782	(-)	10,63,897	1,15,97,315	(-)	10,50,764	
Imphal	5,643 (-)	24,918	11,37,224	(-)	1,72,631	10,83,168	(-)	3,50,770	
Madras	13,23,322 (+)	63,130	87,63,478	(-)	8,84,165	87,45,981	(-)	6,49,679	
Patratu	11,48,304 (+)	31,456	15,27,767	(-)	4,65,172	3,08,133	(-)	1,18,902	
Pondicherry	88,152 (-)	45,534	23,04,435	(-)	1,50,944	28,76,143	(-)	2,82,527	
Bangalore	—	2,051	14,86,604	(+)	4,864	54,66,494	(+)	33,300	
Ranchi	—	—	2,02,973	(-)	6,577	10,18,086	(-)	3,73,504	
Durgapur	—	—	37,414	(-)	16,260	3,33,891	(-)	83,030	
Hardwar	—	—	1,66,107	(+)	16,374	5,00,838	(+)	23,729	
Trichinapoly	—	—	2,46,229	(+)	15,110	15,52,232	(-)	1,94,549	
Bhubneshwar	—	—	—	(-)	871	—	(-)	—	
Changlong	—	—	—	(-)	—	1,49,431	(-)	4,183	
Namrup	—	—	—	(-)	—	15,33,037	(-)	60,845	
TOTAL	1,08,10,561 (-)	1,24,643	3,52,31,207 (-)	(-)	31,71,460	4,49,75,316 (-)	(-)	43,72,128	

APPENDIX II

(Vide para 35)

Extracts from the Report of the Housing Commissioner regarding Losses

The Corporation suffered a loss of Rs. 67,039/- in 1960-61, of Rs. 1,24,643/ in 1961-62 and of Rs. 31,71,460/- in 1962-63. Thus, the total loss incurred by the Corporation since its inception upto 31st March 1963 was Rs. 33,63,142/-. It has not been possible to go into full details of the losses of the Corporation in 1962-63, but broadly speaking, they can be divided into five major heads as follows :—

(Rs. in lakhs)

- | | |
|---|------|
| (i) Loss on account of giving lower tenders as the Corporation was in the line. | 7.33 |
| (The Corporation started work in 1961-62, when it had no previous experience of contract works. This experience could only be acquired by undertaking works, which it could not always secure at economical rates and which it had to accept, more or less, on the terms offered by the clients.) | |
| (ii) Loss due to increase in the prices of building materials. | 7.92 |
| (In 1962-63, the Corporation mostly executed works, which were awarded to it in 1961, after which there was an appreciable rise in the prices of building materials and labour rates. This is evidenced by the fact that the rates for the award of construction works in 1962-63 were considerably higher than those prevailing in 1961). | |
| (iii) Loss due to excess consumption of materials. | 6.07 |
| (Excess consumption has generally been in the case of sand and stone ballast. There has also been excess consumption of bricks at Bhopal due to the poor quality of bricks there. It has been stated that excess consumption of building materials was due to laxity of control on receipt and use of materials, because of the poor quality of field staff which was mainly recruited from the open market in which persons of required integrity and calibre are generally not available. Another reasons was that most of the works relating to residential quarters were spread over large areas which rendered effective supervision difficult.) | |
| (iv) Excess expenditure on labour. | 3.15 |
| (The Chief Engineer has stated that this loss was primarily due to the fact that the works were carried out through departmental labour instead of piece rate workers. He | |

has claimed that departmental labour is generally more costly though they do work of a better quality).

(v) Excess expenditure on overheads and indirect charges. 5.70

(The Chief Engineer has stated that the supervisory staff is just the minimum. But losses have occurred under this head due to insufficient provision for overheads and indirect charges in the tenders on account of lack of experience).

TOTAL Rs. 30.17 lakhs

(A break up of the above losses, station-wise, is given in Appendix-I)

2. The losses under items (i) and (ii) can be defended. The loss suffered by the Corporation on account of submission of lower tenders may have resulted in some gain to the Government or semi-Government bodies, whose works were executed by the Corporation. Similarly, the Corporation could have no control over the rise in the prices of building materials, after the works had been awarded to them in 1961. The loss on account of this rise was inevitable and must have been suffered by other contractors as well. But the losses incurred under items (iii), (iv) and (v) need to be examined. The excess consumption of building materials is primarily due to laxity of control on the part of the field staff. This can be remedied by stricter control by senior staff of the Engineering and Accounts Departments, and by making the field staff regular instead of work-charged. As regards excess expenditure on labour, the Corporation should increasingly employ piece-rate workers like private contractors. As for overheads etc., the Corporation should make a more realistic assessment of the likely expenditure and provide accordingly in the tenders. In other works, the Corporation should work more as a commercial body than as a Government organisation.

APPENDIX III

(Vide para 59)

*Statement showing position of dues outstanding against clients as on
31-3-1964.*

Field units	Name of clients	Outstanding dues as on 1-4-1964.
Bhopal	Heavy Electricals Limited	Rs. 8,94,223·75
	Public Works Department (MP)	Rs. 8,20,752·42
	Maulana Azad College of technology	Rs. 2,49,392·00
	Total for Bhopal	Rs. 19,64,368·17
Bangalore	National Aeronauticals Lab.	Rs. 17,022·50
	New Govt. Electric Factory.	Rs. 5,41,225·22
	Total for Bangalore	Rs. 5,58,247·72
Changlong	Tirap C.P.W.D., Khonsa :—	Rs. 50,547·23
Delhi	Indian Institute of Technology	Rs. 1,47,865·61
	P.W.D. Mysore	Rs. 1,44,800·00
	Government of Maharashtra	Rs. 64,371·43
	C.P.W.D.	Rs. 15,41,529·27
	New Delhi Municipal Committee	Rs. 43,701·00
Total for Delhi	Rs. 19,42,267·31	
Madras	Central Leather Research Instt.	Rs. 15,317·73
	Indian Institute of technology	Rs. 7,68,419·74
	Indian Drugs & Pharma, Ltd.	Rs. 1,63,796·27
	Air India	Rs. 7,434·37
	Central Public Works Deptt.	Rs. 2,96,125·61
Total for Madras	Rs. 12,51,093·72	

Field units	Name of clients	Outstanding dues as on 1-4-1964
Namrup . . .	Fertilizer Corporation of India	. Rs. 2,67,852.02
Pondicherry . . .	Central Public Works Department	. Rs. 5,34,998.73
Tiruchirapalli. . .	Heavy Electricals (I) Limited . . .	. Rs. 1,58,721.25
Ranchi . . .	Heavy Engineering Corporation	. Rs. 2,79,844.08
Durgapur . . .	Ophthalmic Glass Project Factory	. Rs. 17,227.36
	Heavy Engineering Corporation	. Rs. 68,640.42
	Total for Durgapur	. Rs. 85,867.78
Patratu . . .	Bihar State Electricity Board . . .	. Rs. 3,70,500.00
Imphal . . .	Public Works Deptt. Manipur	. Rs. 64,000.00
Bombay . . .	Central Public Works Deptt. . .	. Rs. 2,08,814.23
	Grand Total . . .	. Rs. 77,37,122.14

APPENDIX IV

(Vide para 106)

*Statement showing the value of work done by each Resident Engineer
at different units during 1962-63*

Unit	Name of the Resident Engineer	Value of work done by each R.E.	Value of work done at each unit
		(Rs.)	(Rs.)
Bhopal . . .	1. Sh. C. J. Kanal . . .	22,98,136	
	2. Sh. C. J. Kanal . . .	38,47,903	
	3. Sh. R. R. Tomar . . .	5,77,524	
	4. Sh. S. Krishnan . . .	4,85,002	
	5. Sh. K. Satyanarayana . . .	7,77,353	
	6. Sh. P. T. Varandani . . .	12,43,493	
	7. Sh. H. K. Nangpal . . .	10,96,494	1,03,25,905·71
Bombay . . .	Sh. C. V. Sathe . . .	11,59,612·75	11,59,612·75
Barauni . . .	Sh. T. K. Chakrawarti . . .	8,79,675·21	8,79,675·21
Bangalore . . .	Sh. K. Ramkesri . . .	14,68,603·59	14,68,603·59
Delhi . . .	1. Sh. K. V. G. Menon . . .	23,86,733·81	
	2. Sh. S. Khale . . .	14,57,644·82	
	3. Sh. S. C. Gulrazani . . .	29,24,478·57	
	4. Sh. Amar Singh . . .	1,55,368·77	
	5. Sh. R. P. Sareen . . .	87,556·53	70,11,782·50
Durgapur . . .	Sh. B. Samanta . . .	37,414	37,414·03
Hardwar . . .	Sh. R. P. Sahawney . . .	1,66,107	1,66,107·00
Imphal . . .	1. Sh. K. S. Rao . . .	6,20,674	
	2. Sh. P. B Reddy . . .	5,16,550	11,37,224·04
Madras . . .	1. Sh. M. S. Rao . . .	32,22,884	
	2. Sh. A. V. Venkataraman . . .	10,84,547	
	3. Sh. K. K. Thomas . . .	44,56,047	87,63,478·00
Pondicherry . . .	1. Sh. N. N. Iyengar . . .	19,24,336	
	2. Sh. K. Annanta Padamanabiah . . .	3,80,099	23,04,435·25
Patratu . . .	Sh. K. P. Udeshi . . .	15,27,766·75	15,27,766·75
Ranchi . . .	Sh. T. K. Chakrabarty . . .	2,02,972·97	2,02,972·97
Trichinapoly . . .	Sh. M.R.S. Raghunan . . .	2,46,228·94	2,46,228·94
			3,52,31,207·00

APPENDIX V

(Vide para 106)

Statement showing the value of work done by each Resident Engineer and Profit and Loss made at each unit during 1963-64.

Unit	Name of the Resident Engineer	Value of work done by each R.E.	Value of work done at each unit	Profit/Loss
		(Rs.)	(Rs.)	(Rs.)
Tiruchirapalli	Shri K. Hussain	15,52,232	15,52,232	1,94,550
Pondicherry	Shri N. N. Iyengar	19,73,084		
	Shri K. Sankaran	9,03,059	28,76,143	-2,82,527
Bangalore	*Shri C.L. Subba Rao	24,99,221		
	Shri K. A. Padamanabiah	6,06,781		
	Shri B. Ramamurthi	23,60,492	54,66,494	+33,300
Madras	*Shri K. K. Thomas	23,72,129		
	Shri A.V. Venkataraman	28,87,462		
	Shri M. S. Rao	34,86,390	87,45,981	-6,49,679
Bhopal	Shri S. Venkatram	18,37,302		
	Shri R. R. Tomar	7,54,791		
	Shri S. Krishnan	13,82,102		
	Shri K. Satyanarayana	19,55,224		
	Shri P. T. Varandani	25,37,523		
	Shri V. P. Pothan	4,94,870	89,61,812	-11,94,036
Delhi	Shri S. B. Seth	44,36,110		
	Shri V. P. Kattarmal	12,79,353		
	Shri R. S. Jain	23,01,870		
	Shri Amar Singh	34,20,897		
	Shri R. P. Sareen	1,59,085	1,15,97,315	-10,50,764

Unit	Name of the Resident Engineer	Value of work done by each R. E.	Value of work done at each unit	Profit/Loss
Bombay	Shri C. V. Sathe	8,48,755	8,48,755	—63,540
Hardwar	Shri R. P. Sawhney	5,00,838	5,00,838	+23,729
Namrup	Shri A. I. Ibrahim	4,33,199		
	Shri A. S. Swamy	9,02,030		
	Shri R. P. Sawhney	1,19,542		
	Shri L. C. Ukil	78,266	15,33,037	—60,844
Ranchi	Shri S. P. Gupta	10,18,086	10,18,086	—3,73,504
Patratu	*Shri B. Balaram	3,08,133	3,08,133	—1,18,902
Barauni	..	..	..	—2,828
Imphal	Shri P. B. Reddy	7,37,053		
	Shri K. S. Rao	3,46,115	10,83,168	—3,50,770
Changlong	*Shri I. S. Narang	1,49,431	1,49,431	—4,183
Durgapur	Shri B. Samanta	3,33,891	3,33,891	—83,030
			4,49,75,316	—43,72,128

*Except Shri I. S. Narang, who was a Clerk of Works, these offices were Assistance Engineers holding independent charge of works in the same way as the Resident Engineers.

APPENDIX VI

(Vide para 108)

Statement showing the number of Deputationists in different categories in the Corporation (As on 1st October, 1964)

S. No.	Name of Post	Total No. in position as on 1-10-1964	Number of Deputationists
1	2	3	4
1	Managing Director	1	1
2	Planning Engineer	1	1
3	Purchase Officer	1	1
4	Accounts Officer	2	1
5	Chief Regional Manager	1	1
6	Regional Manager	3	1
7	Resident Engineers	36	9
8	Assistant Engineers	18	3
9	Office Superintendent	1	1
10	Superintendent Accounts	20	19
11	Office Assistants	8	2
12	Stenographers	4	2
13	Senior Clerk	16	1
14	Cashier	7	4
TOTAL		119*	47

*This number does not include other categories where there are no deputationists. The total regular employees of all categories in the Corporation as on 1-10-1964 was 290.

APPENDIX VII

(Vide para 115)

Reports and returns which are sent to the Ministry of Works and Housing and Ministry of Finance by the Corporation

Reports/Periodicity	Date of introduction	Subject Matter
Weekly Reports		
Weekly report to the Cabinet	31-8-1964	Important and significant events.
Monthly Reports		
(1) Monthly report to the Cabinet	3-8-1962	Activities of the Ministry
(2) Monthly report on Labour situation	5-5-1962	Labour situation in Public Undertakings.
Quarterly Reports		
(1) Quarterly report to the Cabinet	30-5-1961	Progress and performance of Public Undertakings
(2) Quarterly report of FA & CAO	5-12-1961	Working of the Corporation
(3) Quarterly report on Cost Reduction Studies	23-3-1962	Studies for reducing Costs and increasing efficiency.
Half-yearly Reports		
(1) Half-yearly return regarding requirement of foreign Exchange.	7-11-1962	Foreign Exchange requirements of Public Undertakings.
(2) Half-yearly return regarding appointment of Labour/Welfare Officers.	22-1-1963	Labour/Welfare Officers Rules.
(3) Half-yearly return regarding Industrial undertakings under the various Ministries.	20-6-1961	Workers and Labour Officers.
Annual Returns		
(1) Material for Annual Report to the Ministry.	29-11-1961	Review of activities.
(2) Annual report on the Labour Situation.	3-9-1962	Labour situation in Public Undertakings.

APPENDIX VIII

Summary of Conclusions/Recommendations

S. No.	Reference to the Para No. in the Report.	Summary of Conclusions/Recommendations
1	2	3
1	4-6	<p>The Committee consider that the objectives with which the National Buildings Construction Corporation Ltd. was set up, have remained largely unfulfilled. The Committee consider that, whenever a public undertaking is set up, Government should issue an Instrument of Instructions embodying, <i>inter-alia</i>, the objectives so that they are constantly kept in view.</p> <p>The Committee also consider that when public undertakings are constituted for the achievement of certain objectives, it is only proper that, in their Annual Reports, they should review their performance in the light of the objectives also. The Committee recommend that Government should issue necessary instructions to ensure that this is done.</p>
2	10	<p>The Corporation has been working on an <i>ad-hoc</i> basis and without fixing any targets of work. The Committee consider it very essential for public undertakings to prepare a well considered long-term programme of work not only to enable them to assess their requirements of finance, staff and machinery but also for a proper appraisal of their performance later on. The Committee, therefore, recommend that the Corporation should have a systematic plan for securing contracts and should lay down targets of work for every year.</p> <p>The Committee appreciate that the Corporation has stabilised its turnover at Rs. 4 crores. Since there is enormous scope for public works to be undertaken by the Corporation there is no reason why turnover should be stabilised at this</p>

1

2

3

level. The Committee recommend that the Corporation should equip itself for the execution of bigger targets.

3

13

The Committee feel that the delays in execution of works are due to the Corporation not having properly organised its work. In some cases, however, there have been delays due to the inability of the clients to supply detailed designs and drawings. The Committee are very much concerned at these delays, as they result not only in higher costs to the Corporation by way of mounting overheads on establishment charges and depreciation of tools and plants but also disrupt the plan schedules of the clients in regard to incomplete works. It is, therefore, of utmost importance that the works are completed within the time schedules fixed. Prompt execution of works would not only reduce the costs of the Corporation but would also attract more clients to it.

4

15

The withdrawal of certain works from the Corporation is due to its inadequacy in equipping itself with the required men and machinery. The Committee trust that the Corporation would ensure that such cases are avoided in future, as these adversely affect its reputation with the clients.

5

19

The Corporation has not only so far depended on negotiated and cost plus basis works but in future also desires to be allocated works without competitive tendering. It is surprising that the Corporation should try to sustain itself on negotiated works which is contrary to the original intentions. Such a practice is also a deviation from the system of calling competitive tenders for works which is commonly in vogue. Works at negotiated rates and on cost plus basis would leave no incentive to the Corporation to economise on its expenditure and to improve its efficiency. Further, this practice, if followed by the Ministry/C.P.W.D., would also expose them to the charge of according preferential treatment and awarding works at higher rates to the Corporation. The Committee, therefore, urge that the Corporation should observe the normal proce-

1	2	3	
		<p>dures of securing works through tenders. Towards that end it should develop competitive strength and efficiency.</p>	<p>competi-</p>
6	21	<p>The Corporation has not yet signed for 25 works, which include 13 per cent for year 1962-63. Since non-finalising agreements may lead to difficulties eventually, the Committee urge that the Corporation should ensure that all the agreements should be signed within a stipulated time.</p>	<p>reements. According to the contract disputes Corporation are</p>
7	23	<p>The Committee are amazed at the slow and unbusinesslike procedure adopted by the Corporation in tendering for works. It has been mainly responsible for the losses incurred by the Corporation. The Committee recommend that the responsibility for the losses in this respect should be fixed and disciplinary action taken against the persons responsible.</p>	<p>functionary the Corporation has losses incurred in this respect by action</p>
8	25	<p>The Committee consider that the norms of consumption of material and watching them regularly are the key factors of management control in the building industry. Labour and material cost 60 to 70 per cent of the cost of works. Therefore, it is necessary to provide safeguards against their excessive consumption. The contracting firms which enforce these norms, are able to economise in costs effectively. The Committee deplore that this is yet another instance where the management failed to do its primary duty.</p>	<p>fixing of labour and tools construction cost, therefore, against the contracts rigidly. The other instance do its</p>
9	31-32	<p>The reasons advanced for loss of Rs. 97 lakhs clearly indicate that proper care was not exercised by the Corporation in the process of tendering or negotiating for contracts. Works were undertaken without analysing the cost of providing for likely increase in the cost of materials. Proper control was not exercised in the consumption of material or expenditure on labour. The performance of the field units was not watched regularly. Machinery and men were not to have been fully utilised. Overhead and direct charges were not kept under control and works were delayed.</p>	<p>of over due care the time Works or pro- materials. he con- labour. watch- appear and in- col and</p>

Considering that the problems faced by the Corporation are not new but are inherent in this business, it is clear that the management not only failed to organise and man its field units properly but did not also provide the necessary drive and leadership that was expected of it.

10 37-38 The Committee deplore the casual manner in which the Corporation and the Ministry have dealt with the question of losses. It is amazing that the Ministry did not bestir itself to the fact that the Corporation was running at a loss until after it had run into huge losses consecutively for three years.

It was normally expected of the Managing Director and the Board to have examined the reasons for the losses during 1960-61 and 1961-62, with a view to fix responsibility and to devise remedial measures. Had this been done, the subsequent heavy losses would have been minimised. Even the inquiry conducted by the Ministry in January, 1964, did not indicate that it was intended for probing into the reasons for the heavy losses and fixing responsibility therefor.

11 39 It is surprising that the Housing Commissioner who is a Member of the Board of the Corporation and is partly responsible for its working should have been entrusted with the enquiry into the losses. The Committee consider it necessary that such heavy losses, as have been suffered by the Corporation should have been investigated expeditiously by an independent body. They regret that this was not done. The Committee, therefore, recommend that a formal Committee of Enquiry with precise terms of reference may be appointed to probe into the losses and fix responsibility therefor.

12 41 The Committee are not happy at the manner in which the cases of disciplinary action have been dealt with by the Ministry and the Corporation. They regret that there has been so much delay in taking disciplinary action. They feel that lack of prompt action in such cases encourages malpractices and engenders indiscipline in the staff. It is apparent that due importance was not given to this vital matter by the Ministry and the top management. The Committee trust that action

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would at least now be taken promptly in all cases where disciplinary action is indicated.

- 13 45 It is apparent that the margin of 2·5 per cent profit provided by the Corporation is not an adequate return on its share capital and is very low. Public Undertakings are expected to earn reasonable profits after providing for depreciation and reserves. In the opinion of the Committee the Corporation should aim to fulfil at least those expectations if not earn the profits normal in this industry.
- 14 51 The Committee are very much surprised to note that the Corporation is not even aware of the normal turnover of similar organisations in the private sector. It is expected of every business organisation that it should collect such basic data about its competitors. The Committee regret that this has not been done by the Corporation so far. They hope that the Corporation would now make a study of the turnover and other important norms of working of the private contracting companies in the building industry as early as possible.
- 15 52 Judged from any standard it is evident that the turnover of the Corporation has been below normal expectations. As admitted by the representatives of the Corporation, it has been partly due to non-realisation of dues from clients and partly to under or non-utilisation of machinery and men. The Committee urge that the Corporation should make earnest efforts to improve its turnover so as to come up to the normal standards in this business.
- 16 57-58 The Committee consider that the efficient functioning of a building contractors' business is intimately dependent on full utilisation of labour and equipment as well as strict control over pilferage and wastage of materials. They are constrained to observe that the Corporation failed to do this. This also shows that there was utter lack of cost consciousness. The Corporation did not prepare any estimates of prime cost, works overheads and general overheads of the works undertaken by it and hence could not exercise any control over the field units in this regard. The Committee
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were assured that in future the estimates for prime cost, works overheads and general overheads would be prepared for each work and communicated to the field units for strict compliance. In case they went outside these estimates, sanction of the Head Office would have to be obtained in time. The Committee hope that with the introduction of this procedure, the prime costs and overheads should be considerably reduced.

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The Committee regret to state that the information regarding the period for which the payments were due and the reasons in each case has not been furnished to them.

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The heavy outstandings indicate that the officers of the Corporation have not vigorously pursued the recovery of their dues from the clients. There was no procedure to ascertain the amount of outstanding dues against the clients on a particular date. Large amounts were allowed to remain unrecovered with the result that the Corporation had to borrow money to carry on its work. Apart from the fact that bills were not prepared by the Corporation, it appears that the measurements of works were also not recorded in time and were left to be recorded by the clients. This is unsatisfactory although the clients were public undertakings and Government Departments. The Committee feel that the field units did not perform their duties, in this regard, and the Head Office and the Board were also remiss in that they had no procedure for watching the outstandings. It is apparent that they felt no urgent need to recover the moneys due as they had no difficulty in finding working capital by resorting to loans from Government and the State Bank. Normally no contracting organisation can afford to allow its funds to be blocked for long periods. Since the outstandings are mainly due from public undertakings and Government departments, it should not have been difficult for the Corporation to recover these dues in time. The Committee further suggest that all cases of outstandings should be investigated promptly and steps taken to recover them as early as possible.

They also hope that in future the bills would be prepared regularly and payments recovered promptly.

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- 19 65 It appears to the Committee that the acceptance of the suggestion to allow rebates for prompt payment would lead to prompt recovery of bills and would consequently result in lowering of tender rates. It would help in eliminating malpractices and will put the client departments on their toes as any delay in payment would be promptly detected. The Committee, therefore, suggest that that proposal may be reconsidered.
- 20 68 The Committee are unable to appreciate as to why no norms for wastage and depreciation can be fixed. Since the expenditure on this account also has to be added in the tenders, there should be some norms for assessing them. The Committee feel that there is scope for reduction in expenditure on small tools and plants and temporary hutments, if effective control is exercised over them. They trust that these norms would be fixed by the Corporation after a comparative study of the practice followed by the private contracting firms and the expenditure on this account would be kept under constant watch with a view to minimising the same.
- 21 72-73 The Committee cannot help agreeing with the view that plant and machinery was purchased by the Corporation without fully considering the need therefor. Large sums of money were invested in defective machinery which could not be fully utilised. Apart from uneconomic capital investment, this resulted in increasing the overheads of the Corporation by way of depreciation of the machinery and the wages of the staff. It is vital for a business organisation to see that the entire plant and machinery is brought into full use. The Committee, therefore, recommend that effective steps should immediately be taken to utilise all the machinery to the optimum extent so as to ensure maximum out-turn from the large capital investment made therein.
- 22 74 The Committee are concerned at the light manner in which the purchase of defective machinery was treated by the Corporation. They are surprised that no enquiry in this regard was even considered necessary to find out whether any malpractices were involved. They recommend that this matter should be investigated and responsibility fixed.
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The Committee consider that the appointment of the Secretary of the administrative Ministry as Chairman of a public undertaking, was ill advised as these busy Officers could not obviously be expected to spare sufficient time to effectively supervise the affairs of the Corporation which was expected of them in their capacity as Chairman. Moreover such an arrangement is not conducive to assessing the working and efficiency of the Corporation in an objective and impartial manner by the administrative Ministry. The Committee regret to point out that the continuation of this arrangement after November, 1961 was in clear contravention of the decision by Government on the recommendations of the Krishna Menon Committee, that no Secretary of a Ministry/Department shall be a member of any Board. The Committee trust that in future Secretaries would not be appointed to the Board of any Public Undertaking.

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The Committee consider it necessary that top management *viz.* Managing Director, Chief Engineer and Financial Adviser and Chief Accounts Officer bring with them some previous experience of managing similar undertakings. One way of securing this would be to select them in advance and to give them intensive training and orientation in similar undertakings where they can acquaint themselves with the organisation, methods of working and problems of public undertakings. It is unfortunate that even when such training could easily have been arranged with the National Projects Construction Corporation, no attempt was made to do so. The Committee have no doubt that had this been done, the losses suffered by the Corporation would have been minimised if not avoided altogether.

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The Committee recommend that to avoid similar situations in future, Government should take timely action to impart the requisite training and orientation to the top management of new undertakings.

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The Committee consider it important that great care is exercised in the selection of members of the Board of Directors as they are expected to contribute effectively to the efficient

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working of the Corporation. Apart from the connected Officers of the Ministry of Finance and administrative Ministry, other members should possess such experience and knowledge as would really be useful in promoting the business of the Corporation and its efficient functioning. The Committee trust that this would be kept in view in future.

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The Committee consider that frequent changes in the Board of Directors detract from the effective direction and supervision that is expected from this body. The Committee hope that as agreed to by the Secretary of the Ministry this would be avoided in future.

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The Committee are not convinced by the reasons advanced by the Ministry for not representing the N.P.C.C. on the Board of the Corporation. They feel that it would be advantageous for the public undertakings working in the same or allied fields to have inter-locking of Directorships as this would enable them to benefit from mutual experience. The administrative control of different Ministries over such undertakings should not stand in the way of this arrangement. The Committee understand that since 1962-63 the National Projects Construction Corporation has extended the scope of its activities to civil and structural engineering works and has in fact constructed airfields and civil works. They, therefore, recommend that early steps should be taken to have the Chairman or the Managing Director of the National Projects Construction Corporation on the Board of this Corporation.

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The Committee also feel that the association of the heads of research organisations like National Buildings Organisation or Central Building Research Institute on the Board of the Corporation would also contribute to efficiency and economy by introducing new designs and techniques in the building industry which is one of the objectives of the Corporation. The Committee, therefore, recommend that the Board of the Corporation may be suitably reorganised as early as possible.

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It is evident that there is no continuous and concurrent watch over the performance of the

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Corporation by the Board. This conclusion is further strengthened by a perusal of the agenda and minutes of the meetings of the Board, which do not give any indication that they have evolved any method to measure the performance of the Corporation as the works proceed. The Committee cannot help observing that the Board failed to perform its principal task of evaluating the performance of management and giving it the necessary direction and guidance. Had the Board been vigilant, the mistakes and short-comings of the management would have been detected in time and the losses minimised. The Committee trust that Government would take suitable steps to watch that the Boards in Public Undertakings not only realise their responsibilities but discharge them properly.

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The Committee consider that the setting up of a Planning Cell, should have been the first step for an organisation of this nature. They trust that this Cell would be suitably organised and would prove a real help in improving the working of the Corporation.

The Committee further suggest that the Corporation should also set up a Cell at the Headquarters which can prepare designs for works undertaken by it. This would enable the Corporation to secure more works on the basis of economic designs as also to introduce new and unfamiliar designs, which is one of its objectives. The Committee understand that reputed private contracting firms also follow this practice and submit alternate designs at the time of tendering which is a factor in their securing works readily.

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The Committee consider that a study of the organisation structure of similar organisations in the private and public sectors was necessary before launching a new undertaking as it would have been helpful in organising it on sound lines. It is regrettable that no such prior study was made. At the instance of the Committee the Managing Director of the Corporation has now undertaken to do it. The Committee hope that this study would be completed at an early date and the organisation of the Corporation reviewed.

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33	105	<p>The Committee consider that the multiplicity of categories of posts in a public undertaking leads to blurring of responsibilities and consequential delays in execution of works. They also feel that there are a large number of higher posts in the Corporation than is necessary and that there is scope for reduction therein. The Committee recommend that the question of rationalising the categories of posts in the Corporation with a view to their reduction may be examined. While doing so the position prevailing in similar undertakings in the private and public sectors may also be taken into account. At the same time it is important that the responsibilities of each category of post are clearly determined and demarcated.</p>
34	106-07	<p>The Committee note that the turn-over of the majority of Resident Engineers during 1962-63 and 1963-64 has been much below the norm of Rs. 20—25 lakhs fixed for them.</p> <p>Considering that the Corporation desires to stabilise its annual turnover for some years in future at Rs. 400 lakhs, the Committee feel that the Corporation would require not more than 20 Resident Engineers, if the norm of work-load of Rs. 20 to 25 lakhs for each Resident Engineer is adhered to. The Corporation at present has 36 Resident Engineers. The Committee, therefore, recommend that immediate steps should be taken by the Corporation to reduce the strength of the Resident Engineers so as to bring it in conformity with the workload. At the same time it should ensure that the out-turn of work by the Resident Engineers is of the required standard.</p>
35	III	<p>It may be that in the initial stages taking of some top officers on deputation would be necessary. The Committee, however, feel that deputationists, besides being costly on account of the incidence of deputation pay and leave salary and pension contributions are not ultimately conducive to the efficiency of any organisation as they have no stake in it. Moreover, by their attitudes and training the deputationists are used to different way of working which hardly fits in to a business organisation of this type. The Committee, therefore, recommend that the Corpora-</p>

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		tion should take energetic steps to recruit, train and develop its own staff so as to do away with the deputationists at all levels within a period of five years, if not earlier.
36	114	The Committee consider that it would make for economy and speedy execution, if the Corporation, which is wholly Government-owned and is managed by technical persons, is made directly responsible for execution of works of the Ministries, rather than through the agency of the C.P.W.D. as it would avoid duplication of supervisory staff and levy of departmental charges by the C.P.W.D. Such an arrangement obviously presupposes that the Corporation is fully geared to undertake the required type of works and has acquired a reputation for executing quality work expeditiously and at economic rates. The Committee suggest that the feasibility of entrusting works directly to the Corporation may be examined as early as possible.
37	116	Despite the submission of 11 reports and returns neither the administrative Ministry nor the Ministry of Finance were aware of the difficult financial position of the Corporation in time. On the other hand, these reports on the basis of a set formula calculated that a margin of profit would be earned by the Corporation on each work. Such reports can only be categorised as misleading. The Committee, therefore, feel that there is a need to re-examine the utility of these reports and returns. Their form and content need to be modified. They recommend that the Government should review the matter.
38	119	The Committee feel that the position in regard to the submission of Reviews by the F.A. is not happy. They hope that once a report or return is prescribed and a time limit fixed for its submission it should be adhered to.
39	121	The Committee regret that it has not so far been possible for the Comptroller and Auditor General to detect the irregularities and losses of the Corporation and to report on them. They consider it essential that such cases should be detected and brought to the notice of Parliament as early as possible. The Committee, therefore,

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recommend that the feasibility of devising a procedure under which this can be done may be examined.

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The Committee deplore the delay in setting up the brick kiln as delays invariably increase costs. They hope that the kiln would now be commissioned expeditiously and it would be ensured that the cost of bricks would be kept within the estimates.

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The Committee are constrained to observe that the performance of the Corporation has been extremely poor and thoroughly disappointing. The desirable objectives with which it was brought into existence have not been fulfilled. This is not the result of inherent difficulties but due to want of proper planning and absence of direction and superintendence by the concerned administrative Ministry and the Management of the undertaking.

The Committee have no doubt that with the increasing building activities in the country there is great scope and need for a public sector undertaking like the National Buildings Construction Corporation. But unless the Ministry reviews the working of the Corporation since its inception and devises means to mend the Corporation and its working, it is not likely to achieve the objectives with which it was established.

The Committee, therefore, recommend that the Ministry should take up the question of rectifying the defects in the organisation and methods of working the Corporation with the utmost expedition.
