

ESTIMATES COMMITTEE

FIFTEENTH REPORT 1954-55

MINISTRY OF PRODUCTION

- I. The Coal Commissioner's Organisation & State Collieries.
- II. The Salt Organisation.

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**LOK SABHA SECRETARIAT
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**Elected member with effect from 1st December, 1954 *vice* Shri Nityanand Kanungo resigned.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on the Ministry of Production.

2. The Report embodies the conclusions of the Committee on the Coal Commissioner's Organisation and State Collieries and the Salt Organisation.

3. The Committee wish to express their thanks to the Officers of the Ministry of Production for placing before them the material and information that they wanted in connection with the examination of the estimates.

COAL COMMISSIONER'S ORGANISATION AND STATE COLLIERIES

COAL COMMISSIONER'S ORGANISATION

Organisation and functions

The Coal Commissioner's Organisation Consists of the following:—

- (1) Headquarter's Office in Calcutta consisting of:—
 - (a) Office of the Coal Commissioner.
 - (b) Office of the Deputy Coal Commissioner (Production)/ Chief Mining Engineer.
 - (c) Office of the Deputy Coal Commissioner (Distribution).
- (2) Coal Superintendent's Office, Dhanbad.
- (3) Deputy Coal Superintendent's Office, Secunderabad.
- (4) Assistant Coal Superintendent's Office, K. P. Docks, Calcutta.
- (5) Office of the Regional Coal Controller, Assam.

2. The main functions of the Coal Commissioner's Organisation are the overall control over production, distribution including allotment of wagons for movement of coal and prices of coal under the Colliery Control Order, 1945 which continues to remain in force under the Essential Supplies (Temporary Powers) Act, 1946. The Organisation is also responsible for the development and expansion of the coal industry and all matters connected therewith including sponsoring the demand for both state and market collieries for certain controlled commodities like cement, steel and imported plants and machinery etc. Coal Commissioner's Organisation also acts as the recommending and progressing authorities under the Industries (Development and Regulation) Act, 1951. The Coal Commissioner is the head of the Organisation. He is also Chairman of the Coal Board and is also responsible, through the Chief Mining Engineer, for the production in, and management of the State Collieries, numbering eleven in all.

Budget Estimates

3. The actual expenditure incurred by the organisation during the years 1952-53 and 1953-54, and the Revised and Budget Estimates for 1954-55 and 1955-56 respectively, are as follows:—

	1952-53	1953-54	1954-55 (Revised Estimates)	1955-56 (Budget Estimates)
Coal Commissioner .	26,80,502	30,80,019	24,723,000	2,535,000
Works .	15,286	9,489	12,000	10,000
Charges in England . . .	1,418	1,960	..	..
TOTAL	26,97,206	30,91,468	24,84,000	25,45,000

Future of the Coal Industry

Nationalisation

4. The policy of Government in regard to the coal industry was stated in the Industrial Policy Resolution of 1948. Enunciating this policy, Government indicated that the Indian Coalfields' Committee's proposals would be generally followed. While the inherent right of the State to acquire any existing industrial undertaking (which included the coal industry) was emphasized, Government decided to let existing undertakings develop for a period of 10 years, during which they were to be allowed all facilities for efficient working and reasonable expansion. The implication was that at the end of this period i.e., in 1958, the whole matter was to be reviewed and a decision taken in the light of the situation prevailing at the time. In this very policy declaration, Government had announced that the State would be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the State itself found it necessary to secure the cooperation of private enterprise subject to such control and regulation as the Central Government might prescribe.

5. The attitude of the coal industry, from the beginning to the present date, has been summed up by the Coal Commissioner in the written evidence submitted by him to the Committee in the following words:

"Almost upto 1939, when regulation 77 of the Indian Coal Mines Regulation came into force, the producers of coal had an absolutely free hand in producing coal from wherever they could and in any manner they thought best. During this period of absolute *laissez faire* profit was the primary consideration, safe methods were in the picture only here and there and national interests were completely forgotten. The industry and the country are today paying the price for this ruthless and haphazard exploitation of this national wealth during those days. Mining rules had, therefore, to be tightened up. Gradually controls were introduced but even then, the measures of control are only being circumvented and the owners, by themselves, have done very little to co-operate in the policy of greater safety in coal mines and the conservation of good quality coal. All that the private sector of the industry asks now is: 'Take away the irksome' controls, allow us to increase the price of coal, don't ask us to pay the labour anything more and promise that you will not take our mines away from us; and in return we shall open mines and close them as we think best, produce coal in the manner that suits us best and give the country coal to meet the requirements of the future....."

6. The Coal Commissioner went on to say: "If nationalisation is postponed by 25 years and the industry is given a free hand, there will be little left at the end of the period for the country to take over. We will be left with a number of units, which, if not affected

by underground fires and other hazardous conditions, would be uneconomic to work. At that stage the prospects of nationalised mines producing the requirements of the country at a fair cost will be remote and the changes of nationalisation not succeeding will be greater."

7. It is generally known that little fresh capital has flowed into the coal industry during the last few years. There has been very little progress towards mechanisation and technically the industry is still underdeveloped. This state of affairs is naturally going to affect production. The Planning Commission had estimated that the coal industry must be prepared to meet a demand of some 38 million tons in 1955-56. Against this, the raisings of coal in 1954 amounted to 36.7 million tons. The Planning Commission have now laid down the target of 60 million tons of coal to be raised at the end of the Second Five Year Plan. Progress in mechanisation and improvement in labour relations will, obviously, have a great deal of influence on the fulfilment of this target. It is clear that initiative in either of these matters is unlikely to come from the coal industry.

8. In spite of the powers vested in the Coal Board, stowing operations in the collieries have not progressed. Relevant portions of a note recorded by the Chief Mining Engineer, who is a member of the Coal Board, are worth citing:—

"It is really doubtful whether the problems pertaining to coking coal can be solved without nationalisation. Every endeavour is being made to encourage sand stowing in these collieries, but on one pretext or another, none of the colliery owners is anxious to introduce sand stowing."

9. It was also brought to the notice of the Committee that most of the collieries were neglecting the adoption of adequate safety measures, which is their primary duty.

10. Taking all these factors into consideration, the Committee have come to the conclusion that in the long run nationalisation of the coal industry is essential in the interest of industrial development.

11. The Committee, however, recognise that Government have not sufficient technical manpower to take over immediately all the private collieries in the midst of other claims on development of the country in various spheres. Since it is essential that targets of production of coal laid down in the Second Five Year Plan should be attained during the period stipulated, the private sector may be given a further chance and some reasonable and adequate time to play its part and to continue to run the private collieries on the following conditions:—

- (i) That adequate capital is invested by them with a view to step up production to the limits laid down by Government for each colliery;
- (ii) that scientific methods are employed in raising coal;
- (iii) that as far as possible mechanisation and safety measures are introduced for quicker and better output;
- (iv) that labour conditions are improved according to the standard laid down by Government in this respect.

12. Sometimes in the exploitation of these natural resources private owners thereof are guided rather by short-sighted policies of quick returns than by questions of maximum economic exploitation and preservation of national assets. The Committee, accordingly, recommend the following measures to be taken for the prevention of such destructive exploitation:—

(i) All new collieries should be State-owned and managed under the ultimate control of the Coal Commission which should be set up immediately. The Committee have given details of the constitution, functions and powers of the proposed Coal Commission in paragraphs 25 to 28. The suggestion of the Committee in paragraph 22 regarding the pattern of organisation for managing State Undertakings applies in the case of State Collieries also.

(ii) The State should as far as is practicable take over all private collieries which wholly or to a large extent are engaged in raising metallurgical or high grade coal.

(iii) Steps should be taken to vest in the Coal Commission powers to take over all those collieries, at present under private management, which do not follow its directions as specified in para 11 above and do not function according to the standards laid down by it, or which cannot function economically and satisfactorily due to any reason whatsoever.

It may be left to the Coal Commission to determine whether the management of the private owned collieries should be taken over by the State for a limited period or indefinitely in order to bring about efficiency and economy in the working of the colliery or whether in the circumstances of the case the ownership of the colliery itself should be taken over by the State, in which case compensation according to the general procedure and principles laid down in that behalf by Parliament may be paid to the private owners of the colliery.

(iv) The Committee have also considered the question of running collieries on a co-operative basis. The Committee have not examined the matter in detail and, therefore, suggest that Government might, as an experimental measure, introduce the idea in one or two collieries with a view to seeing how far the scheme is successful. The Committee have in mind the question of (a) labour co-operatives, i.e., labour as a whole combining into a co-operative and undertaking to raise a definite quantity of coal on certain agreed remuneration, and (b) investment of capital in the colliery by the labour itself in due course. The Committee suggest that the scheme may be worked piecemeal in the experimental stage under the direction of the proposed Coal Commission and kept under close observation so that it conduces to better efficiency and organisation and involves lesser costs of operations.

The Coal Commission

13. At present the affairs of coal industry are governed by two important administrative measures, namely, the Colliery Control Order, 1945, which continues in force under section 17 of the Essential Supplies (Temporary Powers) Act, 1946 and the Coal Mines

(Conservation and Safety) Act, 1952, in pursuance of which the Coal Board was established, replacing the old Coal Mines stowing Board. The Coal Commissioner's Organisation administers the Colliery Control Order, whose main objects are:—

- (a) fixation of price of the various grades of coal;
- (b) regulation of production and distribution of coal; and
- (c) prohibition or limitation of the mining of any grade of coal.

14. The Coal Commissioner is also the Chairman of the Coal Board. Other Members of the Board, whose number does not exceed six, are nominated by the Central Government. The Board is financed by a cess levied at the rate of annas six per ton of coal and soft coke and at the rate of annas nine per ton of hard coke. This cess is levied on all coal and coke despatched by rail. The annual collection of the cess amounts to approximately Rs. 1.1 crores.

15. The main functions of the Board relate to the administering of Coal Mines Safety and Conservation Fund by granting assistance for stowing operations in collieries, by executing directly stowing and protective operations against fire and flood, and to organise research work connected with safety in coal mines, conservation and proper utilisation of coal. The measures adopted or contemplated in pursuance of the policy are—limitation of output, stowing, washing, control on opening or reopening of coking coal seams and mines and control on mining methods.

16. The Coal Commissioner's Organisation is responsible for direct management of the State Collieries. These collieries were previously owned by the Railway Board, but their management was entrusted to the late Department of Supply under the orders of the then Governor-General in June, 1944, when control on coal was introduced. Subsequently, in February, 1951, their management was transferred to the late Ministry of Works, Production and Supply, when that Ministry came into being. Finally, when the reshuffling of the Ministries took place in May, 1952, they were placed under the management of the Ministry of Production, who have been administering them through the Coal Commissioner.

17. The Estimates Committee reported in 1951 on the mismanagement of State Collieries and also made a special Report to Parliament on the 24th March, 1951 on the aspect of losses incurred by the State Collieries. Since then certain changes have taken place in the organisation of the former Railway Collieries and a detailed examination on the affairs of these Collieries as they are, at present, is made in para 63 to 68 of this Report.

18. It has been mentioned in paragraph 2 before, that control on coal was imposed in June, 1945. This was necessitated by the emergency which then prevailed. The control related to production, distribution and the price of coal. The exceptional conditions created by the last war which caused the imposition of the controls no longer exist. The Coal Commissioner's Organisation has functioned

in a manner which has tended towards the perpetuation of these controls and, in the process, a very complex situation has been created. The handling of the coal industry has neither assisted its development nor improved the labour relations. Similarly, the Coal Board has failed to fulfil the objects for which it was created. The Committee found that after 3 years of its existence the only effective measure the Board actually implemented fully in the matter of conservation was to peg production metallurgical coal. All other schemes were either still at the consideration stage or just beginning to be implemented. It appears that the Board are still undecided as to how to set about implementing the conservation policy of Government in the matter of stowing. It appears that Government's decisions in regard to the establishment of washeries in the country or the policy regarding the blending of coal are still not finalised.

19. There is another matter relating to the coal industry which the Committee consider unsatisfactory. There are various enactments in regard to this industry which are at present being administered by different Ministries. For example, the Mines and Minerals (Regulation and Development) Act, 1948 and the Mineral Concession Rules as well as the Mines and Minerals (Conservation and Development) Rules, 1953 are administered by the Ministry of Natural Resources and Scientific Research through the Indian Bureau of Mines. In this matter there is considerable overlapping between the jurisdiction of the Coal Commissioner and the functions of the Indian Bureau of Mines. Some of the duties of the Chief Inspector of Mines, vested in him under the Mines Act, are the same as some of the functions of the Coal Board. Then, there is the Coal Industries (Development and Regulation) Act, 1951, and the rules made thereunder, which are administered by the Ministry of Commerce and Industry.

20. It will thus be seen that at present the coal industry suffers from a multiplicity of controls and is exposed to interference from various sources, and there is no integrated policy in respect of this industry, in spite of its great importance. The existing regulations for its development, as well as for the conservation of coking coal are not effectively administered. All these factors have been bringing about a depressing effect on the industry. Yet it is well known that coal is one of the most important basic materials, not only in industry, but in all phases of modern life. Many years ago, professor Jevons had said that coal was "the main spring of modern industrial civilization". By and large, this is still true. The Committee have in the earlier paras recommended that the Government should formulate the steps and the stages by which the coal industry is to be nationalised laying down a time-limit therefor.

21. The Committee are of the opinion, that as a preliminary step towards nationalisation and towards organising the industry on better and efficient lines with a view to stepping up production and ensuring quicker distribution at cheaper prices and to introducing new and modern methods of raising coal, increasing labour welfare etc., it is necessary to establish a Coal Commission and consequently to abolish the Coal Commissioner's Organisation as well as the Coal Board. At present, at the highest level, problems relating to the coal industry are being dealt with by three Ministries—Transport by the Railway Ministry, Labour relations by the Labour Ministry, and all other

matters by the Production Ministry. It is not practicable to change the ultimate responsibilities of the Ministries of Railway and Labour in regard to transport and labour, but the Committee feel that greater co-ordination and integration of all activities relating to the Coal Industry should be aimed at. The other activities relating to the coal industry were exhaustively summarised by the Indian Coalfield's Committee (1946). They are:—

- (1) Mineral Policy.
- (2) Preparation and collection of statistics.
- (3) Safety measures.
- (4) Research.
- (5) Labour welfare.
- (6) Mining Leases and Royalties.
- (7) Classification of coal.
- (8) Conservation Schemes.
- (9) Development and utilisation.
- (10) Administration of cesses.
- (11) Administrative control over:
 - (a) Production,
 - (b) Price,
 - (c) Export, and
 - (d) Distribution.
- (12) Administration of Government owned collieries.

22. While visualising the constitution of a Coal Commission, the Committee have in mind what the late President Roosevelt commended to the Tennessee Valley Authority, viz., "a Corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise". In this connection the Committee would also like to quote from the Report of the Indian Coalfields Committee, 1946:—

"The managerial autonomy essential for business success demands freedom from political considerations and control. This does not imply that the Government or the Legislature should exercise no control over fundamental policies. A determination as to whether a particular coalfield shall be developed and necessary railway facilities arranged involves questions of broad policy and hence of economic planning for the Government and the Legislature to decide. But once such a decision has been taken, the opening up of the field etc. is a task to which political considerations ought to be completely unrelated."

23. The National Coal Board set up in the U.K. is specifically constituted as a "body corporate with perpetual succession and a common seal and power to hold land without licence in mortmain". The kind of Commission which the Committee visualise should be directly responsible to the Minister concerned, without the superimposition of all the paraphernalia of a Secretariat in between.

24. In describing the functions of the Coal Commission, the Committee would quote again from the Report of the Indian Coalfields Committee, 1946:—

“(1) The powers and functions of the National Coal Commission are to include the taking of such action as, in the opinion of the Commission, is necessary or desirable:—

- (a) to ensure that coal is produced in the country in such quantities and with such regularity as will meet requirements throughout India and in trade with other countries;
- (b) to ensure that the coal resources of the country are conserved, developed, worked and used to the best advantage in the public interest;
- (c) to ensure that the coal produced in the country is distributed and used in such manner, quantities, classes and grades, and at such prices as are calculated best to serve the public interest, and secure the economical use of coal and the maintenance of essential services and industrial activities.

(2) In particular, without limiting the generality of the foregoing, the Commission is to have power to make provision for or with respect to—

- (a) the working and getting of Coal, including the introduction and operation of sound mining principles and practices and methods of stowing and haulage, and the regulation of output;
- (b) the conservation of coal, the development of any coal mine, seam or field, and the opening, closing or abandonment of any coal mine;
- (c) the introduction, modification, replacement and operation of machinery, plant and equipment for use in connection with the production and distribution of coal and the manufacture, procurement, improvement and standardisation of such machinery, plant and equipment;
- (d) the classification and grading of coal and its preparation for the market;
- (e) the effective and economical distribution of coal, including its purchase, sale, marketing, acquisition, disposal, supply, storage, reservation, pooling, transport, carriage, conveyance, delivery, handling, loading discharge and reception;
- (f) the efficient and economical use of coal, the development of uses or markets for coal, and the recovery of the by-products of coal;
- (g) the regulation of prices for the sale, purchase or re-sale of coal, the values at which coal is recorded in the accounts of any business, and of profits in the coal industry;

(h) any matter incidental to all or any of the foregoing matters.

(3) The Commission is to have authority to make such orders, take such measures, give such directions and do such things as are, in the opinion of the Commission, necessary for or incidental to, the effective exercise of its powers and functions and, in particular, without limiting the generality of the foregoing—

- (a) to provide, and to assist others to provide, or obtain advice, technical services, equipment, and other facilities and aids to efficiency and economy;
- (b) to arrange for research, inquiries, investigations, surveys, tests and inspections;
- (c) to enter into and carry out contracts and transactions, to incur expenditure and make advances, and to acquire and dispose of any property or rights;
- (d) to require the keeping and production of accounts, books and records and the compilation and furnishing of statistics, returns and other information in such form and relating to such matters as it may specify in the requirements;
- (e) to acquire any coal, sell any coal acquired by or vested in it, impose conditions under which any other person or authority may acquire, purchase, sell or dispose of coal, and enter into arrangements and agreements with other persons and authorities as to the sale or disposition of coal;
- (f) to operate any mine vested in it;
- (g) to acquire, procure, erect, construct, requisition the use of and operate plant, machinery and equipment (including railways rolling stock and sidings, not being the property of the State);
- (h) to assist others to establish and operate coal mines and other undertakings or enterprises; and
- (i) to terminate, suspend, vary or modify any contract or agreement relating to or affecting the production, supply or distribution of coal, including sale, transportation by land or sea, loading discharge, delivery, storage and use.

(4) The Commission is to have power at any time to rescind, terminate or vary any order, direction or requirement made or given by it."

25. The proposed Coal Commission should have three wings as indicated below:—

(1) The first wing should control the coal industry in the private sector. It should take over the present functions of both the Coal Board and the Coal Commissioner in regard to the private coalfields. It should have complete authority for laying down the standards according to which these private collieries should function and the targets for their development. If any colliery does not adhere to the standards laid down by the Commission, it should

be taken over in the manner suggested by the Committee at para 12 of their Report. At the same time, such private collieries as may be running uneconomically either due to smallness of their size or for any other reason, should be taken over by this wing of the Coal Commission and run under its control. The pattern for the management of industries by Government has been described separately by the Committee. The pattern should be universally applicable to the collieries managed by the Coal Commission.

(2) The second wing should be concerned with the general problems of administration, administer the State collieries, which are now directly under the Coal Commissioner, the pattern of management being indicated in Chapter 2. It is suggested that when the Coal Commission undertakes the management of the present State collieries, it should be allowed to start with a clean slate and should not be burdened with the liabilities of the present management. There should be an impartial and commercial evaluation of the assets of these collieries, which should be the starting point for the new undertaking.

(3) The third wing should deal with all policy matters such as development of coal industry in the country, export policy in respect of coal and research about the coal industry, which is so essential. The Ministries of Natural Resources and Scientific Research and Commerce and Industry should surrender their powers in this regard to the proposed Commission, which should have the exclusive control over all matters relating to the Coal Industry in the country. The Commission will, however, be answerable to the Minister in charge.

26. It is important that this Commission should have its headquarters either at Asansol or at Dhanbad, both of which are situated in the heart of the most important coal producing area in the country.

27. The Committee suggest that the proposed Commission may be constituted with four members and a Chairman who should be a person with wide commercial and administrative experience. The other four members should be persons representing the following interests:—

- (a) One representative of the Ministry of Railways,
- (b) One representative with experience in financial matters,
- (c) One representative of Labour, and
- (d) One representative from the scientific or engineering fields.

28. The Chairman and not more than two members of the Commission may be wholetime paid employees.

29. The Committee consider that the Coal Commission should, for the time being, be set up under a resolution of Government and its working watched for a few years before it is placed on a permanent footing.

Controls on the Coal Industry

30. Government assumed complete control over the production, distribution and price of coal in 1944 under the Colliery Control Order, 1944, issued under the Defence of India Act. This was later

superseded by the Colliery Control Order, 1945, which continues in force today under Section 17 of the Essential Supplies (Temporary Powers) Act 1946, and the Essential Commodities Act, 1955.

31. The main objects of the Colliery Order are:

- (1) fixation of prices of the various grades of coal;
- (2) regulation of distribution of coal; and
- (3) prohibition of limitation of the mining of any grade of coal.

Price Control

32. The prices of coal were fixed in 1944 in the Bengal/Bihar fields at the level of prices charged by the Coal Association for the selected grades early in 1944 or in 1943. The prices were generally based more on the cost of production rather than strictly according to the fuel value of the coal. In 1947, a Committee, known as the Bhattacharjee-Nayak Committee, was appointed to make a thorough enquiry about the industry in the Bengal/Bihar area in order to determine the average cost of production and to recommend a reasonable economic price for the various grades of coal. The prices were then refixed in 1947 on the basis of the recommendations of the Committee which recommended an average profit of Rs. 1/8/- per ton as reasonable. In fact the prices were raised by Rs. 3/8/- per ton mainly to meet the increase in cost of production brought about by the implementation of the Conciliation Board Award. In the outlying fields similar increases in prices were also granted to the extent justified on the recommendation of the different Fact Finding Committees appointed for these fields.

33. The prices in 1947 were subjected to a cut in 1949 on the recommendation of the Sinha Committee and the prices of the Grades IIIA and IIIB were reduced by Rs. 1/7/- and Rs. 2/4/- respectively. The other grades of coal from Selected 'A' to Grade II were also subjected to a price cut in 1949 in order to counteract the inflationary tendencies which prevailed then. These cuts amounted to 9 annas per ton in the case of steam coal and 10 annas per ton in the case of slack coal.

34. The industry has been complaining that while the prices fixed in 1947 have been reduced, the cost of production has considerably increased and that the present prices are not adequate enough to meet the various obligations like safety measures, stowing etc., which the collieries have to carry out. Government, on the other hand, claims that the prices are adequate.

35. The Committee recommend that a Standing Advisory Committee representing all interests should be set up in the Ministry, which will not only review the present price structure for coal, but will also continue to do so from time to time as the situation may demand. This Committee should also assist the proposed Coal Commission in the matter of price fixation in future. The functions of the Committee will be purely advisory.

Distribution Control

36. The Coal Commissioner, subject to overall allocation being approved by Government every month, is vested with complete

powers regarding coal distribution and all movement of coal requires his prior sanction. Transportation is the coal industry's biggest problem. It is possible for the collieries to produce more coal but unless the coal can be moved speedily from the pit-heads, problems such as accumulated stocks which means locked up capital, possibility of fires, pilferage etc. would arise. Production, therefore, has to be planned in tune with the transport capacity.

37. The present demand for coal, according to Government, is in the region of 38 million tons against the actual supply of 33 million tons. An estimate has been made that with the establishment of the steel plants and of many new industries and the development of existing undertakings, extension of the railway system etc., the demand for coal in 1960 is likely to be of the order of 60 million tons. The Committee feel that Government should conduct a proper demand survey for the entire period of the Second Five Year Plan primarily by ascertaining what consuming units are likely to be established and estimating the requirements of these units. A phased programme should be prepared on the basis of this demand survey and targets for production and transport of coal should be clearly laid down. Unless this is properly done and an earnest effort made to achieve the targets, the country's development plans might suffer.

38. The Coal Commissioner maintains a chart showing the allotment of wagons against quotas issued, by which he is able to maintain a uniform standard of supplies to the various classes of consumers. The distribution system is based on categorising the individual large consumers in classes, for which there are specific sponsoring authorities, e.g., the Textile Commissioner for textile mills, State Governments for Industries which are not dealt with as Central Industries for this purpose etc. The requirement for each class of consumers is made up by the sponsoring authority by screening the requirements of each individual consumer and arriving at the total. The Coal Commissioner sometimes sanctions special movement quotas in order to replenish the stock of consumers who have not received their quotas. Many complaints, both from the producers and the consumers, that the control was not being worked properly were brought to the notice of the Committee. If the continuance of the control is found necessary, the Committee consider that this should be subject to the advice of the trade and industry and for this purpose, the Standing Advisory Committee already recommended by the Committee may be utilised.

Railway Transport

39. The daily average number of wagons supplied to the West Bengal/Bihar coalfields from 1946 onwards is as follows:—

1946	2726	1951	. . . .	3030
1947	2640	1952	. . . .	3163
1948	2706	1953	. . . .	3112
1949	2984	1954	. . . .	3205
1950	2849			

40. A break up of the figure for 1954-55 giving the daily average, month-wise, will make the picture more clear:

January	3169
February	3208
March	3215
April	3191
May	3145
June	3130
July	3351
August	3558
September	3593
October	3432
November	3263
December	3145

41. The minimum guaranteed supply to the West Bengal/Bihar coalfields was increased from 2885 wagons a day in 1953 to 3085 in 1954. The Railways had been requested by the Coal Commissioner to raise the minimum guaranteed figure to 3250 in 1955 but the Committee were informed that this has not been done. The minimum daily requirements of wagons according to the Coal Commissioner are 3250 from January to June 1150 with a minimum supply of 1150 wagons for destinations above Moghalsarai and 3350 with a minimum supply of 1250 above Moghalsarai from July to December during the slack season. In this connection the Coal Commissioner has stated:

"The Railways have a tendency to treat the demands which are essential to meet the most urgent and high priority needs only as the maximum to be attained if possible. Unless planning is based on the full demand, there will be no improvement in the situation".

42. The Railway Board in answer to a question informed the Committee:

"If rail transport capacity, including rolling-stock, were to be provided so as to maintain the local loading at the average level during the busy season, an appreciable part of the rail transport capacity will remain idle during the slack period—a waste which the country can ill-afford. If a large number of wagons and engines remain idle for a portion of the year, not only will there be a serious risk of pilferage of fittings but also additional stabling yard accommodation will be required. Furthermore, the increased capital investment and consequent maintenance expenditure will necessitate some upward revision of freight rates. To ensure cheap transport, therefore, it is essential to so adjust the movements that the entire transport potential is used to the maximum advantage".

43. The Committee do not see why it should be the responsibility of the Coal Commissioner to make the day to day allotment of wagons in the various directions specially so, as the allocations

are not made on the basis of hard and fast rules and are subject only to an overall check. For the work of wagons allotment, the Coal Commissioner has a senior Railway Officer under him and the Committee were informed that it was essential for the person who made the allocations to know the practical aspect of railway operations. The Committee felt that a great deal of unnecessary time, energy and expenses was being wasted on this system. They, therefore, asked the Ministry of Railways whether they were in a position to undertake the responsibility for equitable distribution of coal throughout the country. Their answer is reproduced below in full:

"The Railways are certainly in a position to accept the responsibility for equitable distribution of coal throughout the country in a manner they had been doing prior to the formation of the Coal Commissioner's Organisation during the War. In fact, disadvantage has been felt under the existing arrangement, wherein the Coal Commissioner's Organisation is responsible for allotment of wagons as occasionally, through lack of co-operation, sometimes capacities via certain restricted routes are inadequately utilised and on some occasions the allotments exceed the movement capacity. It is true that the Coal Commissioner's Organisation has a Railway Officer of the requisite status but as he is not responsible for the day to day operation of the Railways, at times he is apt to overlook the Railways' practical difficulties and from our point of view the position will be very much better if the allotment of wagons was entirely controlled by the Railways.

It will be recalled that during the War years and after, even though there was an organisation under the Regional Controller of Priorities for allocating priority of movement of traffic and to assign a special priority to any particular traffic (excluding coal), the allotment of wagons for goods transport all the time remained under the Railways. This arrangement allowed the Railways a measure of flexibility which, in the nature of things for efficient operation, is essential.

At present, coal demands are increasing rapidly and naturally a strong machinery is needed to ensure rationalised production and rationalised distribution of coal in the larger interests of the country. For implementing rationalised distribution, it is necessary that there should be an authority which should collect and collate all the demands and prepare a programme for rationalised distribution in accordance with the factual position of the scheme of output. This task can, obviously, not be undertaken by the Railways and a monthly programme for rationalised distribution in consultation with the Railways should, therefore, be the responsibility of an independent authority. It is considered that this function might better continue to be entrusted to the Coal Commissioner's Organisation but the actual day to day allotment, broadly in keeping with the framework set out in the best monthly programme of distri-

bution prepared by the Coal Commissioner, should be the responsibility of the Railways who are in the best position to discharge this function. It may be argued that owing to insufficiency of transport, on occasions it would not be possible for the Railway to strictly adhere to the monthly programme and, therefore, adjustments may be required. This is true even today but adjustments ought of necessity to be in keeping with the operational conditions of the Railways from day to day. It is, therefore, evident that such a day-to-day adjustment can only be satisfactorily made by the Railways subject to any special or *ad hoc* requirement initiated by the Coal Commissioner. This is how Railways functioned when the Regional Controller of Priorities Organisation was in existence and this should also be the *modus operandi* in regard to movement of coal traffic.

Railways are progressively stepping up the capacity for movement of traffic and in the task which confronts them in the future, formidable though it is, it is hoped that they will be able to acquit themselves better and better as improved transport facilities are provided. Meanwhile, it is strongly felt that the arrangement should not be complicated by continuing the intervention of the Coal Commissioner's machinery in the day-to-day operation as this is not likely to be more efficient or effective than the Railway's own controlled organisation".

44. The Committee desire that the proposed Coal Commission should consider this question and lay down a policy which will result in efficiency, speed and better movement of coal than at present. Meanwhile, the Committee feel that the Coal Commissioner should notify the Railways as well as the producers the number of wagons required by each colliery for lifting its coal and then the question of making available the wagons by the Railways to producers concerned should be left to the Railways to be determined by them in consultation with the Collieries concerned according to a planned programme, so that while the wagons are not left idle, they are made available promptly whenever required.

Movement during slack season

45. The daily average of wagons supplied varies considerably between the busy season and the slack season. The Railways had complained that the wagons allotted during the slack season were not fully utilised. The Coal Commissioner stated in this connection that the Railways offered a large number of wagons during the slack season and there had been occasions when wagons offered by them in certain directions could not be utilised in full while indents could not be met for directions above Moghalsarai and North Bihar. In the directions in which transport was freely available, indents showed a tendency to decrease as demands were met up to a saturation point, while in the other directions, demands were consistently high as the demands remained unsatisfied. It appears that during the first half of October, 1954, the Railways offered 6,000 wagons

per day (6,950 on the 11th October, 1954). The Bengal/Bihar coal-fields system is incapable of handling more than 4,250 wagons per day and the figure of 6,000 could only mean a nominal one, incapable in practice of being utilised. It appears that a Committee has recently been appointed to review the pilot and depot capacities with a view to increasing the capacity of the railway system in order to handle larger offers. The Committee hope that this *ad hoc* Committee will finish their work soon and that the Railways will implement their recommendations early. More wagons could then be made available during the slack season.

46. The Committee were informed that the railway system in the colliery areas was a very complicated one. It may be possible to effect improvements therein on the basis of experience in the working of similar systems in foreign countries. The Committee would suggest that Government may examine whether it would be worthwhile to invite some foreign expert to indicate ways and means of improving the system or whether it may be worthwhile to depute our Railway Officers to study similar system in foreign countries and suggest possible improvements thereafter.

47. The Committee feel that when transport is so very inadequate for movement of coal, as many of the wagons as are available during the slack season should be utilised and that none of the wagons supplied by the Railways should be wasted, if possible. The Committee would make the following recommendations for increasing the movement of coal during the slack season:—

(i) Government may examine whether it would be possible to reduce slightly the freight rates of coal during the slack season in order to create a greater incentive to consumers to purchase more coal during this season. In order that the Railway Revenues may not suffer, a corresponding increase may be levied on the freight rates during the busy period.

(ii) All consuming units should be asked to increase their storage capacities so that they may move a greater amount of coal during the slack season and build up sufficient stocks to enable them to buy less coal during the busy season. The higher freight charges during the busy season is likely to induce the consuming units to accept the proposal.

(iii) The question of establishing consumers' co-operative societies in important industrial centres, which would give credit facilities, help in building storage dumps or stand as sureties to collieries for purchases made on credit by their constituent units, should be examined. Such co-operative societies may also establish a coal dump from which the consumers may move their coal as and when required. If Government volunteer to give proper assistance to such co-operative societies by way of advantageous movement sanctions, or lease of grounds for building storage dumps etc., the Committee feel that proper response will be forthcoming. The representative of the Railway Board during the course of evidence before the Committee stated that it might be possible for the Railways to lease out some of their land to private consumers for building storage dumps.

(iv) Low priority coal may be given as many wagons as are required in the slack season, but very little movement of it should be allowed during the busy season and that too only in special circumstances.

(v) The Railways should move more coal for themselves during the slack season than they are doing at present. The Railways should build up sufficiently large stocks during the slack season so that more wagon space may be allotted to other consumers during the busy season.

48. The Committee are of opinion that a Conference of representatives of producers, consumers and the Railways should be called to discuss the suggestions mentioned above.

Sea Transport

49. Transport of coal by sea has been very unpopular mainly on account of high freight rates. Comparative figures for freight of coal for sea and rail transport from collieries in West Bengal and Bihar are as follows:

	Sea freight rates Calcutta per ton. Rs. A. P.	Rly. freight rate from West Bengal Bihar coalfields. per ton. Rs. A. P.
Madras	27 0 0	20 10 0
Tuticorin	28 0 0	28 3 0
Cuddalore	28 0 0	*21 12 0
Cochin	30 8 0	24 2 0
Marmagao	36 8 0	*23 9 0
Bombay	30 8 0	21 10 0
Saurashtra	38 0 0	23 6 0

50. Rail freight from the coalfields to K. P. Docks is Rs. 6/- per ton and C.P.C. loading charges amount to Rs. 4/- per ton, i.e., a total of Rs. 10/- per ton approximately has to be added to the sea freight rates to arrive at the total set-cum-rail freight on coal to the destination ports. The double handling charges at ports add to the cost considerably.

51. Coastal cargo has been reserved for Indian Shipping and no foreign ship can operate on the Coast. The Committee were informed that foreign tramp steamers would be prepared to carry coal at a much cheaper rate but that in the interest of the Indian Shipping Industry, they were banned from carrying coastal cargo. Moreover, non-Indian ships could not be depended upon especially during an emergency when none of them would be available. The Committee enquired whether any measures had been taken by Government to reduce the freight rates of coastal steamers and were informed that the shipping companies had advanced various arguments in favour of the present rates. The Committee feel that an expert Committee should be appointed to go into the whole question of shipping freights and to recommend measures that should be taken to make sea transport of goods economical and efficient.

*In addition to these rates a transhipment charge of 6 annas per ton for each break of gauge transhipment is levied.

52. The Committee were informed that although the programme at Calcutta Port is drawn up carefully with proper spacing of colliers, it frequently happens that the delay at one end very often upsets the subsequent programme resulting in a chain of further delays. The Committee would urge that proper attention should be paid by the Ministry of Transport to the matter of developing the Calcutta Port in order to enable it to handle coal transport smoothly. The conditions at other ports also require considerable improvements before sea transport can make an effective contribution to the solution of the problems of transportation of coal.

The Committee also recommend that proper attention should be given by the Central and State Governments for the development of intermediate and minor ports which would go a long way to alleviate the difficulties experienced at present in this matter.

53. The Committee were also informed that one major difficulty in the matter of sea transport of coal was that unlike the Railways, it was not possible for the shipping companies to carry the requirements of small consumers. Consumers who carried coal by sea had to make large bulk purchases, and such consumers were not many. The Committee feel that the formation of consumers' co-operative societies, as suggested in the case of transport of coal by rail during the slack season, should be encouraged in South India and in the West Coast. This would mean also the creation of dumps and distribution to the various consumers from these dumps.

54. The Committee were informed that it was proposed to set up shortly an Expert Committee to study and recommend methods of coordination between rail and sea transport. The Committee would in due course like to be informed of the recommendations of the Expert Committee.

55. The Committee suggest that a survey should be made both in South India and on the West Coast, from Saurashtra downwards, to find out the cost of fuel consumed by the various industries and whether it would be possible for these industries to use coal if it is supplied to them in sufficient quantities at a rate slightly higher than the rate of the present rail-borne coal. The Committee consider that rail freight rates for coal should be the same by freight adjustments, whatever be the distances of the consuming centres from the colliery. Coal is at present vital for the development of industry in the country and a policy of differential freight rates on coal at present adopted, as in the case of other commodities, places the distant localities at a disadvantage. This handicap should be removed by freight adjustment and a pooled rate should be worked out for coal, chargeable to all consumers equally wherever located. If, however, any difficulty is experienced in this, in the alternative, the possibilities of levying a surcharge on the freight rates on coal for short distances should be examined so that the benefit accounting to areas nearer to the colliery is minimised to that extent. The receipts from the surcharge should be utilised to subsidise freight rates by sea which are substantially higher than rail freight for same distances. This would also have the additional benefit of diverting coal movement which the rail authorities are finding it so difficult to fully undertake at present.

56. One-third of the total production of coal of the country is consumed by the Railways. All the loco coal used to run the Railways in the West and to a considerable extent in the South is moved through the land route. With the limitations imposed by restricted movement capacities, junctional bottlenecks, transshipment difficulties etc., one can well imagine the effect of this large movement of transport of loco coal on the other industries in the country. If, therefore, a reduction can be made in the traffic of loco coal, say to the extent of 25 per cent. it would give relief to the movement of coal for other consumers. The Committee, therefore, suggest that the Railways should use the sea route to some extent in moving their coal to the South and to the West Coast right upto Saurashtra and Cutch.

Export of Coal

57. Exports of coal have been steadily declining since 1952. The figures excluding Pakistan for the last five years are as follows:

1950	.	.	.	.	.	.	949,990 tons
1951	.	.	.	.	.	.	1,851,356 tons
1952	.	.	.	.	.	.	2,158,237 tons
1953	.	.	.	.	.	.	1,229,129 tons
1954	.	.	.	.	.	.	1,187,086 tons

58. The Committee were informed that the decline in exports was due to the declining demand for coal from foreign countries on account of the following reasons:

- (1) Increased production abroad;
- (2) Heavy post-war demand abated;
- (3) Conversion of ships and locos into oil;
- (4) Difficulties of exchange and revival of pre-war contracts;
- (5) American aid to countries like Egypt and Japan.

59. The Committee understand that when exports were booming in 1951, Government imposed a surcharge on export of coal. Exports at that time were made to countries not normally supplied by India and it was known at that time that exports would last only till such time as the regular suppliers got over their difficulties. The industry claims that though these surcharges were imposed as a revenue measure when prices in foreign markets were high, they were continued beyond the limit when they could not be sustained without harm to the volume of coal exports and the result was that any possibility of capturing new markets was lost. In May 1953, the surcharges were abolished but by that time India had already lost these markets. The Coal Exports Committee of 1954 have stated that they had no information to assess precisely the effect on exports of the commercial charges. Government on the other hand are of the view that India would have lost these markets anyway, and it might not, therefore, be correct to say that these surcharges had a direct bearing on the lessening of the volume of exports. While this may be so, the Committee feel that earlier action to withdraw the surcharges could have been taken by Government with the fall in the prices in foreign

markets, and that Government should have been in constant touch with the interests concerned. They, accordingly, recommend that in all such matters, Government should set up suitable machinery for consultation with the interests concerned.

60. Another aspect of the decline in exports was that the exports were not wholly according to the choice of the purchasers. There were restrictions on the export of coal of the best quality (Selected Grade 'A') and there was an obligation to take a percentage of Selected Grade 'B' Coal, i.e., 50 per cent Selected 'A' plus 50 per cent Selected 'B' coal or 25 per cent Selected 'A' and 75 per cent Selected 'B' and so on. Shippers had to carry large quantities of High Volatile Selected 'B' coal which because of their moisture content, made them liable to spontaneous combustion. The result was that some cargoes got heated or caught fire and resulted in losses to either the buyers or the shippers and generally gave Indian coal a bad name. The main reason for imposing these restrictions was on account of the scarcity of Selected 'A' coal and also in order to find new markets and boost the exports of Selected 'B' Coal. The industry claims that these restrictions have had an adverse effect on the exports. Government, however, do not agree with the industry in this matter. As for fires in ships, Government feel that part of the blame lay with the shippers for not taking adequate precautions.

61. The Committee also understand that the procedure for obtaining permits for exports is very cumbersome and causes hardship to the shippers. The Industry had mentioned in particular the system of allocating quotas and also that the Coal Commissioner's Office was sometimes slow in issuing permits with the result that business suffered. Government have not agreed with this criticism also.

62. Coal is an important exportable commodity and the country cannot afford to lose its markets and its foreign exchange. The Committee feel that careful attention should be paid to this matter by Government and all measures taken to prevent loss of foreign markets. The Committee recommend that, as a first step, Government should do away with such controls and restrictions as have outlived their utility.

STATE COLLIERIES

Organisation and working results

63. There are altogether eleven State Collieries, which are under the administrative control of the Chief Mining Engineer, who is also the *ex-officio* Deputy Coal Commissioner (Production). The Collieries were originally owned by the Railways. Their management was transferred to the Department of Supply on the 1st June, 1944. When the Ministry of Works, Production and Supply was formed in February, 1951, the management was transferred to that Ministry and later, in May, 1952, it was transferred to Ministry of Production when that Ministry was formed. On the 1st April, 1954, in addition to management, the ownership of the Collieries was also transferred to the Ministry of Production from the Ministry of Railways.

64. During the course of examination by the Committee, it was pointed out that if the overall picture was taken into consideration, the State Collieries were yielding a profit, as will be seen from the following statement:—

(Figures in thousands of rupees).

	1951-52	1952-53	1953-54	1954-55 (Estimates)
Gross Receipts .	4,55,67	4,62,00	4,50,76	4,76,42
Working expenses	4,44,38	4,00,79	4,49,41	4,36,13
NET PROFIT . . .	11,29	61,21	1,35	40,29

65. But the Committee feel that the correct picture can be had only if the State Collieries are looked at individually, because each of these is a distinct unit. The following is the statement of profit and loss of these collieries:

	1951-52	1952-53	1953-54	1954-55	+ Profit — Loss
Argada . . .	+5,29,920	+3,53,519	+1,65,926	+1,05,000	
Bhurkunda . .	+1,09,358	+2,17,752	—3,14,781	+48,000	
Bokaro . . .	+99,15,726	+1,09,64,737	+1,07,57,058	+86,08,000	
Duelbera . . .	—5,17,565	—4,52,074	—1,85,371	—4,00,000	
Jarandih . . .	—4,87,167	—4,75,890	—45,95,610	—81,000	
Kargali . . .	—41,11,516	+3,33,086	+5,70,868	+7,30,000	
Kurhurbaree . .	—28,81,674	—22,54,946	—24,97,765	—22,69,000	
Kurasia . . .	+14,79,190	+4,54,725	—5,07,617	+5,07,000	
Serāmpore . . .	—19,97,259	—19,75,841	—24,30,089	—19,70,000	
Sawang . . .	—3,47,354	—3,54,166	—3,17,722	—3,09,000	
Talchar . . .	—5,62,184	—6,90,100	—4,19,733	—9,40,000	
NET PROFIT . .	+11,29,475	+61,20,802	+1,35,164	+40,29,000	

66. It will be seen that out of the eleven State Collieries, six are run at a loss regularly. It will be seen that the figures for the individual collieries fluctuate very widely between the various years and that there is also no correspondence between the various fluctuations. The Committee feel that such wide fluctuations as between collieries and for the various accounting years indicate that careful scrutiny of the accounts of these collieries is not being exercised and that the reasons for such fluctuations are not being analysed and studied. There appears to be, in fact, no effective financial control.

It is only on account of the profits made by the remaining five, that the Ministry have been able to paint a rosy picture. There can be no two opinions that it is an unsound principle to allow the earnings of one set of concerns to make up permanently the loss incurred by the other. In this connection, the Committee would like to quote from the Report of the Indian Coalfields Committee (1946):—

* * * *

“Yet it must be recognised that the fact that public enterprise is not operated for profit but for public benefit does not justify its management in showing any less concern for costs than would a private enterprise. We think, that, because of its public status, a state-managed organisation has an even greater obligation than a private organisation to weigh and appraise its costs as compared with the results achieved.”

67. It is known that the workable coal reserves of these Collieries are large. It has been correctly stated that this group of Collieries should constitute “a vast reservoir from which any disequilibrium between supply and demand could be adjusted at fairly short notice.” Therefore, it is of the utmost importance that the affairs of the State Collieries should be placed on a sound footing.

68. In paras 12 to 25 of this report the Committee have recommended the early constitution of a Coal Commission. It has been recommended there that one of the wings of the Coal Commission should be responsible for the management of the State Collieries. The Committee have also described elsewhere the pattern, which all the nationalised undertakings should adopt, in order to substitute the present departmental control by a commercial system of management. State Collieries, which constitute the basic industry in the public sector, should obviously adhere to this pattern. On this point, it is interesting to recall what the Railway Collieries Enquiry Committee (1949) wrote, comparing the management of private collieries with that of the State Collieries:—

“The difference between the system prevailing in private Collieries and Government collieries is that the later are administered by the Chief Mining Engineer with the assistance of Group Superintendents who are all technical men. The Chief Mining Engineer has very limited powers. As against this, the private collieries are administered by the owners themselves or the Managing Agents with the help of staff experienced in business and with the full authority to pass orders and issue sanctions on expenditure. Such expenditure is, in the case of bigger groups, recommended by their Chief Mining Engineer who is the head of the technical department and in the case of smaller group, is controlled by the resident partners and agents who are advised by the Managers who are also technical men. The owner or the Managing Agent judges every

case on its profit earning merits and sanctions or rejects the recommendation of the technical departments according as the finances of the company permit or as they think of the profit earning capacity of the scheme. The schemes of the Chief Mining Engineer, Railway Board, who is the Head of the Technical as well as Administration side, are forwarded to Government and are considered by the various Ministries concerned who are not always helped by persons having direct knowledge of business or the technique of the Industry.

The owners or managing agents of the private collieries would not, and cannot, afford to run a colliery at a loss for any length of time; and unless there is any early chance of profits, losing collieries are closed down. In the matter of promotion, transfers, etc., private companies go more by merit than by seniority. Individual merit has, therefore, a better chance of recognition in a private enterprise than with Government."

The real administration of these collieries is carried out from Calcutta and not from collieries themselves. The Committee consider that while it may be necessary to have a nucleus office at Calcutta for the purpose of distribution, the management of the collieries and their administration can be effectively done only at the collieries themselves and the higher officers concerned with the management should have their offices near about the collieries themselves.

69. As in the case of other nationalised undertakings, State Collieries should be run by Public Limited Companies, pattern for which has been recommended elsewhere.

70. Eight of the State Collieries are situated in Bihar, two in Orissa and one in Madhya Pradesh. It will, therefore, be necessary to start more than one Public Limited Company, running the collieries either individually or grouping together the adjacent ones, as may be considered suitable. These Companies should be under the overall control of the Coal Commission, although they should be allowed the largest measure of autonomy. The management of these Public Limited Companies for running the State Collieries should follow the same pattern as indicated in the report of the Committee on Organization and Administration of Nationalized Industrial undertake.

Surplus Labour

71. One of the major problems facing the State Collieries is that of surplus labour. The original estimate of the surplus in May, 1951, was 8934. The Fact Finding Committee, set up in September, 1952, fixed the number at 5708. Some of the men have retired, others have voluntarily left service and still others have either been absorbed against alternative vacancies or are dead. The present position is that the number of surplus men is 1476, which includes 180 men, who have been declared medically unfit. The Committee were informed that the cases of these men were pending before

various Labour Tribunals. It appears that the disposal of these cases has taken a very long time.

72. The Committee understand that in the Argada Colliery there are a number of labourers who are prepared to be retrenched and seek employment elsewhere. But the management of the colliery is unable to discharge them, as their cases are still pending before the Labour Tribunal. The Committee wish to draw the attention of the Ministry of Labour in this direction and would suggest that steps be taken to ensure expeditiously disposal of pending cases by the various labour tribunals.

73. As the existence of surplus labour constitutes a heavy burden on the State Collieries, the Committee make the following recommendations for removing the surplus:—

(i) Alternative employment may be found for the surplus men in the other nationalised undertakings, growing up in the same locality. Since amongst these classes, women also work and thus supplement the family budget, Government should plan in terms of finding alternative plural employment—both for the man and his wife.

(ii) The Committee were told that many of the labourers in the Giridih and its neighbouring collieries had come from Bilaspur in Madhya Pradesh. Government should be able to resettle them in their own State where Korba Coalfields and Bhilai Steel Project are being developed.

(iii) Government should consider the feasibility of making the retrenchment benefits so attractive that the surplus men may find it worthwhile to accept them and thus relieve the collieries of the unnecessary burden.

(iv) The Railway Collieries Enquiry Committee had recommended that 6,000 tons a month of Grade III B Coal, of which reserves existed in plenty, should be produced at Giridih to meet the local requirements and be supplied free to labour. It appears that only about 3,300 tons per month of this coal are being produced at present out of which 2,000 tons are sold in Giridih town for domestic requirements. The Committee had enquired from Government if it was possible to increase the production of this coal in order to absorb some of the surplus labour. They were told that the State Collieries supplied coal for Government purposes only and did not cater for the open market in competition with market collieries and that there was already a heavy stock of Grade II and Grade III coal in the market. The Committee were informed that if it was possible to find a market for an output of 12,000 tons per month about 600 additional workmen could be found employment and a profit of Rs. 4 lakhs could be made on the scheme. The Committee see no reason why the State Collieries should not enter the open market, particularly as that will reduce the number of surplus men.

The Committee feel that, considering that there is such a shortage of coal and that infructuous expenditure was being incurred on the surplus labour, Government ought not to have restricted supplies from State Collieries for Government purpose only

and ought to have made the product available in the open market also. Ordinary business prudence would have indicated this course of action.

Accounting Procedure

74. One of the recommendations of the Railway Collieries Enquiry Committee was the decentralisation of accounting work and setting up of a full-time audit section in each Railway Colliery with a Senior Accounts Officer in charge who should also function as Financial Adviser to the Collieries' Superintendent. In matters of capital expenditure, State Collieries adopt a cumbrous process. The proposal is first sent for the technical and administrative approval of the Chief Mining Engineer. Estimates are then prepared and submitted to the Controller of Coal Accounts, who certifies the incidence of the charge, the existence of the budget provision and the propriety of the expenditure. All this takes a long time. In very exceptional cases, the Chief Mining Engineer has powers to issue an "urgency certificate", when the work may be undertaken even before the preparation of the estimates and the sanction of the Controller of Coal Accounts. The present accounting system is not conducive to efficient working. The correspondence between the Controller of Coal Accounts and the Collieries delays all matters. When the proposed Coal Commission is established and Public Limited Companies are formed to run State Collieries, the Committee expect that a decentralised commercial accounting system will be adopted.

Stores

75. With regard to acquiring of consumable stores, the Committee were informed that the purchases were made through the Director General, Supplies and Disposals. It was reported that the present process was "abnormally slow", and that it was a rare occurrence for the supply to be made within 12 months from the date of placing the indent. Supply of timber and steel ropes, which are extremely important items for the maintenance of output and safety of the underground workers, was also being considerably delayed by the D.G., S. & D. In a written note submitted to the Committee, the Coal Commissioner stated that "in many cases prices were abnormally higher than those against direct purchases". It was brought to the notice of the Committee that D.G., S. & D. did not have expert staff for inspection, especially in the case of timber. As a result, some of the collieries which are already working at a loss, have been made to incur wasteful expenditure. The Committee understand that steps are being taken towards establishing a State Purchase Corporation. The Committee would like Government to consider the remarks made above and to ensure that the short-comings of the present D.G., S. & D. are eliminated.

76. The Committee found that plant and machinery valued at Rs. 2,36,000, which are surplus to requirements, are lying idle in the collieries. This amount excludes the value of machinery earmarked for the Korba Coalfields. Besides the plant and machinery,

other miscellaneous stores valued at Rs. 1 lakh are also lying about in various collieries. These surplus machinery and stores have not been properly kept for lack of covered space and are deteriorating. The Committee consider that the position should be immediately reviewed and disposal of surplus items arranged expeditiously.

Removal of overburden at Kargali and Bokaro

77. At Kargali and Bokaro, coal is extracted by the open cut method, i.e., the top strata of stone or the overburden, as it is called, is removed and coal is then bared and cut directly. At present the removal of overburden is being done by manual labour. The thickness of the overburden at Kargali varies from 150 to 200 feet and at Bokaro from 75 to 110 feet. From the manner in which this work is being carried on, it is feared that within a period of six months the output of coal at Kargali will drop by 40 per cent. and that at Bokaro by 20 per cent. Formerly, overburden was being removed by mechanical means but this was found to entail heavy expenditure, resulting in the higher cost of coal. The Committee were informed that some of the machinery utilised for removing the overburden, belonging to the Indian Mining and Construction Co. Ltd., was still lying idle with the firm. It is suggested that the Government should carefully examine the comparative cost of removing this overburden by mechanical means either departmentally or through a contractor. This matter calls for immediate action by Government.

Amenities for Labour

78. The Committee feel that amenities like housing, water supply, medical facilities etc. should be provided to the workers. The Committee found that conditions in the collieries are not even up to the minimum standard. The Committee have dealt with some of these below.

Housing for Colliery Labour

79. Houses were not provided to all workers and many of the existing ones are in a forlorn and dilapidated state. Some of the new houses that have been constructed by the collieries are good especially at Kargali and Bokaro. The Committee have been informed that the houses constructed by the Ministry of Labour under the Mines Labour Welfare Fund are unpopular with the workers. A Sub-Committee of the Estimates Committee visited some of these and found them fairly roomy and good but workers found them too modern and preferred houses in their own traditional and orthodox style. The Committee were also told that some of these houses constructed by the Fund were far away from the place of work which added to their unpopularity. The Committee have been informed that sometimes the houses were built as far away as 5 to 6 miles. This appears to be a genuine grievance and the Committee recommend an investigation into this matter.

80. The Committee also recommend that a standard of houses for workers in all the State Collieries should be laid down.

81. As regards repairs of houses, the Committee are not satisfied that this is being done in a proper manner, at least in some of the collieries. At Giridih, the procedure is that when an application is received from a worker for repairs to his house, a Sub-Inspector of Works inspects the house and certifies that repairs are necessary and states the minimum quantity of materials required. These materials are supplied to the worker who carries out the repairs himself. Further checks are not usually made. The Committee understand that the worker sometimes sells the materials in the town nearby and converts it into cash. The Committee recommend that this procedure should be revised. Repairs to houses should be conducted departmentally as far as possible. If this means additional expenditure, then an official, senior to the Sub-Inspector of Works, should inspect the house after the repairs have been carried out and satisfy himself that all the materials supplied to the worker have been used by him. Proper disciplinary action should be taken if any irregularity is observed. Surprise checks should also be made by the Colliery Manager and the Colliery Superintendent so that the junior staff are alert and honest in their dealings.

Water Supply

82. Adequate facilities have not been provided in most of the collieries for the supply of pure water to the workers. When the Sub-Committee visited Bokaro, they found that conditions were extremely bad. The labour complained that water was not available at the specified timings and that even during the hours when water was available, the pressure was so low that adequate water was not available for all the people. It appears that only 50 per cent. of the water there is filtered. The unfiltered water was pumped direct from the river and this river water was much polluted because the Bokaro Thermal Station upstream constantly discharged ash into it. The Committee recommend that Government should do everything possible to supply clean drinking water to the labourers in all the collieries.

Creches

83. A Sub-Committee of the Committee visited the creche at the Bokaro Colliery. They found that the rooms were all empty and that there was no furniture or equipment or even toys for the children. In fact there were no children at all in the creche. The Sub-Committee were given to understand by the matron in charge that the creche was not used for want of equipment and for want of milk supply for over two months though such supply was obligatory. The pipe in the bathroom had gone out of order, it appeared, for more than a week and water was flowing out continuously—a contrast to the workers' colony nearby where there was a short supply of water.

84. The Committee trust that the Government will pay proper attention to these matters. The Committee would recommend that the Coal Commissioner and the C.M.E. should, during their inspection tour, inspect these creches and multi-purpose institutes and see that proper attention is paid to the amenities side as well.

Coke Oven Plant at Giridih

85. The Coke Oven Plant at Giridih produces about 3,000 tons of coke per month. The Plant is very old and at present 5 out of the 50 ovens are not working. Periodic repairs are also necessary for the other ovens. Besides coke, the plant produces by-products like coal-tar, ammonium sulphate, benzol and sulphuric acid. Such expenses as cannot be directly allocated to any product are pooled and then distributed to each item at the end of the month in the following proportion:

Hard coke	2/3rd
Coal tar	1/9th
Ammonium sulphate	1/9th
Benzol	1/9th

The Railway Collieries Enquiry Committee had recommended that this costing system should be revised and that by-products should not be debited with 1/9th of the overheads, including interest and depreciation on the entire plant, but only with such proportions of overheads as have a direct relation to these by-products. It appears that this recommendation has not been carried out so far. The Committee recommend that the new proportions should be worked out in consultation with the Controller of Coal Accounts and brought into effect at an early date.

86. The following figures indicate the quantity of coke and by-products produced during 1954 and the stock on the 1st February, 1955:

	Quantity produced during 1954	Stock on 1-2-55
(i) Hard Coke	33,882 tons.	Nil
(ii) Rejection of hard coke as soft coke	8,038 tons.	10 tons.
(iii) Coal Tar	1,329 tons.	1,188 tons.
(iv) Benzol	12,160 gallons	3,069 gallons.
(v) Ammonium sulphate	Nil	73 tons.

87. The Committee are not satisfied with the procedure adopted for the sale of by-products of the plant at present. Almost a whole-year's production of coal tar is in stock at present. This item is, it appears, either sold to Railways and Government sponsored workshops, or supplied to private parties through call of tenders. The Committee feel that if the Railways or particular Government workshops require the coal tar, then it should be supplied to them on a regular basis. There would thereby be a regular off-take of the product and no accumulation of stocks. The consumers would also be ensured of a regular supply. If Government organisations can consume the total quantity of coal-tar produced, it would be a waste to sell it to private parties. The Committee suggest that the sale may be effected through the D.G.S. & D. In the case of benzol also, the whole production of which is sold to Messrs. Standard Vacuum

Oil Co. at their installation siding Budge-Budge, it should be examined whether this valuable product should be directly utilised or sold to other Government Organisations which purchase benzol from the market. The disposal of the products of State-aided industry to private dealers, when the same material is required in other State Undertakings who have to purchase them from private dealers, should, as far as possible, be avoided. The best course is for the Government undertaking producing a commodity to sell it directly to other State Undertakings who may require such products. Suitable instructions should be issued to the officials concerned in all such cases.

88. The Committee understand that the ammonia plant has not been working and as such no ammonia was manufactured in 1954. The Committee hope that proper attention will be paid to this matter immediately.

SALT ORGANISATION

89. Till 1947 the Salt Department was a part of the Central Excise and Salt Department. Owing to the abolition of duty and certain other functions having been taken over by the Salt Department as a result of the partition of the country and scarcity of salt, the Department was separated in the year 1948. By the close of 1948 the Collectors of Central Excise were completely relieved of their duties in respect of salt. At present the Salt Department has one Salt Commissioner's Office situated at Delhi and four Regional Offices under Deputy Salt Commissioners each at Sambhar, Bombay, and Madras and under an Assistant Salt Commissioner at Calcutta.

Functions

90. The functions of the Salt Organisation as decided at a meeting of the representatives of the Ministries of Production, Finance, Commerce & Industry, Natural Resources and Scientific Research, Planning Commission and Indian Standards Institution are as below:

- (i) Quality control
- (ii) Development of Salt Industry and Licensing for that purpose
- (iii) Establishment of model farms and Research Stations
- (iv) Administration, improvement and expansion of the Government Salt Works
- (v) Realisation of cess
- (vi) Equitable distribution of salt; and
- (vii) Consolidation and realignment of small works on scientific lines and technical assistance.

Reconstitution of the Salt Organization

91. The present functions of the Salt Organization, therefore, are many and varied. Some of them are of such a nature that departmental organisation is not the best instrument for carrying them out, such as, for example, the establishment of model farms and research stations and the consolidation and realignment of small works on scientific lines and the needs of technical assistance thereto. Again, the management of the Government Salt works and their improvement and expansion are functions to be assigned essentially

to an organisation working on business principles and a Government Department is not the best organisation for this purpose.

92. Accordingly, therefore, the Committee recommend that the present Salt Organisation should be abolished and these functions should be distributed to proper organizations created for this purpose. While the management of the State Salt Farms should be under the control of limited companies as recommended elsewhere in the Report, an autonomous Board with the name of Salt Board, directly responsible to the Minister in charge, should be created for the discharge of the following functions amongst others, viz.,—

- (i) The Board should be responsible for determining the quality and standards of salt.
- (ii) The determining of targets for production and the policy connected therewith should also be a function of the Salt Board.
- (iii) Determining of policy matters regarding distribution of salt.
- (iv) All matters connected with the export of Salt.
- (v) General control over the inspection at both the production and the consumption centres. (Since it has been recommended elsewhere by the Committee that inspection at the consumption centres should be left to the State Governments this would in effect mean only a general provision by the Salt Board in this regard.)
- (vi) Labour Welfare in Salt mines would also be an important function of this Salt Board.
- (vii) The determination of scientific methods of production and rendering advice thereon should also be undertaken by the Salt Board.

Budget Estimates

93. The Budget Grant for 1955-56 under Grant No. 86 has been fixed at Rs. 1,35,74,000 (i.e., Rs. 1,32,38,000 voted and Rs. 3,36,000 charged).

94. The actual expenditure for the last three years has been as below:—

1952-53	Rs. 133 lakhs.
1953-54	Rs. 119 lakhs.
1954-55	Rs. 135 lakhs (up-to-date figures, accounts to be closed.)

95. The difference in expenditure in 1953-54 and 1954-55 has been explained by the Government as follows:—

“Expenditure during 1953-54 was low (Rs. 119 lakhs) on account of non-adjustment of Treaty payments of about Rs. 8 lakhs to former Princely states and non-adjustment of arrear contribution to Renewals Reserve Fund for Government Salt Works, Kharaghoda (Rs. 8 lakhs). Owing to the non-adjustment of these two items of expenditure during 1953-54, there was a corresponding excess expenditure of Rs. 16 lakhs during 1954-55.

Staff

96. The Salt Organisation has the following gazetted and non-gazetted staff:—

Gazetted

1. Salt Commissioner	I
2. Dy. Salt Commissioner	3
3. General Manager, R & S. Dn.	I
4. Electrical & Mechanical Engineer	I
5. Assistant Salt Commissioners	11
6. Superintendents of Salt including M. E.	26
7. Assistant Civil Engineers	3
8. Lady Assistant Civil Surgeon	I
9. Assistant Civil Surgeon	I
10. Accounts Officer	I
11. Treasury Officer	I
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Non-Gazetted

1. Non-Ministerial	323
2. Ministerial	381
3. Class IV staff	2,295

97. As already explained, there should be a considerable reduction in the staff of the Organisation with its re-constitution. In this connection the Committee have noticed that the headquarters of the Deputy Salt Commissioner are at present located in Bombay, Madras and Calcutta due, it is stated, to the need to be in touch with the trade etc. The Committee, however, do not appreciate the need for locating the headquarters in these cities far away from the major producing centres. They feel, that a transfer of the headquarters of the corresponding offices in the reconstituted Organisation to the production centres would not only result in increased supervision

but also in a reduction in the expenditure on these offices, and that the problems of distribution could equally well be met from these places.

Production

98. Salt is produced both under private as well as public management. The private sector produces 75 per cent of the entire salt production in the country while the public sector produces about 25 per cent. Out of 75 per cent of production in the private sector about 60 per cent is produced by big business, while 15 per cent is produced by small scale producers. Although the country is producing surplus salt at the moment, there is need for further developing the salt industry, because so far only the human requirements have been met and large industrial requirements have yet to be satisfied. But it is necessary, however, to see that development does not lead to further concentration of big business and that it is distributed over all the three agents, viz., Government, big business and the small producer. The interests of the small scale producers have also to be taken into account. In this connection, the Committee noticed that while big business was making enormous profits, the small producers were either not given financial aid to enable them to form co-operatives or were neglected in the scheme of technical assistance. The Committee recommend that the Salt Board should examine how small scale producers should be grouped into co-operative societies and arrange to give them such technical assistance as would bring their produce upto the required standard. A scheme to this effect should be formulated and then implemented quickly.

99. The Government appointed a Departmental Committee to examine *inter alia* the working of the existing Government Salt Factories and to make recommendations as to what steps should be taken—

- (a) to improve their efficiency by increasing their production and/or reducing their costs.
- (b) to improve the present method of fixation of selling price so as to include all elements of cost.

The Committee did not find much scope for reduction of staff or drastic change in the organization. The recommendations like expansion of power-house at Sambhar, digging of new wells at Karagoda and concentrating manufacture of salt in winter months to allow more standard salt being produced at Diwan have been accepted by the Government.

100. The Committee suggest that the management of the Government salt works should be handed over to Public Limited Companies, which should run on business principles. The general

recommendations made in para 7 of the Committee's report on Organization and Administration of Nationalized Industrial undertakings regarding the working of Public Limited Companies should be observed in the case of such salt works also. As regards the number of Public Limited Companies to be created, i.e., whether there should be one for each of the works or whether some of these works should be grouped together so that there are, either two companies or one only for all the works, is a matter which should be examined in detail by Government and a decision taken on the basis of convenience of working.

101. To minimise the transport of Salt from the western producing areas to the eastern consuming centres, every effort should be made to see that new salt works are developed on the East Coast, wherever they are economically possible.

102. The Committee understand that a large quantity of bitterns, viz., about 60,50,000 maunds are lying unutilised at Sambhar. These bitterns are obtained as by-products in the production of salt, and contain valuable salts from which very useful chemicals such as Sodium Sulphate, Sodium Carbonate, Sodium Di-Carbonate and Sodium chloride would be manufactured. Actually, in Saurashtra, such bitterns are being utilised by Chemical Factories, but in Sambhar they are lying unutilised for a long time. The Committee understand that one of the main reasons for such non-utilisation of bitterns in Sambhar is due to the nature of the agreement between the Central and the Rajasthan Government, according to which the Central Government does not have the right to exploit these bitterns. The Committee suggest that this aspect of the problem should be examined immediately and steps should be taken to revise these agreements wherever necessary so that Government would be in a position to undertake whatever manufacturing processes are necessary for the exploitation of the bitterns.

103. As regards research on problems connected with the large scale exploitation of bitterns, the Committee suggest that the Central Salt Research Institute should finalise as early as possible the process to be adopted. They suggest that the further action on the problem should be left to the Salt Board, the setting up of which has been suggested in para 92 of the report. When the exploitation of bitterns is actually undertaken on a large scale, a public limited company may be started for its commercial exploitation.

Distribution Control

104. Initially control over salt was instituted on account of the shortage of production. Local shortages also developed on account of inadequacy of transport, both rail and shipping, soon after 1947. At present distribution control consists in:

- (i) movement of salt according to a certain plan;
- (ii) attachment of a particular consuming area to a producing area;

- (iii) sale of salt through the nominees of State Governments in States; and
- (iv) so far as the free quota of salt produced at Government works at Sambhar is concerned, indenting of salt by the registered association of old dealers in salt only.

105. Under the movement of salt mentioned at (i) above, the salt Commissioners' Office in consultation with the Railway Board prepare a plan according to which wagons are allowed for each salt producing centre and salt is given priority 'C' under Section 27-A of the Indian Railways Act. Under (ii) the Salt Commissioner allots a particular salt producing area to a particular salt consuming area, that is to say, the salt of area A moves to a consuming area 'A' alone and nowhere else keeping in view generally the tastes of the people for particular variety of salt, the stocks in the producing centre and the general Railway transport position. Under (iii) the District Magistrates are asked to nominate firms who alone place indent of salt on the producers in their allocated zone. Under (iv), only those dealers who have registered themselves at the Government Salt producing centres are allowed to supply salt to indentors. For their services the dealers get a certain commission.

106. It has been said in favour of the present zonal system that the system has ensured supplies to the consuming areas and kept down prices there and assured markets to salt producers both small and big.

107. The salt production has increased from 75 million maunds to 82 million maunds within the last three years, and the surplus production today is 14 million maunds. There does not, therefore, appear to be any justification for any kind of control over salt being continued. There are, however, transport bottlenecks, due, mainly to the inadequate number of Railway wagons and non-development of other means of transport such as road and sea transport, with the result that quick movement of salt does not take place and consequently there may be some basis for apprehension that there may be scarcity of salt if controls are entirely lifted.

108. The Committee feel that since we are self-sufficient in salt and the transport position is also gradually improving the objective should be early removal of distribution control thus providing free movement and trade in salt. So long, however, as transport difficulty is experienced a beginning may be made with some relaxations particularly in the field of reducing the number of zones. Thus instead of the present eight zones, there may broadly be two or three zones, i.e., Northern zone. Southern and/or

Eastern zone. The Committee are of the view that the reorganisation of zones would not entail any additional strain on the transport system. In order, however, that supplies are available in sufficient quantity and also regularly, the movement of salt within zones may be given a high priority on railways. The reorganisation would also mean that the marine salt works will be in a position to transport their salt by sea to a larger number of places than at present. The present restrictions on the movement of marine salt by sea should be withdrawn so that marine salt works can transport their salt to any of the ports in India by coastal shipping and freighters and crafts.

109. The Government on the recommendation of the Commodity Committee in 1953 advised the State Governments to abolish the nominee system where this was feasible or to introduce free trade side by side with the nominee system, the intention being to abolish the system by stages. The State Governments in response to this advice abolished the system partially by or fully in their States. But soon after some of the States have again asked for the restoration of the system. The Committee have not been given any cogent reasons for the restoration of the system and, on a careful examination of all the implication involved, have come to conclusion that the system should be abolished forthwith and the Central Government should not hesitate in withdrawing the powers delegated to the State Government according to which the State Governments can prevent free entrance of salt into their States.

110. The Committee are also of the opinion that the registered dealership or Association of registered traders should be abolished. The Committee have elsewhere recommended the replacement of the present departmental management of Government Salt Works by Public Limited Companies. These Public Limited Companies should, like any other business concern, be responsible for sale of salt produced at those centres. In order, however, to prevent any hardship to local traders who have depended and are depending for their livelihood on the salt trade, the Public Companies of Salt Works should accord a preferential treatment to them in the allotment of shares and in the matter of sales of salt, subject to other conditions prescribed by such Companies being fulfilled by them.

Price Control

111. The price of salt is not subject to any price control by the Centre. Under the Essential Supplies (Temporary Powers) Act, 1946, various States have introduced measures to control the price of salt in one way or the other. Bombay, West Bengal, Hyderabad, Mysore, PEPSU, Rajasthan, Coorg, Kutch, Manipur and Tripura

do not control the price of salt, but wholesale and retail price of salt is subject to control in Uttar Pradesh, Punjab, Madhya Bharat, Ajmer, Himachal Pradesh, Bhopal and Vindhya Pradesh. Madhya Pradesh exercises control both over wholesale and retail price of Khargodha salt only. In Assam, there is a retail price control and in Delhi both retail and wholesale price control of Sambhar Salt only. Ex-factory price of salt is controlled in Orissa, Madras and Andhra, the last two controlling retail prices as well. The price of salt in Saurashtra is fixed at annas six per maund within Saurashtra.

112. The Committee suggests that, in view of the reasons already adduced for the removal of control of transportation and distribution, viz., the existence of a surplus production, all price control should be removed and the sale and distribution of salt be permitted to be free of control, so that the price is fixed by a free play of supply and demand which would have the effect of reducing the price of this essential commodity to a satisfactory level. Meanwhile the Committee would suggest that in view of the very large differences in the sale price of salt prevailing in the different parts of the country and the large fluctuations even in the same place, as illustrated in Annexure III, Government should undertake an examination of the wholesale and retail selling prices and see what action is necessary so that the salt is available at a reasonable price to the people.

QUALITY CONTROL

113. The standard for edible salt was for the first time fixed in 1950-51 by the Government at 92% of sodium chloride content. This has since been gradually raised and the standard for 1954-55 is 94%. Standards for salt for industrial and animal consumption have yet to be laid down. The Salt Organisation enforced the standards by an organisation of Inspectors in the private and Government factories, under the supervision of Deputy Superintendents in each Circle. It is *inter alia* the duty of the Inspectors (i) to study the nature of salt and the brine and to advise the licensees of the proper ratio in which their works are to be laid out and to assist them in the preparation of realignment plans, (ii) to supervise the various manufacturing operations, and (iii) to supervise the charging, levelling and renovation of pans etc. At present there are 5 test laboratories for carrying out sample tests of salt at producing centres but it is proposed to have 15 new laboratories by the end of 1955-56.

114. The Committee consider that raising of the standard and enforcement of quality control is most essential in the public interest. The abolition of the nominee system and the free indenting of salt within the zone, recommended by the Committee in para. 109 by itself will lead to a natural incentive for production of better quality of salt. The Committee, however, feel that it will

still be necessary to maintain a few test inspection laboratories to assure by a test check whether the requisite quality is maintained. The Committee think that it will be economical and lead to better efficiency and supervision if the test inspection laboratories are situated in major producing centres and are transferred to the control of the State Government concerned in which such producing centres are located. It may be stated that the idea is that these laboratories should be manned and managed by State Governments, but their expenses should be met by a specified grant from the Centre. There is, however, one stipulation that should be made while transferring the control of test inspections laboratories from the Central to the State Governments and that is that the Salt Board, which the Committee have recommended in para 92 should have the power to direct that in case defects are noticed in the working of a particular laboratory, the persons working therein may be charged or removed as the case may be. The Salt Board should also fix immediately separate standards for salt for human, industrial and animal consumption. To prevent mixing of one standard with another, salt should be treated as an item of food and adulteration penalised by making necessary provisions in the Adulteration of Food-stuffs Act.

Cess

115. Following Government's decision that salt should not be treated as a source of revenue, the salt duty of Rs. 1/9/- per maund was abolished from 1st April, 1947 but simultaneously a cess was levied at the rate of Re. -/3/6 per maund on salt produced in Government salt factories and at the rate of Re. -/2/- per maund on that produced in private salt factories to meet the expenses incurred on the Salt Organisation and on the measures taken in connection with the manufacture, supply and distribution of salt. The Government, however, considered it desirable that both the levy of cess and utilization of the funds should be regulated by an Act of Parliament. Accordingly, the Salt Cess Act, 1953, came into force from 2nd January, 1954. The proceeds of the cess are utilized for—

- (i) meeting the expenditure incurred in connection with the Salt Organisation maintained by the Central Government;
- (ii) meeting the cost of measures taken in connection with the manufacture, supply and distribution of salt by Union agencies and the regulation and control of the manufacture, supply and distribution of salt by other agencies and in particular the measures for;
 - (a) the establishment and maintenance of research stations and model salt farms,
 - (b) the establishment, maintenance and expansion of salt factories,

- (c) fixing the grades of salt,
- (d) promoting and encouraging co-operative efforts among manufacturers of salt, and
- (e) promoting the welfare of labourers employed in the salt industry.

116. The Act also empowers the Central Government to make rules for carrying out the purposes mentioned therein including granting of exemptions from the levy of cess in respect of salt:

- (i) exported from India;
- (ii) manufactured by any specified category of small manufacturers; and
- (iii) utilized in the manufacture of any other product of industry.

117. Draft Rules under the Act have been prepared and are under the consideration of Government. Pending the issue of the final order, the Government of India have notified under the Ministry of Production Notification dated 29-12-1953, that all salt falling under the following categories shall be wholly exempt from the cess leviable under section 3 of the said Act:

- (i) Salt exported by sea to Japan.
- (ii) Salt manufactured without licence by individual or group of individuals in cases where the total area of the land from which salt is so manufactured does not exceed ten acres.

118. The Government of India had by their Press Note, dated 2-3-1954, reduced the licence limit to 2½ acres, but they have again now raised the exemption limit to 10 acres.

119. The cess is collected at present through the State Treasuries where lessees have to pay the amount in cash; later these treasury receipts are sent by lessees to the Salt Department treasuries for issue of salt. At Sambhar, however, cash is received directly by the Salt Department. This does not warrant the existence of a separate staff under the Salt Organisation for the collection of cess. The Committee, accordingly, feel that the work relating to the collection of cess should be made over to the Central Excise Department. The Committee also feel that the cess should be paid at a uniform rate per maund by all producers, State as well as private. The Committee recommend that proceeds from the cess should be earmarked and put at the disposal of the proposed Salt Board for purposes enumerated in the Salt Cess Act, and which are referred to in para 115. Only a small percentage of these proceeds should be spent on administration.

Mandi Scheme

120. The Salt Experts Committee had recommended that the geological survey of the then existing mines should be carried out with a view to locate fresh deposits of rock salt. They had also recommended that the then wasteful system of mining should be stopped and the possibilities of replacing it by brine wells and by installing a 'thermo compression vacuum evaporating plant' should be explored. The object was to produce high grade salt. The Planning Commission in the First Five Year Plan programme of industrial development recommended a sum of Rs. 10,000,000 for the development of Mandi rock salt mines. Geological Survey of India was then asked to explore the possibilities, but owing to want of equipment they suggested that Messrs. Associated Drilling and Supply Company Ltd., a British firm, should undertake the work. The drilling was started by this firm in 1952 and enough reserves of salt to last for ten years based on annual production of 66,000 tons of refined salt per annum, have been proved. But under expert advice, further core drilling of deeper strata has been undertaken before the wet mining scheme of Messrs. Escher Wyss, the Swiss firm is taken up. Government propose to take up the main scheme for the development of the Mandi mines in the Second Five Year Plan and to utilise the amount recommended by the Planning Commission for the purpose within the first three years of the Plan.

121. The expenditure incurred on the works during the last three years is as below:

	1951-52	1952-53	1953-54
	Rs.	Rs.	Rs.
1. Capital outlay on existing salt works.—			
(i) Plant and Machinery . . . . .	..	15,802	10,934
(ii) Works	61,323	43,662	21,760
2. Capital outlay on new works . . . . .	..	35,425	47,792
3. Revenue works	2,435	2,012	9,618
	63,758	96,901	90,104

122. The Committee, on the basis of information so far made available to them, see no justification for supporting this scheme. There is, it is true, demand in certain parts of North India for high quality rock salt. But this scheme will not meet that demand. The country is not only self-sufficient in salt, but is also in a position to export this commodity. Ample quantity of high grade salt is produced in Saurashtra and in Government Salt Works in Rajasthan.

When this Scheme was first mooted, perhaps there was some justification for it. As things are now, implementation of this scheme will only mean diverting the country's resources in a direction which is not essential. The Committee are of the view that the prospecting in Mandi Salt mines should be completed and Government should, thereafter, review the scheme in the light of the changed circumstances in the country before proceeding with it any further.

BALVANTRAY GOPALJEE MEHTA,

*Chairman,
Estimates Committee.*

NEW DELHI;

The 29th June, 1955.

APPENDIX I

Statement showing the Summary of conclusions/recommendations of the Estimates Committee relating to the Ministry of Pro- duction—Coal Commissioner's Organisation and State Collieries

Sl. No.	Reference to Para. No. in the report	Summary of Recommendations/Conclusions
1	2	3
1	10-11	<p>Nationalisation of the Coal industry will have to be undertaken in due course in the interest of industrial development. As, however, Government have not sufficient technical manpower at present to take over immediately all the private collieries, the private sector may be allowed to continue to run the private collieries for some more time on the following conditions :—</p> <ul style="list-style-type: none"> (i) that adequate capital is invested by them with a view to step up production to the limits laid down by Government for each colliery ; (ii) that scientific methods are adopted for raising the coal ; (iii) that suitable safety measures are introduced wherever they are lacking; and (iv) that the conditions of working of the labour are improved according to the standards laid down by Government in this respect:
2	12	<p>The following measures should be taken for the prevention of destructive exploitation of collieries :</p> <ul style="list-style-type: none"> (i) all new collieries should be State-owned and State-managed under the control of a Coal Commission which should be set up immediately, as suggested in para. 21 of this Report ; (ii) that the State should, as far as possible, take over all private collieries which wholly or to a large extent are engaged in raising metallurgical or high grade coal; and

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(iii) steps should be taken to vest powers in this Coal Commission to take over all those collieries, which are at present under private management and which do not carry out the directions that may be issued to them by the Commission from time to time for the better working of the Collieries.

It may be left to the Coal Commission, however, to determine whether the management of the private owned collieries should be taken over by the State for a limited period or permanently in order to bring about efficiency and economy in the working of the colliery or whether in the circumstances of the case the ownership of the colliery itself should be taken over by the State, in which case compensation according to the general procedure and principles laid down in that behalf by Parliament may be paid to the private owners of the colliery.

(iv) As an experimental measure one or two collieries may be worked on a co-operative basis with a view to seeing how far the scheme works in practice.

3 21 As a step towards organising the industry on better and efficient lines with a view to stepping up production and ensuring quicker distribution at cheaper prices and to introducing new and modern methods of raising coal, increasing labour welfare etc., a Coal Commission may be established and the Coal Commissioner's Organisation as well as the Coal Board may be abolished. A greater coordination and integration of all activities relating to the coal industry should be aimed at.

4 23 The Coal Commission should be directly responsible to the Minister concerned, without the intervention of a Secretariat in between. The powers and functions of this Commission should be on the lines laid down in the Report of the Indian Coalfields Committee (1946).

5 25 The Coal Commission should have three wings with functions as below :

(i) The first wing should control the coal industry in the private sector and should take over the present functions of both the Coal Board and the Coal Commissioner in regard to the private coalfields.

(ii) The second wing should be concerned with the general administration of the State Collieries.

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(iii) The third wing should deal with all policy matters such as the development of the coal industry in the country, export policy in respect of coal and research problems. The Ministries of Natural Resources & Scientific Research and Commerce and Industry should surrender their powers in this regard to the proposed commission which should have the exclusive control over all matters relating to the coal industry in the country.

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| 6 | 26 | This Commission should have its headquarters either at Asansol or Dhanbad. |
| 7 | 27 | <p>The proposed Commission should have a Chairman and four members. The chairman should be a persons with wide commercial and administrative experience. The other four members should be chosen as follows:—</p> <p>(a) One representative of the Ministry of Railways.</p> <p>(b) One representative with experience in financial matters.</p> <p>(c) One representative of labour.</p> <p>(d) One representative from the Scientific or engineering fields.</p> |
| 8 | 28 | The Chairman and not more than two members of the Commission may be whole-time paid employees. |
| 9 | 29 | For the time being the Commission may be set up for few years before it is placed on permanent footing. |
| 10 | 35 | A Standing Advisory Committee representing all interests should be set up in the Ministry, which will review the price structure of coal, from time to time. This Committee should also assist the proposed Coal Commission in the matter of price fixation in the future. The functions of the Committee will be purely advisory. |
| 11 | 37 | Government should conduct an examination of the requirements of coal during the Second Five Year Plan by ascertaining what consuming units are likely to be established and estimating the requirements of these units. A phased programme should be prepared on the basis of this demand survey and targets for production and transport of coal should be clearly laid down. |

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12	38	The control over movement of coal to the various classes of consumers, should be subject to the advice of the trade and industry and for this purpose, the Standing Advisory Committee already recommended by the Committee may be utilised.
13	44	The proposed Coal Commission should examine what would be the most suitable organisation for the allotment of wagons for movement of coal, and lay down also the policy to be adopted in the matter.
14	46	The Committee consider that it should be possible to effect improvements in the working of the railway system in the colliery areas on the basis of experience in the working of similar systems in foreign countries. Government should examine whether this should be done with the advice of a foreign expert or whether our Railway Officers should be deputed to study similar systems in foreign countries and suggest the possible improvements thereafter.
15	47	<p>The following recommendations are made for increasing the movement of coal during the slack seasons :—</p> <p>(i) Government may examine whether it would be possible to reduce slightly the freight rates of coal during the slack season in order to create a greater incentive to consumers to purchase more coal during this season. A corresponding increase may be levied on freight rates during the busy period in order that the Railway Revenues may not suffer.</p> <p>(ii) All consuming units should be asked to increase their storage capacities so that they may move a greater amount of coal during the slack season and build up sufficient stocks to enable them to buy less coal during the busy season.</p> <p>(iii) The question of establishing consumers' co-operative societies in important industrial centres, which would give credit facilities, help in building storage dumps and stand as sureties credit for purchases by their constituent units, should be examined. Such co-operative societies may also establish coal dumps from where the consumers may move their coal as and when required.</p>

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		(iv) Low priority coal may be given as many wagons as are required in the slack season but very little movement of it should be allowed during the busy season.
		(v) The Railways should move more coal for themselves during the slack season.
16	48	A Conference of representatives of producers, consumers and the Railways should be called to discuss the above suggestions.
17	51	An expert Committee should be appointed to go into the question of sea freight of coal and to recommend measures that should be taken to make sea transport of coal economical and efficient.
18	52	Proper attention should be paid by the Ministry of Transport to the question of developing the Calcutta port in order to enable it to handle coal transport smoothly. The conditions at other ports also require considerable improvement before sea transport can make an effective contribution to the solution of the problem of transportation of coal.
19	52	Proper attention should also be given by the Central and State Governments for the development of intermediate and minor ports which would go a long way to alleviate the difficulties experienced at present in the matter.
20	53	Consumers' Co-operative societies of users of coal in small quantities should be encouraged in South India and in the West Coast to enable movement of coal for small consumers in bulk by sea.
21	55	Railway freight rates for coal should be the same whatever be the distances of the consuming centres from the colliery. A pooled rate should be worked out for coal chargeable to all consumers alike wherever located. In the alternative the possibilities of levying a surcharge on the freight rates of coal for short distances should be examined so that the benefit accruing to areas nearer the collieries is minimised to that extent. The receipt from the surcharge should be utilized to subsidize freight rates by sea which are substantially higher than rail freight for the same distances.
22	56	The Railways should use the sea route in moving their coal to the South and to the West Coast right upto Saurashtra and Cutch.

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23	62	Government should take all possible measures to prevent the loss of foreign markets for coal. As a first step Government should do away with such controls and restrictions in this regard as have outlived their utility.
24	68	While it may be necessary to have a nucleus office at Calcutta for the purpose of distribution of coal the management of the collieries and their administration can be effectively done only at the collieries themselves and the officers concerned with the management should have their Offices near about the collieries.
25	69-70	As in the case of other nationalised undertakings, State Collieries should be run by Public Limited Companies. These Companies should be under the Coal Commission, although they should be allowed the largest measure of autonomy.
26	72	The Ministry of Labour should take steps to ensure expeditious disposal of the pending cases of surplus labour in Argada colliery.
27	73	<p>As the existence of surplus labour constitutes a heavy burden on the State Collieries, the following steps may be taken for removing the surplus.</p> <ul style="list-style-type: none"> (i) Alternative employment may be found for the surplus workers in other nationalised undertaking in the same locality. (ii) Government should resettle such labourers as have come from Bilaspur, in Madhya Pradesh, in their own State where Korba coal-fields and Bhilai steel Projects are being developed ; (iii) Government should consider the feasibility of making the retrenchment benefits so attractive that the surplus men find it worthwhile to accept them. (iv) State Collieries should be allowed to sell coal in the open market so that their production may increase and some of the surplus labour absorbed thereby.
28	74	A decentralised commercial accounting system should be adopted when Limited Companies have taken over the management and the Coal Commission.

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29	* 75	Complaints have been made to the Committee that purchases of consumable stores required in the State Collieries are generally made through the D.G. S. & D. The process is often slow and the prices paid are also frequently high. Government should look into these matters.
30	76	The position regarding surplus machinery and stores should be reviewed immediately and Government should arrange expeditious disposal of these items.
31	79	The grievance of the workers that the houses built for them are situated far away from the places of work should be investigated.
32	80	Standards of construction of houses for all workers in all the State Collieries should be laid down.
33	82	Government should do everything possible to supply pure drinking water to the labourers in all the collieries.
34	84	The Coal Commissioner and the Chief Mining Engineer should during their inspection tours inspect the creches and multipurpose institutes and see that proper attention is paid to the amenities side as well.
35	87	The Committee are not satisfied with the present procedure adopted for the disposal of the by-products of the Plant. If the Railways or any Government workshop require the coal-tar, then it should be supplied to them on a regular basis. In the case of benzol also it should be examined whether this valuable product could be directly utilized or sold to other government organizations which purchase benzol from the market, instead of being sold to private firms as at present. Commodities produced in Government undertakings should as far as possible be sold directly to other State undertakings who may require such products.
36	88 96	The ammonia plant has not been working and no ammonia was manufactured in 1954. Proper attention should be paid to this.

APPENDIX II

Statement showing the summary of Conclusions/Recommendations of the Estimates Committee relating to the Ministry of Production—Salt Organisation.

Serial No.	Para No.	Summary of conclusion recommendations
1	2	3
1	92	<p>The Salt Organisation should be abolished and its functions should be distributed to more suitable organisations created for the purpose. The management of the State Salt Farms should be under the control of limited companies.</p> <p>An autonomous Salt Board directly responsible to the Minister-in-charge should be created for the purposes of determining the quality, standards, production targets, policy of distribution, export, inspection of production and distribution centres and the scientific methods of production for rendering advice thereon and for looking after labour welfare in salt mines.</p>
2	98	There should be full scope for future development of production through the three agents, <i>viz.</i> , Government, large scale business and the small producer which are concerned with the production of salt.
3	98	The Salt Board should examine the question of organising co-operative societies of small scale producers and should also arrange technical assistance necessary for the production of standard quality salt wherever required.
4	100	The management of the Government Salt Works should be handed over to Public Limited Companies which should be run on business principles. The question whether there should be one public limited company for each of the works or some of these should be grouped together so that there are either two companies or one only for all the works should be examined in detail by Government and decision taken thereon.
5	101	To minimise the transport of salt from western producing areas to the eastern parts of the country new salt works, should be developed on the Eastern Coast, wherever economically possible.

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6	102	The terms of the agreement between the Central Government and the Rajasthan Government which prohibit the exploitation of bittersns by the former should be re-examined and revised if necessary, to enable the Central Government to take steps for the exploitation of the bittersns available at Sambhar.
7	103	The Central Salt Research Institute should finalize the processes to be adopted for the large-scale exploitation of bittersns as soon as possible. When the exploitation of bittersns is actually undertaken on a large scale, a public limited company may be started for its commercial exploitation.
8	104	In view of the fact that self-sufficiency has been attained in salt, control over its movement should gradually be relaxed. If necessary, Railways should allot higher priority to the movement of salt and the restriction on coastal movement of Salt should be abolished.
9	109	The system of purchase by State's nominees should be abolished forthwith.
10	110	The registered dealer system should be abolished and the Public Limited Companies, the creation of which has been recommended earlier, should be responsible for sale of salt produced at Government Salt Works. In order, however, to prevent any hardship to local traders who have depended, and are depending, for their livelihood on the salt trade, the public companies of salt works should accord a preferential treatment to them in the allotment of shares and in the matter of sale of salt, subject to other conditions being fulfilled by them.
11	112	Price control over salt should be removed so that the price is fixed by a free play of supply and demand which would result in reducing the price. Meanwhile, in view of the very large differences in the price of salt prevailing in the different parts of the country, and the large fluctuations that occur from time to time even in the same place, Government should undertake an examination of the wholesale and retail selling prices and see that the salt is available at a reasonable price to the people.
12	114	Such test inspection laboratories as are required to be maintained after the abolition of controls should be located in major producing centres and transferred to the control of the State Government concerned in which such producing centres are located. The expenses of the laboratories should, however, be met by the Central Government. The Salt Board should have supervisory powers over persons working in the laboratories.

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13	114	The Salt Board should fix immediately separate standards of salt for animal consumption.
14	114	Adulteration of salt should be penalised by making necessary amendments in the adulteration of the Food-stuffs Act under the Adulteration of Food-stuffs Act and penalised by making the necessary amendments.
15	119	Cess should be paid at a uniform rate by all producers and the proceeds from the cess should be earmarked and put at the disposal of the proposed Salt Board for the purposes enumerated in the Salt Cess Act.
16	122	Before undertaking the scheme which Government has in hand for the development of Mandi Salt Mines, the prospecting of the salt deposits should first be completed and then the position reviewed in the light of the present circumstances, <i>viz.</i> , the availability of high grade salt in Saurashtra, the self-sufficiency already attained in the country in salt etc.

APPENDIX III

Extract from the Statement of whole sale and retail sale prices of salt in different States during 1951-52, 1952-53 and 1953-54 given in the Annual Administration Report of the Salt Organisation for the year 1953-54 showing the violent fluctuations in the whole sale and retail sale prices.

(a) Whole-sale prices per maund for the year 1953-54.

Name of the State	From	To	Percentage of variation
	Rs. a. p.	Rs. a. p.	
Assam	3 0 0	8 12 0	291%
Bombay.	1 1 0	3 13 0	359%
Madras	1 0 0	4 12 0	475%
Saurashtra	1 2 0	3 8 0	311%
Jammu and Kashmir	5 5 0	15 6 0	289%

(b) Retail price per seer for the year 1953-54.

Name of the State	From	To	Percentage of variation
	As. p.	As. p.	
Assam	1 6	3 6	245%
Madras	0 6	2 0	533%
Orissa	0 8	2 6	475%
Jammu and Kashmir	2 5	7 0	302%