

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1968-69)**

(FOURTH LOK SABHA)

FORTY-FIFTH REPORT

**Action taken by Government on the Recommendations
contained in the Thirty-First Report of the
Committee on Public Undertakings (Third Lok Sabha)**

**ALLOY STEELS PROJECT AND COAL WASHERIES
PROJECT OF HINDUSTAN STEEL LIMITED**

MINISTRY OF STEEL AND HEAVY ENGINEERING



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1969/Vaisakha, 1891(S)

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C O R R I G E N D A

FORTY-FIFTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS(1968-69) ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY-FIRST REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (THIRD LOK SABHA) ON ALLOY STEELS PROJECT AND COAL WASHERIES PROJECT OF HINDUSTAN STEEL LIMITED.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	13	4	'Government',	'Government's'
4	23	3	'admitted'	'admitted'
5	25	6	delete 'was'	
17	-	26	'26th January, 1968'	'16th January, 1968'
20	-	14	'Recommendation (Serial No.2)	'Reply of Government)
37	-	2	'Page 21'	'Page 22'
38	-	2	Page 23	Page 25
41	-	9	delete '33'	-

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(1968-69)

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Shri M.M. Mathur—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Forty-fifth Report on the Action taken by Government on the recommendations contained in the Thirty-first Report of the Committee on Public Undertakings (Third Lok Sabha) on Alloy Steels Project and Coal Washeries Project of Hindustan Steel Ltd.

The Thirty-first Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 25th April, 1966. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 31st January, 1967 and 16th January, 1968. Further clarification in respect of certain recommendations was called for from the Government on the 10th July, 1968 and replies thereto were received on the 3rd December, 1968 and 5th March, 1969. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee on the 9th April, 1969 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

3. The Report has been divided into the following five chapters:

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of the Government's reply.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Thirty-first Report of the Committee is given in Appendix IV. It would be observed, therefrom that out of 51 recommendations made in the report 63 per cent have been accepted by Government. The Committee do not desire to pursue 21 per cent of the recommendations in view of Government's reply. Replies of Government in respect of 16 per cent of the recommendations have not been accepted by the Committee.

G. S. DHILLON,
Chairman,

Committee on Public Undertakings.

NEW DELHI;
April, 23, 1969

Valsakha 3, 1891 (S)

CHAPTER I

REPORT

A. Production Adviser—Paras 21—25 of Thirty-First Report (Third Lok Sabha)

Recommendation (Serial No. 5)

The Committee were informed during evidence by the Secretary of the Ministry that there was delay in the commencement of the Alloy Steel Project of HSL due to delay in the appointment of Production Adviser. He added that the necessity of having a Production Adviser was forcibly brought to the notice of Government only in the (Detailed Project Report).

2. The Committee, in para 25 of their 31st Report had therefore, recommended as follows:

“It appears that Government at the time of appointment of the consultants did not realise that in addition a Production Adviser will be needed due to the incapacity of the consultants to discharge that function. When this was brought to their notice time had to be taken in selecting a suitable firm. This process was unnecessarily prolonged as it took over 20 months to appoint a Production Adviser after the appointment of the consultant.”

3. The Government in their reply have now stated that they were aware that the Production Adviser will have to be appointed and that the agreement with the consultants provided that they would indicate particulars about the talent and the sources available within the country and abroad in this regard. It has also been claimed that Production Adviser was appointed within 11 months of the submission of DPR by the consultants or in about five months after the acceptance of the project report.

4. The reply of the Government is not satisfactory. It brings forth a clear contradiction to the earlier statement of the Secretary of the Ministry during evidence that the necessity of having a Production Adviser was forcibly brought to the notice of the Government only in the DPR. The fact that the Government knew at the time of appointment of consultants that Production Adviser would be needed, only fortifies the truth that process of selecting the Production Adviser was unnecessarily prolonged and it took over 20 months to appoint a Production Adviser after the appointment of the Consultants. While the Consultants took seven months from the date of their appointment till July, 1960 when they recommended the appointment of M/s Atlas Steel Ltd. as Production Advisers, the Government took 11 months to approve their appointment in June, 1961 and took another over two months to conclude an agreement with them in September, 1961.

5. The Committee reiterate their earlier recommendation that the time taken by Government in selecting the Production Adviser was unnecessarily prolonged. They regret that conflicting statements have been made by Government in this connection at different occasions.

B. Detailed Project Report—Paras 26—28 of Thirty-First Report (Third Lok Sabha)

Recommendation (Serial No. 6)

6. The DPR was submitted by the consultants on the 29th August, 1960. It was originally approved by Government on 28th February, 1961, but was finalised after obtaining the views of Production Advisers in February, 1962.

7. The Committee in para 28 of the Report felt that the time of 1 1/2 years taken in approving the DPR was too long. Perhaps it was not necessary to send it to all the parties mentioned in para 26 of the Report who necessarily took their time on scrutiny. If a sense of urgency was shown it should have been possible to reduce this time considerably.

8. The Government in their reply have contested the period of delay and stated that the project report was approved in February, 1961 *i.e.* in about 7 months' time. Further time was, however, taken in obtaining the views of the Production Adviser and to modify the report to the extent necessary in view of these comments.

9. Reply of the Government is not convincing. The contention of the Government that they took only 7 months to approve the report is not correct. The project report was submitted by M/s Dastur & Co. in August, 1960 and was finally approved by HSL in February, 1962 after obtaining and considering the comments of the Production Adviser. Scrutiny of the project report by the Production Adviser and the modification of the report to that extent was certainly a part and parcel of the process of approval of the project report by the authorities, though it could well be appreciated that this additional time of one year from February, 1961 to February, 1962 could have been reduced by at least six months, had the Production Adviser been appointed before the appointment of the Technical Committee. For in that case a joint scrutiny could have been made by the Technical Committee and the Production Adviser.

10. The Committee reiterate that had a sense of urgency been shown and timely efforts made it should have been possible to reduce this time considerably.

C. Construction and Commissioning—Paras 42—46 of the Thirty-First Report (Third Lok Sabha)

Recommendation (Serial No. 10)

11. The Detailed Project Report envisaged completion of all the preliminary stages within 12 to 15 months. The time actually taken for their completion was 30 months. The Committee found that even after the approval of Detailed Project Report, Government had taken three months to give approval for the issue of instructions to tenders. After inviting tenders, it took nearly a year for the ultimate selection of suppliers. The Committee came to the conclusion that the entire work had proceeded in a liesurely manner. In none of the various stages could it be said that delay was inevitable. Had a purposeful effort been made it should have been possible to reduce the delay considerably.

12. Government in their reply have said that DPR submitted by the consultants was approved in February, 1961 but the revised Project Report was

approved in February, 1962 by HSL after obtaining the comments of Production Advisers and the Consultants. Government's approval to the issue of invitation to tenders was conveyed in May, 1962 when the revised Project Report was approved by them. The ultimate selection of the Suppliers did take some time because of the complex nature of the project and the alternative proposals offered by the equipment supplier as also the availability of foreign credit for financing the cost of the project.

13. The reply of the Government is not satisfactory. Government approved the Project Report originally on 28-2-1961. It was approved by HSL in February, 1962. Government took another 3 months to approve the revised project cost and thus Government, approval to invite tenders was conveyed in May, 1962. As already stated the period of the final approval of the DPR could have been reduced at least by six months had the Production Advisers been appointed in time i.e. before the appointment of Technical Committee on 13-12-1960 and had a joint scrutiny been undertaken. Granted that the time of 3 months taken by the Government in examination of the revised Project Cost was considered to be reasonable, the time of about a year taken in the selection of suppliers does not appear to be justified. The Committee therefore, reiterate their recommendation that the entire work has proceeded in a leisurely manner.*

D. Delay in construction due to Consultants—Paras 53—56 of the Thirty-first Report (Third Lok Sabha)

Recommendation (Serial No. 12)

14. The Consultants were supposed to issue all the specifications from May, 1962 to January, 1963. The Committee were informed that there had been delay in the submission of 24 major specifications by the consultants.

15. The Committee felt that a very lenient view had been taken of the slow progress of work by the Consultants. There had been delay from the very beginning. Soil investigation, which was to have been completed by July, 1961 was completed in January, 1962. Soil preparation which was to have been done between February, 1961 and February, 1962 was not completed even by the 30th June, 1964. The progress achieved by 30th June, 1964 was site levelling, 84 per cent and embankment, 50 per cent.

16. In their reply the Ministry furnished the following information:

"The progress of the consultants has been reviewed on several occasions. Some of the delays on their part were due to non-receipt of data from the Equipment Suppliers. This data, according to the consultants, was necessary for them to prepare the specifications. As regards delay in soil investigation and soil preparation, the Consultants have explained the delay due to the late appointment of contractors who were to execute the actual work."

17. Additional information was called from the Ministry. They were asked to state as to how far the explanation given by the consultants that soil investigation and soil preparation were delayed due to late appointment of contractors was true and the time by which the appointment of contractors was delayed and the reasons therefor. Who was responsible for this delay in appointment?

* A Note regarding Para 13 submitted by HSL at the time of factual Verification may be seen at Appendix—III.

18. In reply the Ministry have stated that assuming February 1961 as the date to proceed with the project, the soil investigation and site levelling should have been completed by August, 1961 and February, 1962 respectively.

19. As regards soil investigation Ministry have explained a delay of about 6 months due the termination of the contract of a reputed Calcutta firm as their work was not found to be satisfactory and the work had to be entrusted to another contractor. So far as site levelling was concerned the contract for the same was awarded in April, 1962. In this case again the work of the contractor was found to be slow. It may be observed that the Ministry have not indicated in this case as to when the work was actually completed. Thus it is difficult to determine the extent of delay in this case. They have merely stated that the placement of contracts was not really the factor contributing to delay in the execution of soil investigation and site levelling.

20. Regarding delay in soil investigation and soil preparation the Consultants explained the delay due to the late appointment of Contractors. This opinion of the Consultants was conveyed by the Ministry without any comments in their earlier reply. The Government have laid the blame on the Contractors. But they have not stated whether any action has been taken against the contractors regarding delay on their part in the execution of work.

21. The Government cannot thus escape their responsibility. The Committee recommend that the performance of the contractors should be carefully examined and the clause providing for the items of liquidated damages should be strictly invoked.

E. Delay in the Construction and Commissioning of the Project—Paras 58—66 of the Thirty-First Report (Third Lok Sabha)

Recommendations (Serial Nos. 14, 15 and 16)

22. The Committee had found that there had been delays by the suppliers and contractors. Thus they recommended that before final payment was made to them, the performance of each should be carefully examined and the clause providing for the levy of liquidated damages should be suitably invoked. (Serial No. 14)

23. The Committee further noted that the Project had not assessed the loss suffered or extra expenditure incurred by it on account of the delay in construction/commissioning. The Project authorities admitted that it would be desirable to calculate such losses but they stated that it could be done comprehensively only at the completion of the Project. The Committee recommended that such calculation—though it might be a little rough—should be made concurrently so that the consequences of delay in construction/commissioning were brought home to all concerned more pointedly. (Serial No. 15)

24. The Committee found that the consultants and contractors have been blaming each other for poor progress in construction. The Committee observed that this could be attributed to poor coordination and control. The Committee recommended that those responsible for the delays should be penalised and proper supervision exercised in future. (Serial No. 16)

25. In their earlier replies the Ministry simply 'noted' the above recommendations. Additional information was therefore called from the Ministry. They were asked to state whether any attempt had been made to assess the extent of loss suffered or extra expenditure incurred on account of delay in construction/commissioning since April, 1966? The details of such loss/extra expenditure was and whether any action had been taken to levy the liquidated damages as provided in the contract with the suppliers and contractors? They were also asked the result of such action and if no action had been taken they were asked to give the reasons therefor.

26. In reply the Ministry have stated that the loss incurred by Government due to the delay in the completion of the Project beyond April, 1966 may be put at Rs. 9.50 million in so far as the increase in the capital cost is concerned. They have, however, stated that the loss of production due to delay in completion is difficult to quantify. Regarding levy of liquidated damages they have stated that in such large contracts, the contractors usually build up their prices on the basis of the Plant supplying them certain essential construction materials. During the period when this Plant was under construction the supply position of cement and steel in particular and many other items in general, was rather difficult. Considerable delays did take place on account of non-supply of such materials in time. Levy of liquidated damages would only invite counter claims from the contractors, and which, if referred to arbitration, might be decreed against the Plant. Under some supply contracts, liquidated damages have, however, been levied. All the main contracts have yet to be finalised and the levy of damages, wherever necessary and possible, will be considered.

27. Thus, it would be seen that the Plant has suffered a huge loss due to delay in the completion of the Project. The delay has occurred at various levels. The Committee in Para 204 of the Report had observed that there had been considerable avoidable delay in planning and setting up the Project. From the stage of appointment of the consultant to the stage of construction and erection of Plant and equipment a sense of urgency had been lacking. The huge loss now revealed by Government is all due to these delays.

28. The Government have not fixed any responsibility for all these delays and have not taken any steps to compensate such huge loss. The Committee reiterate these recommendations and recommend that the Government should make a thorough enquiry into all these delays so that lapses, if any, are avoided in future.

F. Working Results—Paras 191-197 of the Thirty First Report (Third Lok Sabha)

Recommendation (Serial No. 49)

29. Chairman, HSL stated during evidence that formerly the Coal Washeries were considered as independent units but lately thinking was for treating them as service units. But the Committee recommended that if the washeries were to work with maximum efficiency at minimum cost, they should function as independent commercial enterprises and show comparable results with other washeries in the country. If on the other hand, they are treated as service units, there will be no incentive for them to keep their cost of production down and it will perpetuate inefficiency.

30. The Government in their reply have stated that washeries are meant to be service units only and they should not be made to achieve cost plus financial results at the cost of main steel producing units. according to them, the performance of the washeries can be judged by applying other criteria such as increase in production, quality of coal washed, maintenance etc.

31. The Committee does not agree with the view of the Government as even though the washeries may serve as service units to HSL steel plants yet they have to be run on commercial basis. Though these washeries may not be made to earn profits by supplying coal to HSL plants yet their cost of washing must compare favourably with that of other washeries in the country and strenuous efforts should be made to bring down the cost to the minimum. This will promote operational efficiency of the washeries and also help the steel plants in achieving better financial results. The Committee, therefore, reiterate that these washeries should function as commercial enterprises and show comparable results with other washeries in the country.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee feel that in the case of the consultants Government should have stipulated the fee for completion of the work and not related it to time. In that case it would have been in the interest of the consultants also to complete their work as quickly as possible. As events have proved the consultants have gained by the non-completion of the work within the original schedule. They will get an additional fee of Rs. 55 lakhs for the extended period. As admitted by the Secretary of the Ministry of Iron and Steel during evidence, the consultants cannot be wholly free from blame for the delay in completion of the consultancy work. In view of this statement, Government should be cautious in dealing with such firms. The Committee recommend that Government should ensure that they do not in future enter into consultancy agreements on these terms. (Paragraph 11) .

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl-(6)-11/66 dated the 31st January 1967]

Recommendation (Serial No. 3)

The Chairman, H.S.L. stated that if the consultants had been given the entire responsibility for construction, including supervision and payment of the bills, it might have been right to determine the fee for the completion of the project as a whole. Since the payments to contractors etc. were made by H.S.L., the payments to consultants in the case of H.S.L. units including Alloy Steel Project had been related to passage of time.

The Committee are unable to appreciate the distinction sought to be made by the Chairman, H.S.L. The responsibilities of consultants enumerated in para 7 indicated that except for payments to the contractors the entire responsibility for construction is theirs. In the opinion of the Committee the difference made out is so insignificant that it did not justify the adoption of a different procedure in the matter of payment of consultancy fees. The Committee would draw attention to para 110 of their 13th Report on Management and Administration of Public Undertakings in which they have recommended that payments to consultants should be related to the progress of work. (Paragraphs 16-17).

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 7)

The Committee are surprised to see so many revisions of the capital cost. With the experience which Government had acquired in launching public sector projects by 1961, specially the three steel plants, there is no reason why the original estimate should have omitted such basic items. (Paragraph 33)

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 8)

The Committee feel that where a preliminary estimate for a project is submitted to the Cabinet in connection with the approval of the Project, it should be incumbent to resubmit the revised estimates to the Cabinet where variation exceeds a certain prescribed limit. The reasons for the increase and how the economics of the project would be affected by the increase in the cost of the Project should also be placed before the Cabinet. The adoption of such a procedure should result in framing of more realistic estimates. (Paragraph 36)

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 9)

The delay caused by the suppliers in furnishing working detailed drawings for the equipment foundations would at the most result in holding up payment to them for some time. The Committee recommend that provision should be included in the future agreements to ensure that the project is not put to any loss on account of the delay on the part of suppliers. Such delay should also attract penatly provisions. (Paragraph 41)

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967].

Recommendation (Serial No. 11)

The Committee are not satisfied with the reasons given for not being able to obtain structural steel in time. From the post-evidence information they note that the Alloy Steels Project had agreed to accept joists in standard lengths of 5.5 to 13.5 metres offered by the Bhilai Steel Plant against the former's requirements of 15 metre lengths. Similarly the Alloy Steels Project had accepted the channels lying with Durgapur Steel Plant in stock against some other order. The decision to accept joists of inappropriate lengths was also motivated with a view to avoid transportation difficulties which 15 metre lengths would have had to face. In the case of channels, it is also noted that the Alloy Steels Projects did approach the Durgapur Steel Plant direct. It is not, therefore, correct to blame the steel producing Plants, solely. The Alloy Steels Project should have planned its requirements early and intimated the same to the steel producing plants. Apparently this was not done. In fact in the case of channels, the requirements were not intimated at all; it was just a chance that the material was lying in stock with the Durgapur Steel Plant. So far as the suppliers are concerned, the

committee are unable to appreciate that the Hindustan Steel Limited Plants (e.g. Bhilai in this case) should be unable to produce what is required by another sister unit, merely because it was a small order. If this is the case with the Alloy Steels Project the Committee apprehend that other consumers must be experiencing much greater hardships. The Committee recommend that Government should enquire into this matter to determine the reasons for such failures and suggest remedies for future guidance. Steel is a precious commodity and losses resulting due to wastages on account of supplies in random sizes, as occurred in the case of Alloy Steels Project should be treated with concern. (Paragraph 52)

Reply of Government

The needs of the consumers have to be balanced against the economics of rolling optimum tonnage. For this purpose mutual adjustments are necessary on the part of the consumers (accepting random lengths at times) and producers (by rolling small but priority orders). Government have taken a decision to rationalise the number of sections to be produced. With the progressive adoption of rationalised section by designers we expect that such problems will be considerably reduced.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 13)

The Committee feel that a strict watch on the work of the consultants was called for, especially because their contract is related to the passage of time and not to the progress of work. They recommend that efforts should be made to see that the construction of the project is completed according to the present schedule. (Paragraph 57)

Reply of Government

Noted.

[Ministry of Iron & Steel O.M. No. Parl (6)-11/66 dated the 31st January, 1967].

Recommendation (Serial No. 17)

The Committee recommend that the Project should ensure that the work of fabrication is finished within the revised schedule at least. So far as the need to increase the fabricating capacity in the country is concerned, they would draw attention to para 111 of their Eighth Report on Townships and Factory Buildings of Public Undertakings. (Paragraph 70).

Reply of Government

The fabrication of steel structure is almost complete.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 18)

The Committee are surprised at the manner in which the decision to set up the Project was taken. No economic feasibility study was conducted and as such Government did not have adequate data on the economic viability of the Project, the cost of production and profitability or otherwise of the

project as a whole. Government merely decided to set up an alloy steel plant in the public sector of a specified size without going into the economics of it. (Paragraph 76)

Reply of Government

Although the economic feasibility of the project was not worked out at the time of approval of the project report in February 1961, this aspect was taken into consideration in all subsequent stages of the development of the project. In fact, the decision to increase the capacity of the plant was based on the consideration of the economic viability.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 19)

The country's demand for various types of alloy steels is much more than the anticipated production of the Plant. Therefore, there can be no problem of marketing. Nevertheless, the Plant should determine judiciously priority of various items keeping in view the margin of profit thereon and also the importance of the items from the national angle. (Paragraph 79)

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 20)

The committee are glad to learn of the efforts to produce indigenously these raw materials. Government should extend all facilities not only to those who produce these items but also to others, who have proposals for starting production of other materials required by the plant. (Paragraph 82)

Reply of Government

This is already being done.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 22)

Since both the Alloy Steels Project and the Durgapur Steel Plant are units of Hindustan Steel Limited there should not be any difficulty in finding a solution to the price problem. It is understood that scrap is already being transferred from Durgapur Steel Plant to the Alloy Steels Project. The Committee expect that an understanding with regard to the price of scrap will be reached soon, failing which the Head Office of H.S.L. should fix it. (Paragraph 87).

Reply of Government

The scrap price has since been settled by Chairman, H.S.L.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 23)

If the ferro-alloy Plant had been set up along with the Project with a foreign exchange component of Rs. 2½ crores, imports worth Rs. 9 crores could be saved and a net saving of Rs. 6½ crores in foreign exchange could be effected. This is another instance where by trying to save a small amount of foreign exchange by not setting up a Project, considerably more foreign exchange will have to be spent on imports year after year. The Committee recommend that in future when proposals for setting up new projects are put up for Government approval, full details regarding the anticipated saving in foreign exchange should be stated. Government should also take into account the long term benefits while considering such proposals. Refusal to allot foreign exchange is not always a sure way of conserving it. (Paragraph 91).

Reply of Government

Schemes for manufacture of Ferro-chrome were approved for both the private sector and the State public sector. They have made good progress and it is expected that the schemes will go into production by about 1968, when significant demands for Low Carbon Ferro-Chrome arise. Their production is expected to cater to almost the entire demand for Low-Carbon Ferro Chrome during the Fourth Plan period. The setting up of ancillary units to manufacture raw materials required by the Alloy Steel Industry is under constant review and every facility is offered for the setting up of these units.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 25)

The Committee recommend that strict control should be kept over the capital expenditure so that the expectation of better input-output ratio is realised. (Paragraph 98).

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 26)

The Committee have referred in para 76 ante to the fact that without assessing the profitability aspect, the project had been proceeded with. The calculations made by the consultant later on are stated to be incorrect. As the project is expected to run at a loss during the first stage, utmost economy will have to be exercised by restricting expenditure to the minimum. The position should be reviewed by Hindustan Steel Limited and Government from time to time so that, adverse trends, if any, are checked in time. (Paragraph 101).

Reply of Government

Noted.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 27)

The Committee have already stressed the need for exercising great vigilance on expenditure all round so that the Project attains the break-even point at the earliest. Since the calculations of manpower by the Project show an increase of 36 per cent over the estimate in the Detailed Project Report, it would be desirable to have standard force determined. The Head Office should keep a strict watch over the manpower. (Paragraph 104).

Reply of Government

Standard force in respect of production departments for ASP has already been worked out. There is not much difference between the standard force estimated by the Project in consultation with Atlas and that given in the Project Report prepared by Dasturco. Regarding non-technical departments every effort is being made to keep the number to barest minimum and introduce mechanization in accounting and other work from the start.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 28)

The Committee welcome the decision taken by the Alloy Steels Project and the Durgapur Steel Plant to have pooling arrangements for the houses of their employees with a view to effect economy, (Paragraph 109).

Reply of Government

No comments.

[Ministry of Iron and Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 29)

The Committee discussed with the Secretary of the Ministry of Iron and Steel whether it would not be advantageous to set up washeries as part of the steel Plants, as was the case with Durgapur. He stated that it would be correct to do so if the steel plant was located near the coal fields, as was the case with the Durgapur Steel Plant. But if the distance between the steel plants and the coal mines was considerable, as in the case of Rourkela and Bhilai and the Plants were designed to use more than one type of coal, then the advantage would lie in locating the washery near the coal mines. This would result in saving in transport costs as otherwise, for every tonne of clean coal required by the steel plant 1.4 tonnes of raw coal would have to be transported from the coal mine to the Plant. Secondly, middlings which are produced by coal washeries are utilised by power stations and expenditure would have to be incurred in transporting them from the steel plant to the power stations.

The Committee agree with the above reasoning and think that it will not be profitable to locate the washeries at the steel plants unless there are special advantages as at Durgapur. (Paragraphs 118-119).

Reply of Government

Noted.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 30)

The argument put forward by the Secretary of the Ministry of Iron and Steel, namely, that the Detailed Project Reports were not prepared to save time is not borne out by facts. The decision to set up the washeries was taken in April, 1956 while invitations to tender were issued much later i.e. after a lapse of 1 year and 2½ months in the case of Dugda I, 2 years and 10 months in the case of Bhojudih and 2 years and 6½ months in the case of Patherdih washeries.

This shows that there was ample time for the Detailed Project Report to be prepared. The Committee, therefore, feel that it was not correct to have proceeded with the Projects without the preparation of Detailed Project Reports.

Had the Detailed Project Reports been prepared, a proper assessment of the demand for washed coal would have been made in respect of each washery, and the present position of the washeries not being able to work to full capacity for want of demand and incurring losses would not have arisen. (Paragraphs 123-125).

Reply of Government

The circumstances under which Detailed Project Report was not prepared have already been explained and the desirability of preparing Detailed Project Report in such cases accepted. In fact for Dugda II washery, taken up later, a Detailed Project Report was prepared.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 31)

Considering the time taken for awarding the contract for Kargali Washery, it appears to the Committee that the time taken for awarding contracts for Washerries at Dugda I, (16 months), Patherdih (19 months) and Dugda-II (18 months) is on the high side. As Government had gained experience by the setting up of the Kargali Washery, the time taken for setting up of H.S.L. washeries should have been less. Moreover, the contract for the Kargali Washery was processed by the Directorate General of Supplies and Disposals. As Government and the H.S.L. were directly dealing with these contracts, it should have been possible to examine the tenders and finalise the contracts in a shorter period than the D.G.S&D. (Paragraph 129.)

Reply of Government

Noted for future guidance.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 32)

When the commissioning of Dugda-I Washery was delayed on account of delays within the country, action should have been taken to avoid similar pit-falls in the commissioning of Bhojudih and Patherdih washeries. For example, there was delay in arranging bank guarantee in the case of Dugda-I and in opening letter of credit in the case of Patherdih Washery. Again in the case of Dugda-I there was delay in providing rail siding and this was repeated in the case of Bhojudih Washery. The Committee are concerned

over repetition of similar omissions. As pointed out by the Committee in their Thirteenth Report on Management and Administration of Public Undertakings, in the formative stages of a project, the responsibility of the Ministries should not cease after sanctioning the project and or entering into agreement with contractors, but they should also ensure that they progress according to the schedule and whatever difficulties are likely to arise in their implementation are foreseen and attended to. (Paragraph 135)

Reply of Government

Noted for future projects.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel)
O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 34)

The deterioration in the quality of raw coal is not peculiar to H.S.L. washeries, but a general phenomenon prevalent in the country. The linkage of collieries to washeries suggested by the Fourth Working Group appointed by Government has not worked well. Much therefore, depends on the linkage which the Coal Controller, might suggest. H.S.L. no doubt, will apprise the Coal Controller the factors which caused the failure of the present linkage and also make suggestions for a solution of the problem.

Since the loss in yield of clean coal is as high as 5 per cent for every increase of 1 per cent in ash content of raw coal, the committee suggest that urgent steps should be taken to ensure that the raw coal purchased does not contain more ash than the washeries were originally designed for. (Paragraphs 114-142)

Reply of Government

There has been a general deterioration in the quality of coal received as a result of changes in the production pattern in coal. Fresh linkages are being worked out by the Technical Committee in consultation with the Coal Controller, on the basis of availability in respective collieries and rational rail movements. With the deterioration in the quality of coal however, it has not been possible for all the washeries to have linkages to the original design. Although as per grading of the coal the average feed conforms to the design input of the washeries, in actual effect the percentage of ash is more. This can be avoided by joint sampling a solution which the coal trade felt was not workable but as a result of discussions held in September, 1967 with their representatives, a Committee of consumers and the suppliers has been set up to evolve a satisfactory system of Joint Sampling. HSL will employ, an independent agency for carrying out sampling and analysis of coking coals at selected supply and destination points. This agency will study the variations in the quality, if any, at the two ends, explain the reasons thereof. Difficulties involved in implementation of joint sampling or sampling by an independent agency at one place or another would also be studied. The findings of this agency would thereafter be discussed by the Joint Sampling Committee and remedial measures suggested.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel)
O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 35)

Since the supply of raw coal is a permanent affair, a solution has to be found for ensuring that the grade of coal for which payment is made conforms

to the grade actually supplied. The Committee hope that the HSL, in consultation with the Coal Controller and the collieries will devise an equitable solution to the problem. (Paragraph 146).

Reply of Government

Replies to Serial Nos. 33 and 34 answer in details the action taken to ensure that the grade of coal for which payment is made conforms to the grade actually supplied.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968].

Recommendation (Serial No. 36)

The Committee recommend that studies should be initiated to find out the factors which are responsible for comparative inefficiency of the HSL Washeries with a view to adopt suitable remedial measures. (Paragraph 150).

Reply of Government

A Technical Committee was appointed in July, 1965 consisting of experts of HSL, Indian School of Mines and NCDC. According to the Report of the Committee the main reasons for the deficient working of Dugda Washery is the presence of excess- $\frac{1}{4}$ " size coal fines in the feed. This is responsible for reducing the input capacity of Dugda from 2.4 m. tonnes to 1.8 million tonnes per year. Judged on this basis the performance of Dugda-I during 65-66 was 74% in terms of raw coal feed, with current level at 91%. The working of Dugda-I will improve when excess $\frac{1}{4}$ " size coal will be diverted to Dugda-II where there is enough capacity to deal with this size of coal.

Central Engineering and Design Bureau have suggested some modifications to Dugda-I to enable the diversion of excess- $\frac{1}{4}$ " size coal to Dugda-II. But the modifications will be given effect to only after the capacity of plant and machinery of Dugda-II for handling this excess quantity is established. As Dugda-II capacity has not yet been tested, diversion of excess $\frac{1}{4}$ " size coal has not yet been made.

The Technical Report on the Performance of Bhojudih Washery by CFRI has since been received and it is under examination.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66 dated the 16th January, 1968].

Recommendation (Serial No. 38)

It is needless to point out that the creation of excessive capacity leads to locking up of capital which has to bear interest charges. The Committee, therefore, recommend that in future, proposals for setting up a new washery should be approved only after ensuring that the capacity of the existing washeries is being utilized in full. It is understood that HSL is in touch with the N.C.D.C. with regard to setting up of new washeries. Before deciding to set up new washeries, the Government should critically assess the demand and compare it with the installed capacity. (Paragraph 156).

Reply of Government

Noted for future guidance.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66 dated the 16th January, 1968].

Recommendation (Serial No. 39)

The Committee think that the inability to supply TISCO washed coal at the rate envisaged earlier was the reason for not working the washery to full capacity for a period of a little over two years. That there is now going to be adequate demand for the washed coal produced by that washery does not alter the fact that supply of washed coal to TISCO was taken for granted without entering into a contract. In not having entered into a specific agreement with TISCO regarding the supplies, Government and HSL had failed to provide one of the fundamental safeguards. The Committee hope that necessary lessons will be drawn from this experience. (Paragraph 160).

Reply of Government

The recommendation of the Committee has been noted. The position now is that in view of the increased demand from HSL steel plants themselves the off-take of washed coal is assured.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968].

Recommendation (Serial No. 40)

The Committee's observations with regard to supply from Bhojudih to TISCO (para 160) are equally applicable to the supply from Patherdih to IISCO. (Paragraph 163).

Reply of Government

Recommendations of the Committee have been noted. HSL do not envisage any difficulty in the off-take of washed coal from Patherdih. In view of the rise in demand from HSL steel plants for washed coal, no specific agreement has been entered into by HSL with IISCO since that would amount to a commitment on the part of HSL to assure a given quantity to IISCO. Requirements of HSL steel plants have a high priority.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968].

Recommendation (Serial No. 44)

It will be seen that the appointment alone of the Technical Committee took 6 months. That Committee was originally expected to submit its Report by the 3rd October, 1965, but the Report had not been received till February, 1966. If the findings of the Central Fuel Research Institute regarding the loss of yield of clean coal are correct, then HSL will have lost Rs. 36 lakhs due to delay in setting up the Technical Committee and its coming to a finding. The Committee cannot but observe that Hindustan Steel Limited has failed to treat the matter with the urgency which it deserved. The Technical Committee should be asked to submit its Report quickly and expeditious action should be taken to implement its decisions. If

the Technical Committee has not yet completed investigation, they should examine the following matters:

- (i) The extent of loss due to lesser recovery of clean coal;
- (ii) The steps that are necessary for washing coal of 1" and less;
- (iii) Cost of equipment and capital expenditure necessary for installing the facilities for washing such material; and
- (iv) Whether considering the capital expenditure and the accrual of benefits, it would be economic to wash the material referred to. (Paragraph 179)

Reply of Government

The Report of the Technical Committee was finalised and submitted in March, 1966. The various recommendations in the Report are under implementation.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968].

Recommendation (Serial No. 45)

While the Committee have invariably noticed that there are excessive stocks of spares and stores in most public undertakings in this particular Project, the reverse is the case. In the light of the experience of the Dugda-I Washery, steps should be taken to build up necessary stocks of spares in all the washeries. (Paragraph 182)

Reply of Government

Planned procurement of one year's consumption of spare allowing for necessary lead time is under implementation by the Hindustan Steel Ltd.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. Parl. No. (6)-11/66, dated the 26th January, 1968].

Recommendation (Serial No. 48)

Dugda I Washery incurred heavy loss amounting to Rs. 50.97 lakhs in 1962-63 and 1962-64. The Committee are inclined to think that in addition to the fact that the washery worked at a lesser capacity, there must be other reasons for losses. Some of the deficiencies in the working of the washery which accounted for substantial losses and which were referred to in the Report of the Central Fuel Research Institute are given below along with the amount of loss as estimated in that report:

	Rs. lakhs
(i) Loss in yield of clean coal due to higher ash content in raw Coal	72
(ii) Non-washing of under-sizes at 1/4" due to defective design in the jig box	36
(iii) Unsteady operating conditions of the washery	14
(iv) Lesser number of effective working hours	35
TOTAL	157

The deficiencies pointed out by the Central Fuel Research Institute are stated to be under the examination of a Technical Committee. In the light of the findings of that Committee, HSL should reassess the extent to which the losses was due to the defects in its operations. HSL should also examine the prospects of sales cost of washing and the price which can be obtained and take suitable steps to make the working of the washery economic. (paragraphs 195-196)

Reply of Government

The Technical Committee has stated that "the Committee is of the opinion that data collected by CFRI in such a state of the plant could not justifiable form the basis for drawing inferences regarding its normal performance and consequently profit and loss". Further it has already been explained by HSL that in the opinion of the Technical Committee the main reason for the unsatisfactory performance of Dugda-I coal washery is the presence of excess $\frac{1}{4}$ " size coal in the coal feed to the washery.

The Department of the Joint Financial Adviser of the CWP draws up separate monthly cost sheets for each washery under 6 major and 24 minor heads for comparison with the actuals of the previous months, in order to pin-point the rise in cost and the reasons for the same. As has been stated earlier in reply to other recommendations, the performance of Dugda-I has improved. When the diversion of the excess quality of $\frac{1}{4}$ " size coal to Dugda-II is achieved, the performance of Dugda-I will improve further.

The Technical Committee, in their Report, has analysed the estimated loss referred to in the C.F.R.I. Report, item by item, and have made their recommendations thereafter. As has already been stated, recommendations of the Technical Committee are under implementation.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968]

Recommendation (Serial No. 50)

Considering the main responsibilities of the Project Office enumerated in para 199 ante, the staff employed by that Office appears to be on the high side. The Committee understand that a standard force is being finalised for the Project Office. This should be done. (Paragraph 200)

Reply of Government

The standard force of Dugda-I and Bhojudih Washeries has since been finalised. The standard force for Dugda-I including officers and all categories of staff has been fixed at 497 to be achieved by 30-6-68 till such time this is achieved the present force of 532 will continue.

For Bhojudih, at the present rate of sampling the standard force has been fixed at 477 for all categories of officers and staff. When hundred per cent sampling is undertaken in the Laboratories, the standard force will be 497.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-11/66, dated the 16th January, 1968]

Recommendation (Serial No 51)

The Committee have already referred in para 153, that the demand for washed coal had decreased and the washeries had consequently to be operated much below the rated capacity. In the circumstances, urgent action should have been taken to determine the standard force of the Washeries. Apart from the question of determining the standard force, the decrease in off-take of washed coal, which became apparent in November, 1963 and was expected to continue until the additional blast furnaces and coke oven complexes in the expansion schemes of the steel plants went into production, should have been followed by a freezing of recruitment. The Committee are surprised to note that the staff has actually been considerably increased during 1962-63 and marginally during 1963-64. (Paragraph 203)

Reply of Government

The standard force for Dugda-I has since been finalised. The total strength, excluding staff for hospital, school, Accounts and executives is as under :—

511 till 30-6-67.

492 from 1-7-67.

467 from 30-6-68.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M.
No. Par 1(6)11/66 dated the 16th January, 1968].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial No. 2)

The total consultancy fee payable to the consultants (Rs. 1.43 crores) works out to 2 per cent of the total estimated capital cost of the Project (Rs. 70.64 crores). There are several instances where Government secured consultancy services from foreign countries at a much lower proportion to the total capital cost. It appears that in their negotiations with the consultants, Government had no comparable standards, probably because no other firm in India was available to quote competitive rates. In the opinion of the Committee the total fee paid or agreed to be paid is on the high side. (Paragraphs 12-13)

Recommendation (Serial No. 2)

It would not be correct to say that the total fee paid or agreed to be paid to Dastur is on the high side. In making comparisons of such fees with fees paid in other cases the following have to be kept in view :—

- (a) the scope and extent of consultancy services rendered by the consultants : and
- (b) the value of the project within the plant boundry. As the value of the project goes up, the percentage charges for consultancy services go down.

At the time terms of consultancy agreement were negotiated with Dastur & Co., Government had before them quotations from some foreign firms. For Engineering Service during construction, a firm from France had quoted 6.2% of the value of the project provided that plant was erected within 3 years from the date of signing of the Agreement. A U.K. firm had quoted 4½% of the cost of whole work plus costs incurred in India by the Consultants supervisory organisation on site and the extra costs incurred in the inspection, etc. of any plant and equipment, if the source of supply be outside U.K. As against this, M/s Dastur & Co. original quotation at that stage was an all inclusive fee of 3½% of the value of the Project.

[Ministry of Iron & Steel O.M. No. Par 1(6)-11/66 dated the 31st January, 1967].

Recommendation (Serial No. 4)

The Committee recommend that one agency should be made responsible for supervision of construction work and making payments. It can be either the consultants or the Plant authorities according to the nature of work. Work for which know-how is available within the public sector should not be entrusted to outside agencies. (Paragraph 20)

Reply of Government

While it would be the endeavour to see that one agency is responsible for supervision of construction work and making payments, there will necessarily have to be some modifications to this arrangement when there are private consultants. In this connection attention is also invited to para 47 (p/56) of the 23rd Report—(3rd Lok Sabha) of the Public Accounts Committee.

[Ministry of Iron & Steel O. M. No. Parl. (6)-11/66 dated the 31st January 1967].

Further information called for by the Committee

(a) What modifications the Government propose to make to the arrangement that one agency should be made responsible for supervision of construction work and making payments in case private consultants are engaged for supervision of construction work?

(b) Would these modifications ensure the elimination of delay in execution of construction work when there are private consultants and at the same time guard against over payments? If so, how? The details of the proposed scheme in this respect may pleased be explained.

[Lok Sabha Sectt. O.M. No. 22-PU/67, dated the 10th July, 1968].

Further Reply of Government

(a) & (b) With Hindustan Steel's own Central Engineering and Design Bureau which is fully equipped to deal with their projects, including the Alloy Steels Plant, the situation where a private consultant may have to be engaged should not now normally arise. However, in the event of a private consultant having to be engaged, as public funds are involved, it may be necessary to check measurement certificates, etc. given by consultants for purposes of payments.

[Ministry of Steel and Heavy Engineering O. M. No. AS-I(18)/65-Vol. II, dated the 5th March, 1969].

Recommendation (Serial No. 21)

The Committee recommend that the Project should keep in touch with the international market and arrange to build sufficient stock when the prices become favourable, so that production does not suffer. (Paragraph 83).

Reply of Government

Imports of raw materials at a time have to be related to the availability of foreign exchange. In view of the difficult foreign exchange position of the country, it will be difficult to implement the recommendation of the Committee.

[Ministry of Iron and Steel O.M. No. Parl. (6)-11/66, dated the 31st January 1967].

Recommendation (Serial No. 24)

The Committee feel that the setting up of a Ferro-Alloy plant has not been given the urgency it deserves. The licensing of private firms and their production should have been so timed as to coincide with the commissioning of the Alloy Steels Project. In fact both the schemes should have been considered as parts of one project. It takes 3-½ years for a Ferro-Alloy Plant to be commissioned after placing of orders for plant and machinery. Since the Alloy Steels Project is to be commissioned by 1966-67, the private firms ought to have been given a time limit upto end of 1963 to take a decision whether they were going to set up the plant immediately or not. Every facility should have been afforded to them for setting up the Project in time. Failing a positive response, arrangements should have been made to set it up as a part of the main project. It is surprising that this has not been done and Government are merely contemplating a review after six months. The Committee recommend that the setting up of a Ferro-Alloy plant should be given top priority and a decision in this regard taken without further delay. (Paragraph 94)

Reply of Government

See reply to recommendation No. 91.

[Ministry of Iron and Steel O. M. No. Parl. (6)-11/66 dated the 31st January, 1967].

Recommendation (Serial No. 33)

The main difficulty facing the washeries is the deterioration in the quality of raw coal supplied. The Committee were informed during evidence that the ash content of the raw coal was higher than anticipated earlier. For example, in the case of Dugda-I Whashery, it was expected that 52 per cent of raw coal feed would have maximum ash content of 19 per cent and the remaining 48 per cent of the raw coal would be with an ash content of 19 per cent to 23.7 per cent. The above forecast had not materialised and the washery got 32 per cent of the coal with lesser ash content and the remaining 68 per cent of raw coal contained higher ash content than envisaged. (Paragraph 138).

Reply of Government

As per reply submitted on Serial No. 15 Para 57 of the 29th Report on Durgapur Steel Plant—(copy enclosed) APPENDIX-I.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O. M. No. Parl. (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 37)

During evidence, the Chairman, HSL advanced the following reasons for the decrease in the off-take of washed coal by the steel plants :—

- (i) Certain dates were envisaged for the starting of the blast furnaces and there was some delay in the starting;
- (ii) Coke rate has improved from 1.5 tons to 1.3 tons of coal per tonne of steel.

The Committee are not convinced with these arguments. It seems that the demand for washed coal was over assessed. What is worse is that the rated capacity of Bhojudih was enhanced from 0.84 to 1.4 million tonnes in 1961. It is true that in the context of expansion of the steel plants, the outlook for off-take of washed coal might improve but this does not justify the establishment/expansion of washery at a time when there was not enough demand for the coal. As late as in 1963 the Steel Plants served by these washeries were expected to take only 1.93 million tonnes of washed coal from them whereas the installed capacity of these washeries was 2.84 m.t. i.e. nearly one and a half times. (Paragraphs 154-155).

Reply of Government

In the context of the envisaged expansion of Steel Plants, the washing capacity as indicated was then created, but the iron making capacity and the washing capacity, as already explained, did not grow simultaneously, thus creating a temporary imbalance. This, we expect, will be automatically corrected during the Fourth Plan period.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O. M. No. Parl. (6)-11/66 dated the 16th January, 1968].

Recommendation (Serial No. 41)

The Committee recommend that steps should be taken to analyse the reasons for the Dugda-I washery working for lesser hours than normal. The Committee suggest that due attention should be paid to this matter. (Paragraph 167).

Reply of Government

The steps recommended by the Technical Committee appointed by HSL to rectify the defects are being implemented. The performance of the Washeries generally, including the working hours and idle hours, are watched by Management on weekly basis. Better planning for spares has also been taken up which would reduce the break-down hours. The idle hours as percentage of available hours have been approximately 40% during 1966 as against 52% in the previous year and 54% in 1964-65.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O. M. No. Parl. (6)-11/66, dated the 16th January, 1968].

Further information called for by the Committee

What has been percentage of idle hours to available working hours during 1967? How much time would it take to raise the effective working hours to 14 or bring down the percentage of idle hours to 12½?

What are the reasons for such a high percentage of the idle hours at present even after implementation of steps recommended by the Technical Committee appointed by H.S.L. to rectify the defects?

[Lok Sabha Secretariat O. M. No. 22-PU/67, dated the 10th July, 1968]

Further reply of Government

The percentage of idle hours to available hours during 1967-68 and for the months of April, 1968 to September, 1968 is indicated below:

1967-68	45.5%
April 1968	48.5%
May 1968	55.3%
June 1968	52.3%
July 1968	45.3%
Aug. 1968	39.8%
Sept. 1968	45.1%

It would be seen from the above figures that the idle hours were minimum during August, 1968. In fact these have been fluctuating from time to time. The main reason is that the indigenous industry is still in developing stage and the quality of spares manufactured by them has not yet reached the required standards. Use of sub-standard indigenously made equipments/spares are resulting in frequent breakdowns and high percentage of idle hours. Continuous efforts are however being made to improve the indigenous supplies and it is expected that the idle hours will be reduced to a considerable extent within the next 10 to 12 months.

In spite of the implementation of most of recommendations of the Technical Committee, the performance of Dugda washery continued to be unsatisfactory and the percentage of idle hours remained high. A Technical Group was therefore appointed in February 1968 to conduct a review and determine the effectiveness of the action taken and also recommend steps required for efficient work of Dugda washery. The Report of Technical Group has been received recently and is being examined by HSL. A decision is expected to be taken soon.

A General Manager has since been posted at the Central Coal Washeries Organisation and the problems of idle hours, maintenance extra of Dugda I washery are being looked into by him.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl (6) -11/66 dated the 3rd December, 1968].

Recommendation (Serial No. 42)

The cost of plant and equipment of H.S.L. washeries includes certain elements which are not included in the cost of plant and equipment of Kargali Washery. The same is true of Kargali Washery also. Except two items, the other elements which comprise the cost of plant and equipment of Kargali Washery are not included in the elements of cost of Hindustan Steel Limited Washeries. The Committee do not, therefore, consider the argument that the plant and equipment of HSL Washeries contains something more than the N.C.D.C. Washery as wholly valid. They recommend that a comparison of the cost of plant and equipment of HSL Washeries and other Washeries in the country should be made, element-wise, so as to pinpoint the elements which have accounted for the increase. Such an analysis will be helpful for future guidance.

The Committee also recommend that whenever such decisions are taken, the available comparable data should be collected to have an idea about the reasonableness of the cost of plant and equipment. (Paragraphs 170-171).

Reply of Government

A note on the comparative cost of Dugda and Kargali Washeries is enclosed (Appendix II).

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Further information called for by the Committee

Whether a comparative analysis of the cost of all the washeries of H.S.L. has been made with that of various other washeries in the country ? If so, separate notes may be furnished washery-wise. If not, the reasons therefor.

[Lok Sabha Secretariat O. M. No. 22-PU/67, dated the 10th July, 1968]

Further reply of Government

A note on comparative costs of Kargali and Dugda washeries was furnished to the Committee in reply to the observation made in S. No. 42. It was explained therein the difficulties experienced to compare the cost of the two washeries. In the reply now furnished to S. No. 43 it has been pointed out that the Inquiry Committee could not make a meaningful section-wise comparison of the costs of the Dugda I and Dugda II washeries although they are located at the same place and equipments were supplied by foreign contractors from the same country. The need for washing different types of coal at different washeries and improvements in designs are made in course of time as technology advances. Besides this, it has been found that a detailed break up of prices with weights and quantities is not generally available. Taking into account all these facts it has not been considered possible to make further comparison of costs of HSL washeries with other washeries in the country.

[Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl (6)-11/66 dated the 3rd December, 1968].

Recommendation (Serial No. 43)

Dugda I and Dugda II have a capacity of 2.4 million tonnes each. The cost of plant and equipment in case of Dugda I is Rs. 4 crores while in case of Dugda II it is Rs. 5.26 crores. Though their capacity is the same the price difference is to the extent of Rs. 1.26 crores. The Plant of Dugda I was ordered in November, 1958 while order for Dugda II was placed in May, 1963. The Committee cannot understand how prices for the same capacity of plant in the very same country could have risen by Rs. 1.5 crores or 31.5 per cent in 3½ years even after taking into consideration technological advancement etc. The Committee desire that an enquiry may be held into this matter. (Paragraphs 172-173).

Reply of Government

A Committee was appointed to look into the matter. The Report of the Committee has since been received and is under consideration.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Further information called for by the Committee

When the Report of the Committee, appointed to make an enquiry, was received ? Has the consideration of the Report been completed ? If so, give the findings contained therein with the comments of the Government on those findings ?

How much time would it take to complete the consideration of that Report, if not completed so far ? The date by which the findings with the comments of Government thereon will be intimated to this Committee.

[*Lok Sabha Sectt. O. M. 22-PU/67, dated 10th July, 1968*]

Further Reply of Government

The report of Committee appointed to look into the increased cost of Dugda II was received in November, 1967. The Report has been examined.

The contract for Dugda-I was placed in November 58 and that for Dugda II in May 1963; thus there was a gap of $4\frac{1}{2}$ years between the placement of these contracts. The contracts prices in both cases included not merely plant and equipment procured from USA but also a large proportion of materials, equipment etc. procured from India as well as the cost of civil engineering, erection etc. Therefore the normal increases in the USA as well as increases in rates and prices occurring in India have contributed a portion of difference between the contracts costs. Even allowing for only an increase of $2\frac{1}{2}$ % per annum the normal price increase itself would amount to 11.25 per cent i.e. Rs. 45 lakhs. The Committee found that as contracts for Dugda I & Dugda II were awarded on turn-key basis and break-up of the prices given by the contractors were only indicative it was very difficult to compare the relative costs of even very closely related items in the two plants. However taking into account the escalation estimated above and also the price differences on account of extra or improved facilities provided in Dugda II the Committee felt that even if any other tendering party had been asked to execute the work the difference between the contract price of Dugda I and Dugda II would have been of the same order.

This Department have agreed with the conclusion drawn by the Committee.

[*Ministry of Steel, Mines & Metals (Deptt. of Iron & Steel) O.M. No. Parl (6)-11/66, dated the 3rd December, 1968*]

Recommendation (Serial No. 46)

The capital cost of Kargali Washery is stated to be less because it is a pit-head washery resulting in savings in layout and buildings like bunkers and conveyer belts etc. In the case of Durgapur Washery, since it was a part of the steel plant, all expenditure on railway marshalling yard, the township, the power line communication etc., were all part of the steel plant. Moreover the cost of the plant was also less because it was part of a package deal.

It is understandable that these favourable factors made it possible to set up the Kargali and the Durgapur Steel Plant Washeries at a lesser cost. But, the Committee are not convinced that these factors account for such a large difference in the capital costs. The Committee recommend that the reasons for the large difference in the capital cost of NCDC Washery and the Hindustan Steel Limited Washeries should be properly analysed for future guidance. (Paragraphs 184-185)

Reply of Government

Answer to Serial No. 42 is referred.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968]

Recommendation (Serial No. 47)

In the case of Dugda I the cost of washing is more than double that of Kargali washery. While the Committee agree that the factors referred to in the preceding paragraph account for some increase in the cost of washing, they are not convinced that they can account for such a wide difference. They feel that the working of the washery needs close scrutiny with a view to bringing down the cost. They urge that immediate steps should be taken towards this end and proper watch kept till the cost comes down to a comparable level. (Paragraph 190)

Reply of Government

A comparative item-wise position regarding the behaviour of costs at Dugda Washery between 1964-65 and 1965-66 is given below along with the cost of NCDC Kargali Washery in 1965-66.

(A) Cost of Dugda and Kargali Washed Coal

Cost Element	Cost of production at Dugda washery		Cost of NCDC's Kargali Washery
	Rs./-TW 1964-65	1965-66	(Rs./T(W) 1965-66
Net material cost	23.52	23.77	35.69
Freight	10.76	10.85	2.00
Operating Cost	7.73	7.30	5.01
Total Works Cost	42.01	41.92	42.70
Depreciation	3.20	2.46	1.16
Interest on working capital	0.68
Interest on loan capital	1.91	0.91	..
Return on capital	1.60
Total cost/ price	47.12	45.29	46.14

(B) Operation Data Item

	HSL-Dugda		NCDC-Kargali
(i) Ash in input coal	20.9%	16.4 to 17.4%	Average 16.0%
(ii) Ash in washed coal	17.4%	16.2 to 16.4%	Average 16.3
(iii) Extent of washing	3.5%	0.1 to 0.9	Average 0.5
(iv) Yield/Usage/Tonne of washed coal	82.8% or 1208 Kg	69.9% or 1431 Kg	
(v) Yield of Middlings	20.5%	10.9%	
(vi) Average cost of raw coal	Rs. 25.50/T	Rs. 27.10/T	

It will be seen from the above that the position in Dugda has improved both with reference to its own performance in 1964-65 and that of Kargali Washery in 1965-66.

In this respect it may be noted that a comparison of Dugda with the Kargali Washery is not a comparison under equal circumstances. NCDC's Kargali Washery enjoys a number of advantages over Dugda.

The Kargali Washery is a pit-head washery. Raw coal fed into this Washery comes from the collieries of the NCDC. Two advantages follow from this—one in respect of transport and the other in regard to the quality of coal fed.

Dugda is a central washery and gets its raw materials from about 26 collieries varying in washability characteristics. If, for example, the average ash content in the input raw coal at Dugda is 20·9, at Kargali it varies between 17·4 to 16·4 to get an average of 16·9. The extent of washing done in Dugda is as high as 3·5 percent. At Kargali it is merely 0·1 to 0·9 or an average of 0·6. This is reflected in the item shown in the table as operating cost.

One of the principal advantages of being a pit washery to Kargali is that the element of cost on account of freight is only Rs. 2·00 there whereas in the case of Dugda it is as high as 10·85 (1965-66). It may be noted further that Kargali does not have to incur any cost on account of Marshalling Yard operations. Dugda, for reasons of being a central washery, has to incur it to the extent of Rs. 2·50 per tonne.

A better comparison could be to go by operating efficiency in physical terms both at Dugda and Kargali. In this respect, it will be seen that while in Dugda the yield percentage is 82·8 in spite of difficult washing, in the case of Kargali it is only 69·9. This is also reflected in the item shown as net material costs. It is expected that with increase in production during the Fourth Plan period, the Washery at Dugda would improve its operating efficiency resulting in further reduction in costs.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O. M. No. Parl (6)-11/66 dated the 16th January, 1968]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 5)

It appears that Government at the time of appointment of the consultants did not realise that in addition a Production Adviser will be needed due to the incapacity of the consultants to discharge that function. When this was brought to their notice time had to be taken in selecting a suitable firm. This process was unnecessarily prolonged as it took over 20 months to appoint a Production Adviser after the appointment of the consultant. (Paragraph 29)

Reply of Government

The Government was aware that the technical know-how for the production of Alloy Steel will have to be obtained from a source that was different from the consultants. The agreement with the consultants provided that they would indicate in the detailed project report, talents and resources likely to be actually available within the country and from abroad for production know how and training. As has been mentioned in the foot note under paragraph 43 the Production Advisers were appointed in July 1961, i.e., within about 11 months of the submission of the detailed project report by the consultants or in about five months after the acceptance of the project report.

[Ministry of Iron & Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Comments of the Committee

Please see Paras 4-5 of Chapter I of the Report.

Recommendation (Serial No. 6)

The Committee feel that the time of 1½ years taken in approving the detailed Project Report was too long. Perhaps it was not necessary to send it to all the parties mentioned in para 26 who necessarily took their time on scrutiny. If a sense of urgency was shown it should have been possible to reduce this time considerably. (Paragraph 28)

Reply of Government

It is not correct that it took 1½ years to approve the Detailed Project Report. The Project report submitted by Dastur & Co. in August 1960 was approved in February 1961, i.e. in about 7 months time. Further, time was however, taken in obtaining the views of the production advisers and to modify the report to the extent necessary in view of these comments. Since this was the first project of its kind to be set up in India some detailed examination of the various issues was necessary.

[Ministry of Iron & Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Comments of the Committee

Please see Paras 9-10 of Chapter I of the Report.

Recommendation (Serial No. 10)

The Detailed Project Report envisaged completion of all the preliminary stages within 12 to 15 months. The time actually taken for their completion was 30 months. The delay in the appointment of Production Adviser has been referred to in para 25 ante. The Committee find that even after the approval of Detailed Project Report, Government had taken three months to give approval for the issue of invitations to tenders. After inviting tenders, it took nearly an year for the ultimate selection of the suppliers.

The Committee cannot escape the conclusion that the entire work has proceeded in a leisurely manner. In none of the various stages could it be said that delay was inevitable. If a purposeful effort had been made at any stage it should have been possible to reduce the delay considerably. (Paragraphs 44-46).

Reply of Government

The Detailed Project Report submitted by the consultants was approved in February 1961. In February 1962 HSL had approved the revised project after obtaining the comments of production advisers and the consultants. Since the revised project increased the costs substantially, the matter was referred to the Government for its approval. Examination of the proposals took some time and the Government's approval to the issue of invitations to tenders was conveyed in May 1962. The approval in February, 1962 was that by HSL and that in May 1962 by Government. The time of 3 months taken by the Government in examination of the revised project cost is considered reasonable. The ultimate selection of suppliers did take some time because of the complex nature of the project and the alternative proposals offered by the equipment supplier as also availability of foreign credits for financing the cost of the project.

[Ministry of Iron & Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Comments of the Committee

Please see Para 13 of Chapter I of the Report.

Recommendation (Serial No. 12)

The Committee feel that a very lenient view has been taken of the slow progress of work by the consultants. There has been delay from the very beginning. Soil investigation, which was to have been completed by July, 1961 was completed in January, 1962. Soil preparation which was to have been done between February, 1961 and February, 1962 was not completed even by the 30th June, 1964. The progress achieved by 30th June, 1964 was site levelling 84 per cent and embankment, 50 per cent. (Paragraph 56)

Reply of Government

The progress of the consultants has been reviewed on several occasions. Some of the delays on their part were due to non-receipt of data from the Equipment Suppliers. This data according to the consultants, was necessary

for them to prepare the specifications. As regards delay in soil investigation and soil preparation, the consultants have explained the delay due to the late appointment of Contractors who were to execute the actual work.

[Ministry of Iron & Steel O. M. No. Parl. (6)-11/66 dated the 31st January, 1967]

Further information called for by the Committee

- (a) Please indicate the specific cases where supply of specifications was delayed by the consultants though the supply of such specifications was not dependent on data from the equipment suppliers; the extent of delay and the loss suffered on this score.
- (b) Has any action been taken against the consultants in such cases of delays ? If so, what ?
- (c) How far the explanation given by the consultants that soil investigation and soil preparation were delayed due to late appointment of contractors who were to execute the actual work is true ?
- (d) The time by which appointment of contractors was delayed and the reasons therefor. Who were responsible for this delay in appointment ?

[Lok Sabha Sectt. O. M. No. 22-84/67 dated the 10th July, 1968]

Further Reply of Government

- (a) The list of specifications which were considered to have been delayed are mentioned in para 55 of the 31st Report of the Committee on Public Undertakings (Third Lok Sabha).

The consultants' contention was that such specifications could be issued by them only after getting relevant data from the suppliers. This position has been confirmed by the C. E. & D. B. of Hindustan Steel Limited also.

In view of the above, the Question of loss suffered due to delay in receipt of specifications, etc., does not arise.

- (b) In view of the explanation offered earlier in reply to Question 3(a) under serial No. 12, the question of taking action against the consultants does not arise.
- (c) & (d) According to the D.P.R. the soil investigation and site levelling were to be completed in 16 and 12 months' time respectively from the date of order to proceed with the Project from the Government. The D.P.R. was accepted in February 1961 by the Government. Assuming February 1961 as the date to proceed with the project, the soil investigation and site levelling should have been completed by August '61 and February '62 respectively. As against these, the actual execution of various items of work was as follows :—

Soil Investigation

The specifications for soil investigation were received from the consultants in February, 1961. These were subsequently scrutinised and revised in consultation with the consultants. Tenders were invited, the opening date

of which was fixed for April 12, 1961. In the mean time, on grounds of urgency, one of the reputed Calcutta firms were entrusted with this work. Later when their performance was found to be not satisfactory, their contract was terminated and the work was entrusted to another contractor, who submitted a quotation in response to earlier invitation to tender. The work was completed by January, 1962. There was thus a delay of about 6 months.

The consultants could start detailed design work only after the final layout was accepted and the Main Plant Contracts were awarded, i.e. by about the end of 1963. In the circumstances the earlier delay of about 6 months in completing soil investigation was immaterial.

Site Levelling

So far as site levelling is concerned, the contract for the same was awarded in April, 1962 after observing the necessary formalities. Under one of the contracts awarded, A.S.P. were to assist the Contractor in procuring certain earth-moving machinery from abroad. Import could not be arranged in time. Due to this, it became necessary to carry out the work manually. Further the performance of the Contractor was also found to be slow.

In view of the above, we feel that placement of contracts was not really the factor contributing to delay in the execution of soil investigation work and site levelling.

[Ministry of Steel and Heavy Engineering O. M. No. AS-1(18)/65-Vol. II dated the 5th March, 1969]

Comments of the Committee

Please see paras 20-21 of Chapter I of the Report.

Recommendation (Serial No. 14)

The Committee find that there have been delays by the Suppliers and Contractors. Before final payment is made to them, the performance of each should be carefully examined and the clause providing for the levy of liquidated damages should be suitably invoked. (Paragraph 59)

Reply of Government

Noted.

[Ministry of Iron & Steel O.M. No. Parl (6)-11/66 dated the 31st January, 1967]

Recommendation (Serial No. 15)

So far as the estimation of loss suffered or extra expenditure incurred is concerned, the project authorities have admitted that it would be desirable to calculate them, but they have stated that it can be done comprehensively only at the completion of the project. The Committee think that such calculation—though it may be a little rough—should be made concurrently so that the consequences of delay in construction/commissioning are brought home to all concerned more pointedly. (Paragraph 60)

Reply of the Government

Noted.

[Ministry of Iron & Steel O. M. No. Parl (6)-11/66 dated the 31st January, 1967]

Further information called for by the Committee

(a) Has any attempt been made to assess the extent of loss suffered or extra expenditure incurred on account of delay in construction/commissioning since April, 1966 ? If so, the details of such loss/extra expenditure may be given.

(b) Has any action been taken to levy the liquidated damages as provided in the contract with the suppliers and contractors ? If so, with what results ? If not, the reasons therefor.

(Lok Sabha Sectt. O. M. No. 22-PU/67 dated the 10th July, 1968)

Further Reply of Government

(a) Delay in construction/commissioning of the Plant is likely to result in (a) increased capital cost (b) loss of production and consequential loss in production. So far as (a) is concerned, it is estimated that the additional capital cost due to delay in completion of the Project beyond April, 1966 may be put at Rs. 9.50 Million as per details given below :—

(a) Consultants' fee Rs. 4.10 million

(b) Expenditure during Construction Rs. 5.40 million

Rs. 9.50 million

In addition to the above, some portion of increase due to enhanced custom duty rates, devaluation of rupee and wage escalation will also be attributable towards delays. It is, however, difficult to quantify the amounts. As regards (b), the loss of production due to delay in completion is difficult to quantify.

(b) Although a suitable clause providing for levy of liquidated damages is included in all the contracts, actual levy of damages presents considerable difficulties. In such large contracts, the contractors usually build up their prices on the basis of the Plant supplying them certain essential construction materials. During the period when this Plant was under construction, the supply position of cement and steel in particular, and many other items in general, was rather difficult. Considerable delays did take place on account of non-supply of such materials in time. Levy of liquidated damages would only invite counter claims from the contractors, and which, if referred to arbitration, might be decreed against the Plant. Under some supply contracts, liquidated damages have, however, been levied. All the main Contracts have yet to be finalised and the levy of damages, wherever necessary and possible, will be considered.

[Ministry of Steel & Heavy Engineering O. M. No. AS-1(18)/65-Vol. II dated the 5th March, 1969].

Recommendation (Serial No. 16)

The Committee find that the Consultants and Contractors have been blaming each other for poor progress in construction. It is regrettable that in spite of the fact that the Chief Engineer of the Project was in overall charge for construction and erection, these delays and bickerings have occurred. This can be attributed to poor co-ordination and control. The Committee expect that those responsible for the delays will be penalised and proper supervision exercised in future. (Paragraph 66)

Reply of Government

It is true that for quite some time difficulties were experienced in coordinating the work, of A.S.P. However, since the constitution of the Planning Reviewing Committee, in October, 1964, there has been substantial improvement in the situation and much better coordination exists at A.S.P. Committee's recommendation's with regards to penalties is noted.

[Ministry of Iron & Steel O. M. No. Parl.(6)-11/66 dated the 31st January, 1967].

Comments of the Committee

Regarding Replies to Recommendations at Serial Nos. 14, 15 and 16

Please see Paras 27—28 of Chapter I of the Report.

Recommendation (Serial No. 49)

As regards the suggestion that the washeries should be treated as service units, the Committee are of the opinion that if the Washeries are to work with maximum efficiency at minimum cost, they should function as independent commercial enterprises and show comparable results with other washeries in the country. If on the other hand, they are treated as service units, there will be no incentive for them to keep their cost of production down and it will perpetuate inefficiency. (Paragraph 197)

Reply of Government

H.S.L. is of view that the Washeries are meant to be service units only, established with the main objective of conserving the limited stock of coaking coals and they should not be made to achieve cost plus financial results at the cost of main steel producing units, whose financial achievements are already burdened with heavy capital fixed costs. According to them, the performance of the Washeries can be judged by applying other criteria such as increase in production, quality of coal washed, maintenance done, etc. In fact, these criteria are being applied in evaluating the performance. For improving the quantity and quality of coal washed, suitable Incentive Bonus Schemes have already been introduced at Dugda I, and Bhojudih Coal Washeries.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl (6)-11/66 dated the 16th January, 1968].

Comments of the Committee

Please see Para 31 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL RE- PLIES OF GOVERNMENT ARE STILL AWAITED

N I L

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

NEW DELHI ;
April 23, 1969

Vaisakha 3, 1891(S)

APPENDIX I

(Vide reply to recommendation at Serial No. 33 Page 21)

Reply of Government to Recommendation at Serial No. 15 Para 57 of the 29th Report on Durgapur Steel Plant.

Recommendation

The high ash content in the coal results in lower blast furnace output and consequently higher cost of production. The Committee desire that some suitable solution should be found in order to ensure supply of required quality of coal to the steel plants. They would also urge that the complaints from the Steel Plants regarding quality of coal supplied by the collieries should be dealt with quickly by the Coal Board and in case it is found that the coal supplied is inferior, immediate regradation should be done to avoid extra payments by the Steel Plant. The time taken at present in this regard, which was stated to be about 6 months, can hardly be considered satisfactory.

Reply of Government

The Ash content being generally high a sizeable quantity is, washed before it is fed to the Coke Ovens. With a view to conserving the limited resources of metallurgical Coal, the coking coal collieries have been linked with the steel plant and coal washeries. The available coal is allocated to steel plants and washeries by the Coal Controller on the basis of technological requirements of the plants, taking into consideration the chemical analysis etc.

2. The following action has been taken to ensure supply of quality Coal—

- (i) A Committee, consisting of the representatives of coking coal producers and consumers, has been constituted, which would devise a mutually acceptable system of joint sampling of coal.
- (ii) As an experimental measure, it has been decided to appoint an Independent Agency to carry out sampling and analysis simultaneously at 20 to 30 selected loading points and at destination. This agency would also explain reasons for any variations in quality at the two points—loading and destination. The Agency has been selected and the work is likely to commence shortly.

APPENDIX II

(Vide reply to recommendation at Serial No. 42 Page 23)

Note on comparative costs of supplies between Dugda and Kargali Washeries.

It is difficult to compare the costs between Kargali and Dugda Washeries. The flow-sheet for the two plants and the problems encountered are totally different, although there is no great difference in raw coal input. This difference is mainly due to the following :

1. At Kargali there is practically no stockyard and the coals are fed directly to the washery from the mine and as the washery is located at the mine. At Dugda coals will come by railway wagons from nearly 30 collieries or more which have to be tipped and stored. 30,000 tons of storage has been provided. Against this at Kargali there are two ropeways being constructed for supply of coal from Bokaro at a cost of about Rs. 26 lakhs. No car hauls, tipplers or weigh bridges were provided at Kargali whereas at Dugda there are included both for raw as well as washed coal.

2. At Kargali, due to the limited source of supply from two collieries, there was no need for providing pre-washers. Instead, there are after washers. After washers for recovery of middlings deal with only 245 (180 plus 65) tons/hr. or only about 30 percent of the total input is re-treated. At Dugda, 95 percent or more of the coal has to be re-treated. This means that the total installed washing capacity at Dugda is nearly twice as much as at Kargali. For every 100 tons input Kargali washery has to deal with 130 tons; at Dugda, 195 tons. As a result handling, screening, washing etc., is nearly double that at Kargali.

3. At Kargali, there are three M.M.S. Washers (including a rewasher) of a total capacity of 540 tons/hr. at Dugda, 560 tons/hr. At Kargali, the jig washer capacity, including rewasher, is 290 tons per hour; at Dugda 720 tons/hr. Thus, the total washing capacity at Kargali is 830 tons/hr. as against 1,280 tons/hr. at Dugda.

4. At Kargali, there is only one set of loading bunkers directly situated over rail with no facilities for blending of individual coals no automatic loading devices, no bin level indicators. The total loading bunkers capacity is about 4200 tons. At Dugda, there is a 4000 tons blending cum-dewatering bunker involving extra mechanical equipment and conveying equipment plus additional single line loading bunker of 2500 tons.

5. (a) At Kargali, there are only nine sets of conveyor weighers and recorders; at Dugda, there are sixteen of them.

(b) At Kargali, there are no automatic sampling equipment installed. At Dugda, there are sixteen such sets. This is essential for washing of complex coals.

6. The centralized control at Kargali is in two blocks; at Dugda it is in five blocks due to additional equipment.

7. The spares and stand by at Kargali were valued at Rs. 6 lakhs, at Dugda about Rs. 12 lakhs.

8. The thickeners at Dugda are larger than at Kargali and additional capacity of centrifuging is also provided.

9. The civil works cost at Dugda is nearly twice as much as at Kargali.

10. Apart from the foregoing, provision has been made in the Dugda tender for water supply, internal roads and drainage machine shop and laboratory equipment, telephone and inter-communication system and automatic density control of H.M.S. plant. None of these are provided in the Kargali washery. Additional provision has also been made at Dugda for a ring main system hydraulic coupling of all conveyors motors about 50 H.P.

11. There has been an increase in the labour wages as well as prices of steel and cement since October 1955, when Kargali was tendered.

The total cost of Kargali washery was Rs. 162 lakhs excluding freight, insurance and customs duty, and F.O.B. supplies amounted to Rs. 126 lakhs. The cost of Dugda would be about Rs. 400 lakhs and F.O.B. Supplies roughly Rs. 150 lakhs. The difference is mainly due to the reasons indicated above at items 1—11.

APPENDIX III

(Vide foot-note at Page 3 of the Report)

Note regarding Para 13 of Chapter I of the Report submitted by HSL at the time of factual verification

It has been observed that about a year was taken by the Government in selection of suppliers and this period did not appear to be justified. The Committee have, therefore, reiterated their recommendation that the entire work was proceeded in a leisurely manner.

It may be pointed out that the total time taken between issue of NIT and the issue of letter of intent was 10½ months (from June 1962 when the tenders were issued to April, 1963 when the letter of intent was issued) and not 12 months. Out of this period of 10½ months, about 6 months were taken by the tenderers in submitting their quotations. And out of the balance period of 4½ months, the consultants took about 8-9 weeks to scrutinise the large number of tenders received from contractors all over the world and to submit their recommendations. The remaining period of about 9-10 weeks was taken by HSL and Government to study and approve the consultants' recommendations and locate the source of foreign exchange. Keeping in view the volume, complexity and value (about Rs. 20 crores) of work involved and the time taken to locate foreign developmental aid of this order, the period of 4½ months taken by the consultants, HSL and Government to scrutinise tenders, secure a source of financing foreign exchange, approve recommendations and issue letter of intent cannot be considered long. In fact, this was one of the quickest jobs done.

APPENDIX IV

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Thirty-first Report of the Committee on Public Undertakings (Third Lok Sabha)

I.	Total Number of recommendations made	51
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 1,3, 7, 8, 9, 11, 13, 17, 18, 19, 20, 22,23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40, 44, 45, 48, 50 and 51).	32
	Percentage to total	62·7
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 2, 4, 21, 24, 33, 37, 41, 42, 43, 46 and 47).	11
	Percentage to total	21·6
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 5, 6, 10, 12, 14, 15, 16 and 49).	8
	Percentage to total	15·7
V.	Recommendations in respect of which final replies of Government are still awaited.	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
24.	Jain Book Agency, Connaught Place, New Delhi.	11	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	36.	Hind Book House, 82, Janpath, New Delhi.	95
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	MANIPUR		
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	AGENTS IN FOREIGN COUNTRIES		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27			
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68			

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