

ESTIMATES COMMITTEE 1960-61

Minutes of Evidence given before the Sub-Committee of
the Estimates Committee on Public Undertakings
and Minutes of the Sitting of the Estimates
Committee

relating to

HUNDRED AND TWENTY-FIFTH REPORT (SECOND LOK SABHA)

**MINISTRY OF STEEL, MINES AND FUEL—
THE NEYVELI LIGNITE CORPORATION LTD.**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1961/Chaitra, 1883 (S)

Price : Re. 0·35 nP.

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Page 4, para 4, line 4, for 'site.' read 'site.'	
Page 7, para 7, line 12, after 'Finance' add 'could'	
Page 12, line 1, delete 'Organisation and Adminis- tration'.	
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PREFACE

The detailed examination of the estimates relating to the Ministry of Steel, Mines and Fuel—The Neyveli Lignite Corporation Ltd. was undertaken by the Sub-Committee of the Estimates Committee on Public Undertakings in terms of Speaker's Direction 101-A.

2. In connection with their examination of the above estimates the Sub-Committee took evidence of officials. The report of the Sub-Committee on this subject was placed before the whole Committee which adopted the same on the 13th March, 1961. The Report, viz. Hundred and Twenty-Fifth Report on the Ministry of Steel, Mines and Fuel—The Neyveli Lignite Corporation Ltd., was presented to the House on the 11th April, 1961.
3. This volume contains the Minutes of evidence given before the Sub-Committee and the Minutes of sitting of the whole Committee relating to the above Report.

NEW DELHI;

April 11, 1961

Chaitra 21, 1883 (S).

M. N. KAUL,

Secretary.

ESTIMATES COMMITTEE

1960-61

CHAIRMAN

Shri H. C. Dasappa

MEMBERS

2. Shri Premji R. Assar
3. Shri C. R. Basappa
4. Shri Chandra Shankar
5. Shri Panna Lal*
6. Shri Shambhu Charan Godsora
7. Shri H. C. Heda
8. Shri Yadav Narayan Jadhav
9. Shri D. A. Katti
10. Shri Khushwaqt Rai
11. Shri Bausaheb Raosaheb Mahagaonkar
12. Rani Manjula Devi
13. Shri Bibhuti Mishra
14. Shri G. S. Musafir
15. Shri M. Muthukrishnan
16. Shri K. P. Kuttikrishnan Nair
17. Shri Jagan Nath Prasad Pahadia
18. Shri P. T. Thanu Pillai
19. Shri P. T. Punnoose
20. Shri Raghunath Singh
21. Shri T. Nagi Reddy
22. Shri Vutukuru Rami Reddy
23. Sardar Amar Singh Saigal
24. Shri Satis Chandra Samanta
25. Shri Kailash Pati Sinha
26. Shri Tayappa Hari Sonavane
27. Shri Sunder Lal
28. Shri A. M. Tariq
29. Shri Mahavir Tyagi
30. Shri M. G. Uikeey.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

*Elected w.e.f. 25th November, 1960, vice Shri Dinesh Singh,
resigned.

MEMBERS OF THE SUB-COMMITTEE OF ESTIMATES COMMITTEE ON PUBLIC UNDERTAKINGS

1960-61

CHAIRMAN

Shri H. C. Dasappa

MEMBERS

2. Shri C. R. Basappa
3. Sardar Amar Singh Saigal*
4. Shri H. C. Heda
5. Shri Khushwaqt Rai
6. Shri Bibhuti Mishra
7. Shri M. Muthukrishnan
8. Shri Jagan Nath Prasad Pahadia
9. Shri Raghunath Singh
10. Shri T. Nagi Reddy
11. Shri Satis Chandra Samanta
12. Shri Kailash Pati Sinha
13. Shri T. H. Sonavane
14. Shri Sunder Lal
15. Shri A. M. Tariq.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

*Appointed vice Shri Dinesh Singh resigned.

Seventeenth sitting of the Sub-Committee on Public Undertakings

5th December, 1960

The Sub-Committee sat from 14.30 hours to 17.00 hours.

PRESENT

Shri H. C. Dasappa—*Chairman*.

MEMBERS

2. Shri C. R. Basappa
3. Shri H. C. Heda
4. Shri Jagan Nath Prasad Pahadia
5. Shri Raghunath Singh
6. Shri Satis Chandra Samanta
7. Shri A. M. Tariq.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary*.

Shri M. C. Chawla—*Under Secretary*.

OFFICIAL WITNESSES

1. Shri A. Srinivasan, *Deputy General Manager (Technical & Works) Neyveli Lignite Corporation Ltd.*
2. Shri V. M. Vaidyanathan, *Assistant General Manager, Neyveli Lignite Corporation Ltd.*
3. Shri A. V. Venkateswaran, *Joint Secretary, Ministry of Finance.*

The Sub-Committee on Public Undertakings took up examination of the estimates of the Neyveli Lignite Corporation Ltd.

Staff

(i) *Ministerial staff*

2. The representative of the Corporation stated that they were not able to furnish the figures of the number of ministerial staff at present employed on the technical and non-technical sides in the Integrated Lignite Project immediately but he promised to furnish the information

later on. He also stated that ministerial staff like clerks etc. were normally attached to the Technical officers upto the level of Executive Engineers who were mostly on civil side. For heavier divisions, they attached one or two clerks to an Accountant for preparing bills and checking muster rolls etc. Referred to the report of the Managing Director (Shri Mani) on his tour in Germany and U.K. where a modest ministerial and accounts staff were maintained, the witness stated that main difference in the large number of ministerial staff was due to the fact that most of the Lignite Mines in Germany were going projects whereas the Neyveli Project was in the construction stage and works were carried out departmentally.

(ii) Classification

3. Explaining why the usual classification of staff had not been done in conformity with the Government service rules, the representative of the Corporation stated that this was just to see that the number of categories were reduced. The representative of the Corporation undertook to review the classification of their staff accordingly.

(iii) Assessment of Staff

4. The Sub-Committee were informed that it was normally assessed in December every year on the basis of the progress made in the execution of the project and the works to be taken up in the next year. At present there was no scope in the reduction of ministerial staff.

Standards had been laid down by the Corporation to determine the staff strength of the various categories of Engineers, Section officers, Supervisory staff, skilled workers etc., and the staff requirements were well within the estimated cost of the Project.

5. When it was pointed out that a large number of posts were lying vacant in the project, the representative of the Corporation stated that this was due to the shortage and non-availability of trained men. The Corporation was making every effort to secure the services of the qualified personnel. Efforts were being made to get trained personnel from the Railways and Madras P.W.D. but those organisations too were experiencing shortage of hands. In the meantime, provisions made under the heading 'Salaries & Wages' which became surplus on account of non-filling of the sanctioned posts, were being re-appropriated and utilised for the various 'works' in the project and there were no surrenders of funds. He added that the vacancies by themselves had not so far affected the time schedule of the completion of the project because the staff had been able to cope with the extra load involved. But a continued shortage of staff might affect the progress of the project ultimately.

(iv) Service Rules

6. The representative of the Corporation stated that no Service rules had been framed for the employees of the Corporation. Some *ad hoc*

rules had been framed by the Corporation to regulate the service conditions of the employees of the Corporation but they had to be modified in the light of experience gained by them. They had now started framing regular service rules. In regard to Travelling Allowance rules, they were following the Government of India T.A. Rules.

(v) *Recruitment of Scheduled Castes/Scheduled Tribes*

7. The representative of the Corporation stated that they were unable to fill a number of vacancies meant for candidates belonging to Scheduled Castes and Tribes because of absence of suitable candidates. He added that they employed every Scheduled Caste candidate they could get even if he did not fully possess the prescribed qualifications. If the local employment exchange could not supply candidates, such vacancies were notified in the whole of the Madras State.

(vi) *Training*

8. The Committee were informed that as the Corporation were not getting qualified men, they themselves were imparting training to the men in the Project itself. Some of the Chemical Engineers had been sent for training to Sindri. Two years training was being given to them in Sindri and that they got proper certificates after the training was over. Further a number of Engineers had been sent abroad for training in chemical engineering, most of them had come back to India. An agreement was always obtained from the trainees to ensure that they served for five years in the project and also two sureties for double the amount spent by the Corporation on their training were being taken from them. No case had so far occurred where a person after having been trained, had left the Corporation.

(vii) *Capital*

9. When referred to the revision of the authorised capital of the project from Rs. 25 crores to Rs. 50 crores, the witness stated that it had been further revised to Rs. 80 crores in the last week. The witness gave the break-up of figures of the estimated cost of various schemes included in the Integrated Project. He also stated that no provision was made in the original estimated cost of the project prepared by the Consultants for the Clay Washing Scheme and common service charges. He added that the increase in the estimates was largely due to the fact that world prices had gone up.

(viii) *Economics of various Schemes*

10. The representative of the Corporation quoted some figures on the basis of which economics of various schemes had been worked out by them. The Sub-Committee desired to have a detailed statement showing returns on the various capital outlays of the project—the Integrated ones as well as by schemewise—mining, thermal, fertiliser, briquetting and carbonising. It was promised that these would be furnished.

(ix) Agreement between the Government of India and Madras regarding Integrated Lignite Project

11. On a reference being made to the agreement entered into between the Governments of India and Madras in 1956, on the basis of which the project was taken over by the Government of India and the apportionment of profits (75% : 25%) between the two Governments, the representative of the Corporation stated that the agreement in so far as it related to the sharing of net profits applied only to the mining project and its profits and that the royalty concerned mineral production and manufacture. The Joint Secretary, Ministry of Finance (who was also a Director of the Corporation), however, stated that he would like to check up this point since it was now a very big multi-purpose integrated project.

(x) Depreciation

12. The representative of the Corporation informed the Sub-Committee that the depreciation provided for in respect of the various assets of the company was quite adequate for its requirements. The Sub-Committee desired to be furnished with a statement showing the depreciation provided for in regard to the various assets of the project.

(xi) Development Expenditure

13. The representative of the Corporation informed the Sub-Committee that no final decision had yet been reached regarding the amortisation of development expenditure.

The Sub-Committee then adjourned at 17.00 hours.

Eighteenth Sitting of the Sub-Committee on Public Undertakings
6th December, 1960

The Sub-Committee sat from 14.30 hours to 17.00 hours.

PRESENT

Shri H. C. Dasappa—*Chairman.*

MEMBERS

2. Shri C. R. Basappa
3. Shri H. C. Heda
4. Shri Jagan Nath Prasad Pahadia
5. Shri Raghunath Singh
6. Shri Satis Chandra Samanta
7. Shri Kailash Pati Sinha
8. Shri A. M. Tariq.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

OFFICIAL WITNESSES

1. Shri A. Srinivasan, *Deputy General Manager (Technical and Works), Neyveli Lignite Corporation Ltd.*
2. Shri V. M. Vaidyanathan, *Assistant General Manager, Neyveli Lignite Corporation Ltd.*
3. Shri A. V. Venkateswaran, *Joint Secretary, Ministry of Finance.*

The Sub-Committee resumed further examination of the estimates relating to the Neyveli Lignite Corporation Ltd.

(a) Finance & Accounts

(i) Agreement between Governments of India & Madras

Asked to supply a copy of the agreement entered into between the Governments of India and Madras regarding the Integrated Lignite Project, the Joint Secretary, Ministry of Finance, who was also

a Director of the Corporation stated that since these were matters of agreement between the two Governments it would be more appropriate if the Ministry were addressed in the matter.

(ii) *Mining Scheme*

2. The representatives of the Corporation stated that by the end of 1963, 3.5 million tons of lignite would be required when all the constituent units of the project would start production. The representative of the Ministry of Finance added that since there was a time-lag of two years from the original time schedule, recalculations of expenditure would be necessary to some extent and that the returns on capital outlays instead of materialising at the end of 1961, would now materialise only from the end of 1963. He further said that due to a two year time-lag extra interest etc. would have to be paid by the Corporation.

(iii) *Cost of Production*

3. The representative of the Corporation informed the Sub-Committee that the cost of production of power at the feeding point would be 3.25 nP. per unit when all the units of the Thermal Power Plant would go into production by the end of 1962. The Corporation would not incur any expenditure on the distribution of power except for transmission required for their own use, as it was the monopoly of the State Government.

4. As regards fertiliser unit, the cost of production would be Rs. 500 per ton of urea. This amount included provisions for interest, depreciation, amortisation etc. As regards depreciation, they had provided 10 per cent for the machines already at site. 3 per cent for maintenance and materials and 5 per cent for interest. When asked whether the method followed in Sindri in respect of provision of depreciation had been adopted, the representative of the Ministry of Finance stated that he would like to verify it. The representative of the Corporation stated that they had worked out these figures on the advice of the international technical authorities and had also taken advice of the local authorities. In view of the lesson which they had learnt from Sindri, they had provided adequate depreciation based on the pattern laid down by the Government of India. He added that their accounts were being audited by the Comptroller and Auditor General.

(iv) *Check List*

5. The representative of the Ministry of Finance informed the Sub-Committee that some months ago a proforma which was a sort of check list had been prescribed by the Government of India, so that no item was missed. This check list showed how the project estimates for a major project like a chemical factory should be drawn up. This had been drawn up very carefully for the Project.

(v) Adjustment on revaluation of pre-incorporation Assets

6. The representative of the Corporation stated that the amount of Rs. 30,70,120 which had been shown in the Balance Sheet as on 31-3-59 relating to adjustment on revaluation of pre-incorporation assets was an adjustment made only for correct accounting purposes. There was no fresh payment for the assets. The Joint Secretary, Ministry of Finance stated that this adjustment was done on the basis of the advice received by the Corporation from the Accountant General, Madras.

The Sub-Committee were informed that there was no fictitious asset at all in the Corporation. Only assets which were physically there and in the possession of the Corporation had been taken into account. He added that all the development expenditure would be capitalised.

(vi) System of Cost Accounting

7. The representative of the Corporation informed the Sub-Committee that they had appointed an expert to draw up a system of cost accounting and also to train their staff for that work. Only after the units would go into production, they would be able to detect if there were any deficiencies in the system. He also stated that the system adopted by them was an internationally accepted one. The representative of the Ministry of Finance stated that he had no reason to doubt the correctness of the system adopted. He added that there was no requirement prescribed at present to obtain the prior approval of the Government of India or the Comptroller and Auditor General of India for introducing any particular system of cost accounting in any public undertaking. The Ministry of Finance of course be informally consulted, whenever deemed necessary.

(b) Integrated Lignite Project

(vii) Revision of time schedule of the completion of the Project

8. Regarding the reasons for the delay in the completion of the Project, the representatives of the Corporation stated that the two years delay now anticipated was due to want of foreign exchange and also the delay which occurred in getting the sanction of various schemes from the Government of India. He added that the basic cause for the delay was that while the report submitted by the Powell Duffryn Technical Services, U.K. gave an estimate of Rs. 68 crores when tenders called a much higher outlay. The Government of India had sanctioned the entire scheme on general principles but when they actually went into each individual scheme they found that the estimates given by P.D.T.S. were considerably low. So every time, Government had to find extra funds and hence the delays occurred. The representative of the Ministry of Finance added that when the cost of the schemes went up substantially, the matter was again referred to the Government. There was, therefore, more delay in getting

the sanction when the estimates were more than the amount originally recommended by the Consultants. He further stated that there were two other minor factors, viz., delay in land acquisition and delay in recruitment on the technical side, which had also contributed to the revision in the time schedule for completion of the Project.

In reply to a question, the representative of the Corporation stated that because of the delay the estimated cost of the project had gone up by about 10 per cent.

(viii) Evaluation Unit

9. The representative of the Corporation stated that they had no separate evaluation unit to watch the progress of work in the various constituent units of the Project. There was, however, a cell in the Project itself to look after it. Detailed schedules for the completion of various units of the Project had been prepared and control charts were also being maintained by them to watch the progress in the project. These were also submitted to the Ministry.

(ix) Foreign Consultants

10. The representative of the Corporation informed the Sub-Committee that the Foreign Consultants of the Project had no experience of lignite mining. They had, however, studied about lignite mines specifically for this purpose. The Consultants had also carried out open-cast mining in England, Indonesia, Korea and South Africa. Asked why Consultants from Germany were not appointed, the representative of the Corporation stated that there were no independent consulting firms in Germany. In reply to a question, the representative of the Corporation stated that by and large, they were satisfied with the performance of the Consultants. The Consultants had also kept persons on the spot all these $3\frac{1}{2}$ years. While on the subject, the representative of the Corporation stated that for the Thermal Power Station there were no Consultants as the Central Water and Power Commission had got their own trained personnel who acted as Consultants. He added that they did not receive any assistance from them except to the extent of erecting the plant for which the Russians had come.

(x) Survey

11. The representative of the Corporation stated that the entire area of hundred square miles had been surveyed to find out whether more favourable lignite deposits were available in the neighbouring areas. The P.D.T.S. took the help of the Geological Survey of India to get the investigations carried out.

(xi) Utilisation of By-Products

12. Regarding the possibility of utilising lignite as a basic raw material for some of the chemical processes, the representative of the

Corporation stated that it could be used for activated carbon, carbon electrode, carbon bricks, heat exchangers, Montan wax etc. but they had confined themselves to definite schemes. He added that out of by-products, they were taking some oils under the Briquetting and Carbonising scheme. From tar they could take out some synthetic petrol—high octane fuel for aviation purposes but it would cost them Rs. 25 crores. It was not possible to bring it within the present scope of the scheme but it would come later.

(xii) *Railway Lines*

13. The representative of the Corporation informed the Sub-Committee that surveys in respect of Salem-Bangalore rail link had been made and the Railways were actively considering the construction of a railway line. He added that since 1947 he had been putting pressure on the Madras Government for constructing this railway line.

(xiii) *Industrial Units*

14. Regarding the formulation of plans to set up Industrial Units in convenient locations, with a view to utilising products and by-products of the Integrated Lignite Project, the representative of the Corporation stated that something in this direction had been done but they had not yet got a clear picture of the break up of these by-products. He promised to furnish details thereof.

(xiv) *Import of Stores, Plant and Machinery etc.*

15. Asked how it was ensured that the Stores, Plant and Machinery etc. for which capacity existed in the country were not imported, the representative of the Corporation stated that whenever anything was required, they would first invite tenders in the country and when they did not find suitable offers, they approached the Ministry of Commerce and Industry, Development Wing, who would in turn suggest the Corporation to approach certain parties. It was only when these parties informed the Corporation that they could not supply the required machines, the Development Wing was again approached by them for permission to import. After the Development Wing had okayed, they would approach the Ministry of Finance for sanction of foreign exchange for the import of materials and then the Import Controller gave them a licence. Asked whether the requirements for the next four or five years had been intimated to the Development Wing, the representative of the Corporation stated that as the schemes were sanctioned they brought their requirements to the notice of Development Wing. He added that they had planned for their requirements for two years in advance at present as Government had laid down instructions that foreign exchange requirements upto 1962 only should be planned in advance.

(xv) Cost of Production of Lignite

16. The Sub-Committee were informed that the cost of production of lignite would not be fully economic until and unless the production of 3.5 millions per annum of lignite was reached.

(xvi) Thermal Power Station

17. The witness informed the Sub-Committee that the operation of the Thermal Power Station would now commence in September 1961 instead of second quarter of 1961. The delay was due to the shipping of equipments by the Russians. As regards the expansion of the capacity of the Thermal Power Plant from 250 to 400 MW by 1963, the representative of the Corporation stated that this proposal was included in the Draft Third Five Year Plan.

(c) Old Township

18. The representative of the Corporation stated that the Madras Government was responsible for the construction of old township. It was constructed on a lignite bearing area before a full survey had been made and the full extent of deposits known. The Corporation staff were now occupying it and could occupy it as long it was required by them. After the construction phase of the Project was over it was proposed to vacate it so that a Fuel Research Laboratory could be built there. He further added that it would take not less than 50 to 60 years to mine that area and that the amount spent on the old township would not prove infructuous.

(d) New Township

19. The representative of the Corporation informed the Sub-Committee that by the end of October they would have completed 2,538 quarters. The cost for residential and non-residential buildings would come to Rs. 10.47 crores.

Continuing the representative of the Corporation stated that there were plaster cracks in the walls of a number of quarters and that they would improve the plastering. When pointed out that the timber used for doors and windows etc. of the quarters was of a very poor quality and the work done was also not satisfactory, the representative stated that timber was supplied by the contractors and they had already been penalised by the Corporation.

The Sub-Committee then adjourned at 17.00 hours.

III

Nineteenth sitting of the Sub-Committee on Public Undertakings

16th December, 1960

The Sub-Committee sat from 14-30 hours to 17-30 hours.

PRESENT

Shri H. C. Dasappa—*Chairman.*

MEMBERS

2. Shri C. R. Basappa
3. Sardar Amar Singh Saigal
4. Shri H. C. Heda
5. Shri Khushwaqt Rai
6. Shri Satis Chandra Samanta
7. Shri Kailash Pati Sinha
8. Shri T. H. Sonavane
9. Shri A. M. Tariq.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

OFFICIAL WITNESSES

1. Shri S. S. Khera, *Secretary, Ministry of Steel, Mines & Fuel.*
2. Shri N. S. Mani, *Joint Secretary, Ministry of Steel, Mines & Fuel.*
3. Shri A. V. Venkateswaran, *Joint Secretary, Ministry of Finance.*

The Sub-Committee resumed their examination of the estimates relating to the Neyveli Lignite Corporation Ltd. and in that connection took the evidence of the representatives of the Ministry of Steel, Mines and Fuel.

Organisation and Administration

(i) *Form of Organisation*

2. Referring to the considerations which led the Government to create the Neyveli Lignite Corporation as a Government Limited Company and not as a statutory corporation the Secretary explained that this was really a matter determined by circumstances attending a particular project. He added that the participation of the State into commercial industrial enterprise had been accompanied with a great deal of experimentation in the organisation and method in management and setting up of these various concerns. As the Committee were aware, he continued to say, not only in the case of the Neyveli Lignite Corporation but in the case of a large number of other projects, Government Companies under the Company Law had been established. In the case of the Neyveli Lignite Corporation, it was a commercial and industrial company; and it was a matter of opinion as to whether the company form or the statutory corporation form would be the best. In his view it was a matter of administrative convenience as to which would be the best form of organisation for a public undertaking—the company or the statutory form—so long as the basic principles of doing business efficiently and answering for it were maintained. In this case Government took the view that the company form was the best.

(ii) *Board of Directors*

3. Discussing the present composition of the Board of Directors of the Corporation, seven out of 9 Directors were either the senior officials of the Government of India or Government of Madras, the Secretary stated there was no disadvantage in having more non-officials. His personal opinion and own preference was to have more non-officials. He thought it was good that Secretariat functions should be kept apart from the functions of management or Board of Directors. He, however, agreed that, in practice, his experience was that there was an advantage in having on the Board of Directors nominees of those Ministries including the administrative Ministry or the Project which were intimately associated with it, so long as they did not confuse their secretarial functions with the management's functions.

4. As regards the appointment of more full-time Directors, who could be placed in charge of different activities of an undertaking, the Secretary stated that the experimentation, which had been going on in the organisation and management of these State enterprises ought to go in for sometime more. At present he would not like to say that one was right and another was wrong. It depended on circumstances.

5. Referring to the fact that the same person was working as Chairman and Managing Director of the Corporation since September, 1959 the Secretary stated that there again it was part of the trial and

experiment which was being conducted. Technically, under Articles 86 and 87 of the Articles of Association, the Chairman was the person who presided at the meetings of the Board and beyond that he was not as a rule specifically invested with any functions. Referring to the question whether it would be better to bifurcate the functions of the Chairman and the Managing Director, he stated that in the case of Neyveli Lignite Corporation Ltd., the Managing Director knew more about the Project than others. He has been associated with the project since its commencement. In his opinion, on the whole, it was useful to have the Chairman and the Managing Director in one person *viz.* the present one. He added that they were experiencing great difficulties in appointing Directors and Chairmen as their scope of selection was restricted. Since the M.Ps. had been prohibited and private individuals were having their own pre-occupations which prevented them from taking up these appointments Government had even thought of compiling a panel for the appointment of Directors and Chairmen on the Board of Government Companies, but each time when names were suggested nothing much came out of it as either they were prohibited or the persons were unwilling.

(iii) Service Rules

6. The Joint Secretary, Ministry of Steel, Mines and Fuel (who is also a Director of the Company), stated that the general practice in these companies was to follow the Service Rules prescribed by the Central Government for their own employees. For a good many undertakings, actual service rules had been framed with the approval of the Board of Management. These rules were based on the Central Government Servants Conduct Rules. As regards the desirability of having common standing orders and common standing service rules for the employees of all the public undertakings he said that it would be a good thing to strive for as much uniformity as they could between one undertaking and another. He believed that some steps had already been taken by the Ministry of Finance to bring this about.

(iv) Assessment of Staff strength

7. On being pointed out that a large number of posts were lying vacant in the project the Joint Secretary of the Ministry stated that so far as the Neyveli Lignite Corporation was concerned they did try and took very good care to see that posts were not created unnecessarily. On being referred to the fact that even the number of posts sanctioned in the previous year were not filled in the next year but the number of sanctioned posts were increased in the subsequent year, the Secretary stated it was a very important point which would be looked into.

(v) Revision of estimated cost of the Project

8. The Joint Secretary of the Ministry informed the Sub-Committee that the original estimate of Rs. 68·9 crores was made at a time when 'tender action' in regard to the fertiliser plant and the power station had

not been completed. The estimates were based to a large extent on intelligent guess work. For example it was originally thought that the Mining Scheme would cost a little over Rs. 16 crores but it eventually turned out that it would cost a little over Rs. 20 crores although the quantity of over-burden to be removed continued to be the same. There were several reasons for this. For instance, there were certain initial offers from the makers of the specialised equipment in Germany and certain dates were stipulated by them for the acceptance of offers. Unfortunately it took sometime for the Corporation to consider the tenders of the offer. By the time both the Corporation and the Government could reach a decision the equipment which the manufacturers had earmarked for supply to the Corporation had been sold to certain other parties. As a result of this slight upset in the time schedule and in order that the mining programme did not suffer, it became necessary for the Corporation to acquire some more conventional equipment. This accounted for increase of something like Rs. 60 lakhs over the original estimate. Further, as a result of re-designing of the specialised mining equipment to suit the conditions in Neyveli, the estimates on account of the specialised mining equipment itself went up by something like Rs. 90 lakhs. Moreover, there was an omission on the part of the Corporation as not to include residential buildings on account of common services in the original estimates.

9. In the case of the Fertiliser Plant, there was an increase of about Rs. 5 crores in the original estimates. When the Corporation floated tenders on global basis and quotations were received and considered, it became apparent that the scheme would cost Rs. 26 crores. When pointed out that the Project was conceived in 1954 and the contract for supply of equipment for the Fertiliser Plant had been entered into with the manufacturers in September, 1959, i.e., a delay of 4 years, the Joint Secretary of the Ministry stated that there were certain difficulties primarily in regard to foreign exchange and they had to obtain deferred payment terms. He also added that because of the prohibitive cost of gypsum in the South, it was decided to go in for production of Urea instead of Ammonium Sulphate. Another reason for the change was that Urea contained twice the amount of nitrogen per ton than Ammonium Sulphate.

10. Continuing, the Joint Secretary of the Ministry stated that based on the advice of the Fuel Research Institute and the results of the tests conducted by them at Neyveli itself on the pilot plant, which they obtained under the T.C.M. aid, they drafted certain specifications for the Briquetting and Carbonising Plant. These specifications happened to be somewhat different from the specifications on the basis of which the original estimates of Rs. 11 crores had been arrived at. The tenders were placed before the Standing Technical Advisory Panel of the Corporation for their scrutiny and recommendations who expressed the opinion that even at Rs. 19.37 crores, the estimate should be considered quite reasonable having regard to the specifications furnished to the manufacturers at the time the Corporation went out on tender enquiry.

11. When pointed out that no action was taken on the Briquetting and Carbonising Scheme earlier, the Joint Secretary of the Ministry stated that there was no delay and a global tender enquiry was made in this case also. The tenders received were under consideration. He added that the main reason for going slow was the continuing difficult resources position of the Government. Intervening, the Secretary of the Ministry stated that when the Consultants originally prepared the Project, they produced four or five different sized alternative schemes and it took them the greatest courage and a great deal of effort not to go in for the smallest of the schemes but to go for the biggest schemes. It was because they went in for the largest schemes they had come up against limitation of resources. When pointed out that the schemes of the project were envisaged in 1954 but the foreign exchange difficulty arose only in 1957, the Joint Secretary of the Ministry stated that the execution of the mining scheme was itself approved by the Government of India in the third quarter of 1956 as the administrative responsibility of the project was taken over by Government only in September, 1955.

12. When asked whether the cost of the Project might go up unless the entire integrated scheme was ready in time, the Joint Secretary of the Ministry stated that extraction of lignite would synchronise with the completion of the various constituent units. The mining programme would be so staggered that there would be no risk of the lignite being extracted ahead of the completion of the consuming units. For example, the first unit of the Thermal Power Station could be commissioned about the middle of 1961 and that would consume about 0.3 million tons of lignite per annum. When asked why the extraction of lignite could not be hastened up, the Joint Secretary stated that unfortunately it could not be done as the Russians had told that the most they could do was to commission one unit by the middle of next year and the remaining four units could be commissioned only at an interval of six months each thereafter. Moreover, the boilers had to be designed with due regard to the characteristics of the lignite. Even as it was, under the contract there was a definite possibility of the first two boilers having to be redesigned on the basis of the actual test conducted on the spot. He assured the Committee that there was not likely to be any increase over the present estimate of Rs. 94 crores for the entire project.

13. When asked as to why no provision was made in the original estimates for clay washing scheme, the Joint Secretary of the Ministry stated that he was not in a position to say why it was not included in the original estimate. Continuing, he stated that presumably because the scheme was not expected to cost very much and probably the Corporation did not realise the full potentialities of the claim. It seemed to have been thought of a little later as the position became clear.

14. The Sub-Committee then desired to know as to what extent this delay had increased the cost of the Integrated Project. In reply, the representative of the Ministry stated that the cost had gone up in an

indirect sort of manner as during this period, international prices had risen. To that extent of course, it would be correct to say that because of the delay the estimates had gone up. Regarding the availability of foreign exchange, the Secretary stated that Government had to allocate the foreign exchange whatever was available with them.

(vi) *Economics of the Project*

15. The Joint Secretary of the Ministry stated that Government had not prescribed any proforma for working out economics of the projected public undertakings. But a check-list had been issued by the Planning Commission for the compilation of data in regard to all projects including Neyveli. The purpose of the check-list was to furnish a preview of every single project in terms of performance, estimate of cost and everything which was relevant in the case of an Industrial Project so as to enable the Planning Commission to assess the capital outlay that would be needed, the phasing of the capital outlay divided into rupees and foreign exchange components and to size up the capital needed on account of those projects during the Plan period. Asked whether the economics of each one of the Constituent Units of this multi-purpose project had been worked out, the representative of the Ministry replied in affirmative.

(vii) *Agreement entered into between the Government of India and Government of Madras regarding Neyveli Project*

(a) *investment made by Government of Madras*

16. Referring to a suggestion that the investment by the Government of Madras in the Project may be paid off with a view to stop the recurring liability of the Corporation, the Joint Secretary stated that it was not a part of the equity capital and was treated as an investment which bore interest at the rate of 4½ per cent. He added that the Madras Government had themselves recently suggested that the investment made by them should be treated as a repayable loan. The matter would be examined in consultation with the Corporation.

(b) *Sharing of net profits*

17. Referring to the arrangement for sharing of net profits between the Central and Madras Governments after providing for interest etc. on the capital in the proportion of 75 : 25 respectively, the Secretary stated that he was not aware of a similar arrangement in any other company. He believed that royalty was an assumed figure and even on that basis, the royalty would be of the order of Rs. 21 lakhs on 3½ million tons of lignite.

18. According to the Secretary of the Ministry, the intention was that the sharing of profits was to be on the whole of the Integrated Project. On being referred to the views of the representative of the Corporation that the arrangement of sharing profit applied only in respect of mining project and profits accruing therefrom, the Secretary said that he did not think in an arrangement between the Central and Madras Governments, the Corporation and its officers were authorised

to give an interpretation on behalf of Government. He, therefore, wanted an opportunity to give an interpretation on behalf of Government. For that purpose he said he would look into the matter and submit a note to the Sub-Committee giving Government's views and interpretation.

(viii) *Utilisation of By-Products*

19. The Joint Secretary, Ministry of Steel, Mines and Fuel, stated that the trade enquiry for the Briquetting and Carbonising Scheme itself contemplated utilisation of by-products and once a tender was accepted by Government and expenditure sanction issued, the by-products recovery plants would be installed along with the Briquetting and Carbonising Plants. He added that they would study the question and submit a note thereon.

(ix) *Railway Link*

20. The Sub-Committee desired to know the measures taken to provide for facilities *i.e.*, railway link etc., which were required for moving the by-products to ensure better profits and utilisation of its by-products. The Secretary stated that he would examine the position and submit a note thereon.

The Sub-Committee then adjourned at 17.30 hours.

IV

Fifty-first sitting of the Estimates Committee

13th March, 1961

The Committee sat from 15.30 hours to 16.30 hours.

PRESENT

Shri H. C. Dasappa—*Chairman.*

MEMBERS

2. Shri Premji R. Assar
3. Shri C. R. Basappa
4. Shri Panna Lal
5. Shri Khushwaqt Rai
6. Rani Manjula Devi
7. Shri K. P. Kuttikrishnan Nair
8. Shri Jagan Nath Prasad Pahadia
9. Shri Raghunath Singh
10. Shri Satis Chandra Samanta
11. Shri Tayappa Hari Sonavane
12. Shri A. M. Tariq.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

Consideration of the Draft Reports

The Committee took up consideration of the following Reports of their Sub-Committee on Public Undertakings:—

- (i) * * * * *
- (ii) * * * * *
- (iii) The Neyveli Lignite Corporation Ltd.

*The asterisks indicate portions which have been omitted as they relate to another subjects and will be printed in the appropriate volume of Minutes.

and approved the same subject to the following amendments being made in the Report relating to the Neyveli Lignite Corporation Ltd:—

“(a) Pages 3-4, Para 6(i), *Add* the following sentence at the end of this para:

‘The revised target for ‘winning’ the lignite is middle of 1961 and full production will be reached by December, 1962.’

(b) Page 33, Para 42, *Substitute* the following for the last sentence of this para :

‘They recommend that special efforts should be made for recruitment of candidates belonging to Scheduled Castes and Scheduled Tribes so that the prescribed quotas are filled up within a reasonable period of time.’ ”

2. * * * * *

The Committee then adjourned at 16.30 hours.

LIST OF AUTHORISED AGENTS OF LOK SABHA SECRETARIAT

- ANDHRA PRADESH**
1. G. R. Lakshmi-pathy Chetty and Sons, General Merchants & News Agents, Newpet, Chandragiri, Chittoor District (Andhra Pradesh).
 2. Hindustan Diary Publishers, Market Street, Secunderabad.
 3. Hyderabad Book Depot, Abid Road (Gun Foundry), Hyderabad.
 4. International Consultants Corporation, 48, C. Marredpally, (East), Secunderabad-3.
 5. K. J. Asservadam and Sons, Cloughpet, P. O. Ongole, Guntur District (Andhra Pradesh).
 6. M. S. R. Murthy & Company, Visakhapatnam.
 7. People's Book House, 2-829/1, Nizam Shahi Road, Hyderabad-1.
 8. The Triveni Publishers, Masulipatnam.
- BIHAR**
9. Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.
 10. Book Centre, Opp. Patna College, Patna.
 11. 'Jagriti', Bhagalpur-2.
- GUJARAT**
12. Chanderkant Chiman Lal Vora, Law Publishers and Law Book Sellers, P. B. No. 163, 57/2, Ghandi Road, Ahmedabad.
 13. Gandhi Trust, Bhavnagar.
 14. Lok Milap, District Court Road, Bhavnagar.
- KERALA**
15. The New Order Book Company, Ellis & Sons, Co., 6, Bridge, Ahmedabad-6.
 16. Swadeshi Vastu Bhan-dar, Booksellers etc., Jamnagar.
- MADHYA PRADESH**
17. C. V. Venkitachala Iyer, Near Railway Station, Chakakudi.
 18. International Book House, Main Road, Trivandrum.
 19. Modern Book House, 286, Jawahar Ganj, Jabalpur-1.
 20. The National Law House, Near Indore Library, Opp. Old High Court Building, Indore.
- MADRAS**
21. E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.
 22. The Kalpana Publishers, Booksellers, Trichinopoly-3.
 23. The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.
 24. S. Krishnaswami & Company, O. O. Teppakulam, Trichirapalli-2.
 25. The Swadesamitran Limited, Mount Road, Madras-2.
- MAHARASHTRA**
26. Charles Lambert & Company, 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.
 27. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
- MYSOR**
28. D. B. Taraporvala Book Company, Ellis & Sons, Co., (P) Limited, 210, Dr. Naoroji Road, Bombay-1.
 29. Deccan Book Stall, Fergusson College Road, Poona-4.
 30. The Good Companions, Resputra, Baroda.
 31. The Imperial Book Depot, 266, Mahatma Gandhi Road, Poona.
 32. The International Book House, Private Ltd., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.
 33. The International Book Service, Deccan Gymkhana, Poona-4.
 34. Miterva Book Shop, Shop No. 1/80, Netaji Subhash Road, Marine Drive, Bombay-2.
 35. The New Book Company (P) Limited, Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.
 36. The New Book Depot, Mod No. 3, Nagpur.
 37. The Popular Book Depot (Registered), Laramington Road, Bombay-7.
 38. Sahitya Sangam, Booksellers, 44, Lok Manya Vastu Bhandar, Dadar, Bombay-28.
 39. H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.
 40. Makkalapustaka Press, Balamandira, Gandhi Nagar, Bangalore-9.
 41. People's Book House, Opp. Jaganmohan Palace, Mysore-1.
 42. Pervale's Book House, Koppikar Road, Hubli.

43. The S. S. Book Emporium, 'Mount Joy' Road, Basavangudi, Bangalore-4
44. The Times Office, Cuttack Law Office, Cuttack-2.
- ORISSA**
- PUNJAB**
45. The English Book Depot, 78, Ferozepore, Cantt.
46. The Krishna Book Depot, Publishers, Booksellers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-I.
48. The New Book Depot, 76, The Mall, Simla-I.
- RAJASTHAN**
50. "Bookland" Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur
- WEST BENGAL**
61. Mittal & Company 78-C, New Muzaffarnagar.
62. Shalig Ram & Sons, Booksellers, Madar Gate, Aligarh.
63. Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.
- JAMMU & KASHMIR**
66. Thacker Spink & Company Limited, 3, Old Court House Street, Calcutta-1.
67. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.
- DELHI**
68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Rajghat Bazar, Jammu-Tawi.
70. Atma Ram & Sons, Kashmere Gate, Delhi-6.
71. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sohanganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.
- MANIPUR**
92. Shri N. Chaoba Singh, Newspaper Agent, Ramial Paul High School, Annex, Imphal, Manipur.
- AGENTS IN FOREIGN COUNTRIES**
- U.K.**
93. The Secretary Establishment, The High Commission of India, Aldwych, LONDON W.C. 2.

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