SEVENTY-NINTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1983-84)

(SEVENTH LOK SABHA)

BHARAT ALUMINIUM COMPANY LTD.
(MINISTRY OF STEEL & MINES —DEPARTMENT OF MINES)

[Action Taken by Government on the Recommendations contained in the 71st Report of the Committee on Public Undertakings (Seventh Lok Sabha)]

Presented to Lok Sabha on 4 APR 1984

Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

February, 1984/Phalguna, 1905 (Saka)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 79th Report on Action Taken by Government on the recommendations contained in the 71st Report on the Committee on Public Undertakings (Seventh Lok Sabha) on Bharat Aluminium Co. Ltd.

2. The 71st Report of the Committee on Public Undertakings was presented to Lok Sabha on 27 April, 1983. Replies of Government to all the recommendations contained in the Report were received by 4 February, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 9 February, 1984. The Committee also considered and adopted this Report at their sitting held on 9 February, 1984.

3. An analysis of the action taken by Government on the recommendations contained in the 71st Report (1982-83) of the Committee is given in Appendix V.

NEW DELHI ;
February 28, 1984
Phalguna 9, 1905 (Saka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Seventy-first Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Bharat Aluminium Co. Ltd. which was presented to Lok Sabha on 27 April, 1983.

2. Action Taken notes have been received from Government in respect of all the 25 recommendations contained in the Report. These have been categorised as follows :-

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

S. Nos. 1-13, 15-17, 19, 22 and 25.

(ii) *Recommendations/observations in respect of which the Government's replies have not been accepted by the Committee*

S. Nos. 20 and 21.

(iii) *Recommendations/observations in respect of which final replies of Government are still awaited.*

S. Nos. 14, 18, 23 and 24.

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

The Committee will now deal with the action taken by Government on some of their recommendations.

A. *Fixation of Targets*

Recommendation Serial No. 2 (Para 1.14)

4. The Committee suggested that targets as desired by them in Para 5 of their 49th report should be fixed both annually and for the

plan period, in consultation with the Planning Commission. These targets are (i) Production in physical terms ; (ii) value added correlated to the sectoral rate of growth indicated in the Plan ; (iii) capital investment ; and (iv) generation of internal resources for capital investment correlated to the resources forecast of the plan. They also desired that these targets and achievements should be clearly brought out in the Annual Report of the undertaking with an explanation for the short-falls.

5. Government have stated in their reply that the targets for the plan period were fixed at the time of the preparation of the Five-Year Plan. Annual targets were fixed in consultation with the Planning Commission and the administrative Ministry at the time of the finalisation of the Annual Plan. In addition, in July, 1983, a special exercise was carried out on 'Performance Aims and Financial Targets of National Organisations and Public Enterprises under the Department of Mines ; as a part of this, the Plan for BALCO for the period 1983-84 to 1987-88 has been spelt out. Targets and achievements thereagainst, together with an explanation for the shortfalls, if any, would hereafter be indicated in the Annual Report of the Company.

6. The Committee find that the brochure 'Performance Aims and Financial Targets of National Organisations and Public Enterprises' under the Department of Mines contains the targets in respect of production, capital employed and profitability only. No targets have been fixed for value added as suggested by them. The Committee desire that the targets in respect of value added should also be fixed and brought out in the Annual Report of the undertaking together with an explanation for the shortfalls, if any.

B. *Availability of Power*

Recommendations Serial Nos. 11-13 (Paras 3.27—3.29)

7. The Committee observed that the main reason for the shortfall in production of Bharat Aluminium Co. was the non-availability of adequate and stable power supply from Madhya Pradesh Electricity Board. The Committee pointed out that the Korba Super Thermal Power Station being set up by the NTPC hardly 5 miles from the aluminium plant, also did not give any ray of hope to the Company, since the distribution of power continued to be with State Governments though its generation in the Central Sector was now accepted as a policy.

8. The failure to take timely decision in regard to captive power plant had cost heavily in terms of production loss, the Company having already lost production worth about Rs. 378 crores upto 1982-83 as against the estimated cost of Rs. 285 crores for the captive power plant. The Committee urged that the required funds for the proposed captive power plant sanctioned in 1982 should be made available as early as possible so that construction of the plant could be taken up in time. Till the captive power plant came up, the Committee desired that power should be made available to BALCO for meeting their immediate requirements from the 15% quota set apart for allocation by the Centre from the power produced at Korba Super Thermal Power Station.

9. In their reply, Government have stated that BALCO had detailed negot ations with Bharat Heavy Electricals Ltd. (BHEL) to explore the possibility of the purchase of their power plant from this Undertaking, and it had also obtained technical/commercial tenders from BHEL. A final decision had not been possible because of uncertainty of budgetary resources. A provision of Rs. 16 crores, which meets the down-payment requirements under BHEL's offer, had been made in the budget for 1983-84 However, on account of the fact that the Seventh Plan has not been finalised, the availability of funds towards the later part of the implementation schedule of the project, could not be determined accurately. In the circumstances, the Department was stated to be examining the possibility of import of the captive power plant financed through a comprehensive bilateral aid package.

10. In regard to the question of providing adequate power to BALCO in the interim period till the captive power plant is set up, the Government have decided that additional power to the extent of 30MW from February and 45 MW from September, 1984, would be made available to BALCO from Korba Super Thermal Power Station through the existing Korba (West)—BALCO transmission line. The power would be allocated through MPEB and will be in addition to the share of MP from Korba STPS. A tripartite agreement would be concluded between NTPC, BALCO and MPEB to formalise this arrangement, after obtaining necessary approval from the Minister of Energy.

11. The Committee are glad to note that Government have agreed to make available power to BALCO from Korba Super Thermal Power Station in addition to power to be made available by the MPEB. They hope that the tripartite agreement to give effect to this decision

would be concluded soon so that the additional power actually becomes available to BALCO.

12. The Committee regret to note that inspite of belated sanctioning of the captive power plant, the availability of resources for the implementation of the project is yet uncertain. They reiterate that as a long term solution to the power problem being faced by the Company, immediate steps be taken to see that the captive power plant is set up soon to avoid huge losses on account of power shortage.

C. *Delay in Revision of Retention Prices*

Recommendation Serial No. 19 (Para 4.45)

13. While noting that the delay in revision of retention price consequent to the increase in cost of inputs was also one of the reasons for the losses suffered by the Company, the Committee pointed out that as a result of increase in the rate of power in February and September, 1982 the direct cost of production in the company had gone up by Rs. 1300 per tonne but Government had not raised the retention price after 3rd December, 1981 though the Ministry was empowered to notify itself the increase in the retention price on account of increase in electricity prices. The Committee desired that some procedure should be evolved so that delay in revising the retention price could be cut down.

14. Government, in their reply, have stated that the retention and sale prices were fixed on the basis of a detailed cost study of the industry undertaken by the BICP once in about 3 years. The last detailed cost study of the industry was made by BICP in early 1978 and the retention and sale prices fixed on 18.10.78 were based on that study. BICP had since undertaken another detailed study of the industry and submitted its report in April, 1983. Examination of BICP Report was time consuming, involving as it does several high policy issues. These policy matters are discussed at the meetings of Secretaries and often by Ministers. It has also been stated that periodic revisions are also made by the Department of Mines in consultation with BICP to reflect increases in the cost of inputs. For this purpose, a paper is prepared on the price revisions for approval of the Cabinet Committee on the basis of invoices and other data supporting the cost of each input supplied by the producers.

15. At a meeting held by the Additional Secretary, Department of Mines on 7.12.1983 with all the concerned Ministries, it was noted that the prices were revised on an average once in a year except after the last price revision of 3rd December, 1981. It was agreed at the meeting that the periodicity for review of the retention prices could be reduced to six month. It was also agreed that in addition to the cost of power, the Department of Mines could seek powers for revising the prices to reflect increases in the costs of two more main raw-materials, namely calcined petroleum coke and coal tar pitch without approaching the Cabinet. This will cut down a lot of delay and enable the Department to provide relief to the industry at more frequent intervals than at present. Approval of Cabinet will be sought for such delegations of powers to the Department of Mines.

16. The Committee are constrained to observe that the retention price of aluminium has not so far been revised after the December, 1981 revision even though the BICP has in the mean time completed another detailed study of the industry and submitted its report in April, 1983. They desire that with a view to minimise incurring of losses by the Company, the retention price should be revised at the earliest on the basis of the Report of the BICP, keeping in view, of course, the cost efficiency of the producers.

D. *Computation of Capital Cost for Retention Price*

Recommendation Serial No. 20 (Para 4.46)

17. The Committee observed that the retention price formula provided for interest and depreciation on the basis of actual capital cost. With the increase in the capital cost on account of delays in construction etc. the retention price also went up. The Committee recommended that in order to provide a built-in incentive for keeping down the capital cost, for new projects whenever there was delay in commissioning, the escalation in capital cost on account of the delay should not be reckoned for the purpose of retention price, except in respect of cost of equipment due to circumstances beyond the control of project authorities.

18. In their reply Government have stated that while fixing the retention price the BICP generally studied in detail the capital cost of new units before arriving at the interest, depreciation and return to be included in price. The capital cost remained unchanged for about

three years till a fresh study was undertaken by BICP. As each industry was studied on merits it had been the practice of the Bureau to scrutinise the capital cost before taking a final view in arriving at the capital cost to be considered for the return. Wherever called for, a normative capital cost was also adopted instead of actual capital cost.

19. **The Committee wish to point out that during evidence they were informed by the Secretary, Department of Mines that the BICP took into account the actual capital cost incurred for the purpose of depreciation and interest charges (Para 4.41 of 71st Report of the Committee). It has now been stated that wherever called for, a normative capital cost was also adopted instead of actual capital cost. However, the circumstances in which the normative capital cost instead of actual capital cost is adopted for fixing the rentention price and the basis on which such cost is worked out has not been stated. It has also not been clarified whether or not the escalation in capital cost on account of the delays in construction is reckoned for the purpose of rentention price. The Committee, therefore, reiterate their recommendation that in order to provide a built in incentive for keeping down the capital cost, for new projects whenever there is delay in commissioning, the escalation in capital cost on account of the delay should not be reckoned for the purpose of retention price, except in respect or cost of equipment due to circumstances beyond the control of project authorities.**

E. *Capacity Utilisation Norm for Assured Return*

Recommendation Serial No. 21 (Para 4.47)

20. The rentention price fixed for each producer of Aluminium covered the full cost of production and included a post tax return on net worth based on capacity utilisation. The return increased from 7% at 55% capacity utilisation to 12% at 90% capacity utilisation. But since March, 1980 a producer of Aluminium was entitled to a return on net worth even on a capacity utilisation lower than 55%. The Committee expressed that there should be a sufficiently higher limit of capacity utilisation for an assured return to encourage better capacity utilisation.

21. Government have stated in their reply that Bureau of Industrial Costs and Prices (BICP) adopted a normative level of efficient utilisation of the units before providing for a return on net-worth taking into account not merely productivity aspects but also market and demand aspects as may be warranted. The unit would be in a position to avail

of this return only if it was able to work upto the estimated level of efficiency in all aspects.

22. The Committee regret to note that the reply furnished by the Ministry does not explain clearly as to why in the case of aluminium it was considered desirable to provide for an assured return to the producers even on a capacity utilisation lower than 55%, whereas it was not so in the case of other industries. For instance in the case of fertilizer industry, the Fertilizer Industries Coordination Committee provided for producers of nitrogenous fertilizers, 12% post tax return only at 80% capacity utilisation. They therefore, reiterate that there should be a sufficiently higher limit of capacity utilisation for an assured return to encourage better capacity utilisation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paragraph No. 1.13)

Bharat Aluminium Co. Ltd. was set up in 1965. Its objectives and obligations have not yet been finalised by the administrative Ministry. The Company also does not have a corporate plan. The Committee have been informed that the task of drawing up the corporate plan has now been entrusted to an expert organisation which was to submit the report in February 1983, after which the micro objectives of the Company would also be finalised. The committee wonder how without setting first micro objectives of the Company, its corporate plan could be prepared. Anyhow, the Committee hope that as assured by the Secretary of the Ministry during evidence the micro objectives of the Company would be finalised soon. The Committee need hardly stress that to make a periodical meaningful evaluation of the performance of the Company it is necessary that it should have well defined and clearly stated financial and economic objectives.

Reply of the Government

Noted. Balco has drawn up a Corporate Plan, which, inter-alia, also contains the micro-objectives. A synopsis of this is annexed at Appendex II.

[Ministry of Steel & Mines Department of Mines O.M. No. 1/(30)/83-Met. I dated the 31st December, 1983].

Recommendation (Serial No. 2, Paragraph No. 1.14)

The Committee would also suggest that targets as desired by them in Para 5 of their 49th Report should be fixed both annually and for the plan period, in consultation with the Planning Commission. These targets and achievements should also be clearly brought out in the

Annual Report of the undertaking with an explanation for the shortfalls, if any.

Reply of the Government

Noted. The targets for the plan period are fixed at the time of the preparation of the five-Year Plan. Annual targets are fixed in consultation with the Planning Commission and the administrative Ministry at the time of the finalisation of the Annual Plan. In addition, in July 1983 a special exercise was carried out on Performance, Aims and Financial Targets of National Organisations and Public Enterprises under the Department of Mines; as a part of this, the plan for BALCO for the period 1983-84 to 1987-88 has been spelt out. Targets and achievements there-against, together with an explanation for the shortfalls, if any, will hereafter be indicated in the Annual Report of the Company.

[Ministry of Steel & Mines Department of Mines O. M. No. 1(30)/83-Met. I dated 31st December, 1983]

Comments of the Committee

(Please *see* Paragraph 6 of Chapter I of the Report)

Recommendation (Serial No. 3, Paragraph No. 2.20)

The Korba Aluminium Project comprises Captive Bauxite Mines in Phutkapahar and Amarkantak areas, Alumina Plant, Smelter and Fabrication facilities. The Committee are unhappy to note that there was great over-estimation of bauxite deposits of the captive mines. The Geological Survey of India (GSI) had originally (in 1961-63) estimated 11.15 million tonnes bauxite reserves in these areas. After 1967 when Government has taken an investment decision GSI again reported that additional reserves of 11.63 million tonnes would be available in Amarkantak. Thus GSI had estimated total reserves of 22.78 million tonnes bauxite from the two areas with silica content ranging from 3.75 to 6.43 per cent. These reserves were considered sufficient for more than 30 years. Afterwards when BALCO carried out the exploration it found that the useable reserves were 4.38 million tonnes i.e. only 19% of that assessed by GSI. The incorrect assessment in regard to the nature of deposits increased the cost of raising ore. The Committee regret that Government decided to make huge investment in the Alu-

mina Plant without having a reliable data about the quantity and quality of useable reserves of bauxite from Phutkapahar and Amarkantak areas.

Reply of the Government

Noted. At the time the decision to set up BALCO was taken the ore reserve estimates of Phutkapahar and Amarkantak bauxite deposits, as made by the Geological Survey of India (GSI), had been relied upon as GSI was then the only agency engaged in detailed exploration work. However, after setting up of a specialised agency for this work, viz. Mineral Exploration Corporation (MEC), in 1972, the functions of GSI were restricted to regional exploration. If in the course of regional exploration by GSI, some promising deposits are found, detailed exploration is taken up by MECL. Since the estimation of reserves of Amarkantak and Phutkapahar Mines in the early 1960s, considerable improvement has been introduced in the techniques used for bauxite exploration.

The wet drilling techniques used for bauxite exploration at Amarkantak and Phutkapahar had proved inadequate in estimating the reserves. Therefore, the Mineral Exploration Corporation, who were entrusted with the exploration work in Gandhamardan and also in the East Coast bauxite deposits, used dry drilling methods. This method avoids error on account of loss of core, a common defect in wet drilling in bauxite. In these two areas, the put phasing used was 100 metres, with infilling at 50 metres in certain sections. To establish the behaviour of the core, 30 inclined bore-holes have also been drilled. To check the accuracy of the bore holes 24 pits were sunk coinciding with the bore-hole locations and necessary corrections were made in the bore-hole data. Further, the ore-reserves calculations made by the conventional method have been cross checked by geo-statistical methods. Therefore, a high level of reliability and confidence is expected of the evaluation of bauxite ore reserves in the future.

However, the observations of the Committee, which highlights the need for use of increasingly sophisticated investigation methods have been noted.

[Ministry of Steel & Mines Department of Mines, O.M. No. 1(30)/83-Met. I dated 31st December, 1983.]

Recommendation (Serial No. 4, Paragraph No. 2.21)

The Committee also find that the Company had been doing selective mining of ore in Phutkapahar and Amarkantak areas having lower silica content than that which could be used within the designed parameters of the plant. The Committee are afraid that such a practice will not only reduce the useable reserves of bauxite but would also result in wastage of national wealth. They expect the Ministry/Company to ensure that selective mining does not continue and there is production of bauxite with regard to alumina and silica content upto the acceptable limits of tolerance of the plant.

Reply of the Government

Noted. Care is being taken so as to ensure that selective mining is not adopted and maximum advantage is taken of the mineable reserves of bauxite. All the available bauxite of +44 Al_2O_3 grade is raised and blended with higher grade bauxite at the mine head. Taking into account the design parameters of the alumina plant, only the plant-feed grade bauxite is being despatched to Korba from the mines.

[Ministry of Steel & Mines Department of Mines, O.M. No. 1(30)/83-Met. I dated 31st December, 1983.]

Recommendation (Serial No. 5, Paragraph No. 2.22)

In view of the fact that the present ore reserves from the captive mines are expected to last only for 3—4 years, the Company is now developing Gandhamardan bauxite deposit in Orissa to meet its long term need of bauxite. Bauxite reserves in this area are estimated to be about 200 million tonnes. However, the area being explored by BALCO is estimated to have mineable reserves of 26 million tonnes sufficient to cater to the bauxite requirement of the Korba Aluminium Plant for a period of more than 40 years. The estimated expenditure on the development of Gandhamardan Mines is Rs. 31.2 crores, as sanctioned by Government on 26 July, 1982. The Committee note that there has been delay in the development of Gandhamardan Mines. The NMDC who was engaged to report on short and long term mining schemes for supply of bauxite to the Korba Aluminium Plant had in its report submitted in February, 1979, suggested that the construction of Gandhamardan mine should be completed in 1982-83 and production

started in 1983-84. However, after 11 months of NMDC's Report, Government entrusted (in January, 1980) details exploration to MECON, who gave their report in February, 1981. It was only on 26 July, 1982 (after 17 months) that Government could take an investment decision. Actual production in Gandhamardan is likely to start after April, 1985. In the meantime the Committee find that the Company has been purchasing bauxite from outside sources to conserve its reserves. The Committee regret that Ministry had taken more than 3 years to sanction implementation of the project. They, however, hope that the Ministry/Company will ensure that bauxite from the Gandhamardan mine becomes available in time as per the requirements of the Aluminium Plant to avoid any shortfall in production.

Reply of the Government

Noted. The investment sanction for the Gandhamardan bauxite mine was issued in July, 1982. The implementation schedule is of 33 months, and according to that the mine should be in operation by April, 1985. Taking this into account, the existing deposits at Amarkantak/Phutkapahar have to provide bauxite for a period of one year and four months more. Even assuming that in the next one year there full potlines will be working and in the years after that four potlines will be working, the balance of reserves at Amarkantak/Phutkapahar of about 14 lakh tonnes would be sufficient to meet the requirement of the plant for another three years. Thus, there is a time cushion before the deposits at Amarkantak/Phutkapahar are exhausted.

It may be mentioned that the work on implementation of the Gandhamardan mine is progressing satisfactorily. MECON and NIDC have been appointed as engineering consultants for the Mines and Township respectively. The South-Eastern Railway is engaged in the construction of the railway siding. The progress in drawing up of specifications of equipment and ordering of equipment, is being closely monitored through a network. It can reasonably be expected that the mine will be commissioned on schedule.

[Ministry of Steel & Mines Department of Mines O.M. No. 1(30)/83-Met. I dated the 31st December, 1983.]

Recommendation (Serial No. 6, Paragraph No. 2.55)

The Committe are surprised to note that there has been no synchronisation in the setting up of different units. The alumina plant having a capacity of 2 lakhs tonnes per annum was ready by April, 1973. However on account of inordinate delay in taking investment decision in regard to smelter and fabrication facilities, the first phase of smelter was completed only in May 1975, i.e. after two years of the completion of the alumina plant. Thus the plant set up in April, 1973 at a cost of Rs. 38.72 crores had remained largely unutilised till May, 1975. What is worse, as there was no internal requirement or external outlet for alumina, performance guarantee tests on the second stream of the alumina plant to prove its rated capacity were not carried out. Subsequently when the plant was fully commissioned it was noticed that there were several deficiencies, and the plant was capable of producing only upto 75% of its rated capacity. A revamping scheme undertaken by the Company to reach the original capacity was estimated to cost Rs. 6.50 crores. No part of it could be recovered from the consultants as the guarantee period had in the meantime expired. The Committee need hardly point out that this state of affairs could have been avoided had Government not taken six years for taking investment decision after Cabinet Committee had decided in 1965 to go in for smelter of one lakh tonne per annum. Surprisingly the Ministry *inter-alia* took about 13 months in finding out whether indigenous expertise was available, which was not there and over a year in issuing sanction after the receipt of DPR. The Committee take a serious view of such inordinate delays in decision making.

Reply of the Government

The observations of the Committee have been noted. It may, however, be mentioned that the Integrated Aluminium Complex at Korba of the Bharat Aluminium Company Ltd. was the first aluminium project in the public sector. On the basis of experience gained in this field, it would be possible to speed up decision making in such cases in future.

[Ministry of Steel & Mines Department of Mines O.M. No. 1(30)/83-Met. I dated the 31st December, 1983.]

Recommendation (Serial No. 7, Paragraph No. 2.56)

Another aspect which causes concern is the inadequate provision for liquidated damages in the contracts entered into with the consultants. In spite of the fact that an expenditure of Rs. 6.50 crores would have to be incurred on revamping scheme to attain the original capacity of 2 lakh tonnes of the alumina plant, the Secretary of the Ministry informed in evidence that even if the plant had been run within the performance guarantee period, the maximum penalty that could have been collected from the consultants was Rs. 6 lakhs. The Committee would invite attention in this connection to the guidelines issued by BPE in 1977 in regard to entering into foreign collaboration agreements by public enterprises and would stress that at least in future the liquidated damages should have a relationship to the loss in terms of value to which the undertaking may be put on account of failure of the consultants.

Reply of the Government

Noted. Bharat Aluminium Company Limited (BALCO) entered into a contract with M/s. Chemokomplex, Hungary, in December, 1967. It will, thus, be observed that this contract dates back to a period much earlier than the BPE guidelines.

It may be mentioned however, that often, when sophisticated technology is being purchased, the Seller cannot be persuaded to agree to a provision of liquidated damages sufficient to fully cover the risks of the buyer. However, in any future contract entered into by BALCO, BPE, guidelines will be kept in view, as recommended by the Committee.

[Ministry of Steel & Mines Department of Mines O.M. No. 1(30)/83-Met. I dated the 31st December, 1983.]

Recommendation (Serial No. 8, Paragraph No. 2.57)

There has also been delay in the implementation of the revamping scheme. Although the Hungarian Consultants had submitted their report in January 1977 containing proposals for revamping the plant to ensure its performance at rated capacity of 2 lakh tonnes per annum it was not before June, 1980 i.e. after 40 months of the receipt of the Report that Government finally accorded approval to the scheme costing

Rs. 4.71 crores. Even thereafter it was found that there was under-estimation of the cost of the project and the estimates have now been revised to Rs. 6.50 crores. The main reason for the delay was the decision taken by the Board to increase the capacity of the plant by 10% which was ultimately cancelled. Considering the fact that the capacity of the plant had been decided at Government level keeping in view the capacity of the smelter, the Committee are unable to appreciate the decision of the Board which caused considerable time and cost over-run in the implementation of the scheme.

Reply of the Government

Government agrees with the observation of the Committee that implementation of the scheme for revamping the alumina plant of the Korba Complex has taken longer than was expected. The following events/facts are relevant in analysing the reasons for the delay upto sanctioning the scheme in June, 1980 :

(i) In January, 1977 the Hungarians had submitted an offer to draw up a feasibility report to revamp the Alumina Plant.

(ii) This offer was examined by Bharat Alumnium Company Limited) (BALCO) and submitted to the Board in May, 1977. The Board decided that the Hungarian consultants be commissioned a study, *inter-alia*, covering the following aspects :

(a) Provision of 10% extra capacity, and

(b) Provision to utilise the new type of bauxite that would have to be used because of the likely depletion of Amarkantak/Phutkapahar deposits.

It was felt necessary to consider the possibility of providing 10% extra capacity, as shortfall to that extent in a chemical plant is not unusual.

(iii) Based on (ii) above, an agreement was concluded with the Hungarians on 1.6.1977.

(iv) Based on (iii) above, the Hungarians took up the necessary in-depth study and submitted their report in December, 1978.

(v) The report was studied in BALCO and considered and approved by the Board on 6.9.1979. It was also decided to undertake the revamping scheme through the Company itself.

(vi) The scheme was approved by Government on 20.6.1980.

7. From the above, it may be seen that the maximum time was taken by the Hungarians (18 months) to submit the report.

[Ministry of Steel and Mines Department of Mines O.M. No. 1/30/83-Met. I, dated the 31st December, 1983].

Recommendation (Serial No. 9, Paragraph Nos. 2.58 & 2.59)

There have also been inordinate delays ranging from 7 months to 83 months as compared to the original schedule in completion/commissioning of the different units of smelter and fabrication facilities. Even after mechanical completion there was delay ranging from 2 to 17 months in commissioning the units. Some of the units have not yet been commissioned. While the two pot lines of smelter were commissioned by September, 1977 after a delay of 33 months, the matching fabrication facilities were not ready with the result that the limited production of ingots could not be converted fully into the finished products resulting in less sales realisations.

Although at one stage the construction had to be slowed down in view of constraints of resources and power, the Committee find that this meant rescheduling of the commissioning of the units from 1975-76 to 1977-78. Even after re-scheduling delays upto five years have taken place in construction and commissioning. There has been an escalation in capital cost of Smelter and fabrication facilities of the order of Rs. 131.10 crores i.e. 87% over the original estimates. Out of it the escalation in cost on account of delays in construction was of the order of Rs. 105 crores and the cost of production of metal went up by Rs. 1250 per tonne which would have to be ultimately borne by the consumers. Further, in regard to rolled products and extrusions which are not covered by the retention price system it has been estimated that even on full capacity utilisation, the Company would not be able to break even at the current level of prices. The Committee feel that these are unhappy state of affairs. The Company has neither been able to maintain the original schedules nor the revised. They feel it is a fit case for detailed examination by Government to identify the factors which

caused delays in implementation of the projects and for evolving suitable remedial measures to avoid heavy time and cost over-runs in future.

Reply of the Government

Noted. Detailed examination of the circumstances which caused delays in the implementation of the Korba Smelter and Fabrication Units has been made, and following major factors have been identified as responsible for the delay :—

(a) Non-supply of adequate power in time for the smelter, resulting in deliberate slowing down of the pace of construction of the different phases of the smelter and the fabrication units.

(b) Delays in the manufacture and supply of equipment by indigenous/foreign suppliers. In this project a deliberate attempt was made to maximise indigenous equipment, and to match this with limited import of foreign components. This policy had its own cost in turn, though it enabled Indian technical personnel to obtain valuable experience.

As regards (a), it may be stated that the Korba Smelter was set up on the definite assurance of the Government of Madhya Pradesh that adequate power will be given in time. However, the State Government failed to fulfil its commitment, which upset the schedules of completion of the various units of the Smelter. From the experience of BALCO it has been decided that, aluminium plants being power intensive, should have an independent, captive source of power. The Government have accordingly sanctioned in December, 1982, the setting up of a Captive Power Plant by BALCO to ensure full utilisation of the installed capacity of the plant. It is again this experience which led the Government to sanction a Captive Power Plant for the Orissa Aluminium Complex, at present being set up by National Aluminium Company.

As regards (b) above, it may be stated that BALCO was the first Complex of its kind being set up in the country in the public sector. The country had no indigenous technology in this line of manufacture. Even the three private sector aluminium plants, namely, HINDALCO, INDAL and MALCO were based on foreign technology. The difficulties

of the nature experienced in the installation of the Korba Smelter and Fabrication Units were, in a sense, inherent in the situation. Further, it may be stated that while setting up the Kobra Aluminium Complex, great emphasis was laid on maximising indigenisation of equipment and services, and several of the items were made for the first time in the country. Nearly 85% of the Smelter and Febrication Units is of indigenous. There were delays in the manufacture and supply of the equipment by indigenous suppliers. Thus, though implementation schedules suffered a set-back, from the over all national point of veiw, the country gained in developing indigenous capabilities in a new area/ industry. The experience of pitfalls faced during the course of setting up of the Korba Smelter is being made use of in the case of Orissa Aluminium Complex being set up by National Aluminium Company Limited.

[Ministry of Steel and Mines (Department of Mines) O.M. No. 1/30/83-Met. I, dated the 31st December, 1983]

Recommendation (Serial No. 10, Paragraph No. 3.26)

The Committee note that during the period 1979 to 1982 capacity utilisation of the Aluminium Smelter has ranged from 9% to 35%. The Company has failed to achieve even the targets fixed each year. The value of loss of production on account of shortfall in production with reference to installed capacity during 1976-82 amounted to about Rs. 290 crores. During 1977-82, aluminium valued at about Rs. 336 crores was imported to meet the gap between increasing demand and production in the country. The Committee feel that the imports could have been largely avoided had the company been able to fully utilise its installed capacity.

Reply of the Gorvernment

The Government agrees that the incidence of import of aluminium metal in the past could have been reduced had Bharat Aluminium Company Limited (BALCO) been able to fully utilise its installed capacity. However, as has been mentioned in reply to other questions, because the MPEB did not supply power in accordance with its assurances, BALCO's metal capacity remained underutilised.

In the current year (1983-84) the position in respect of production of metal in BALCO has improved. From 1.7.1983, MPEB has gradually

increased the power supply, such that BALCO has been able to commission the 3rd phase of the smelter. With this, the expected production in 1983-84 is 56,400 tonnes against the production of 43,454 tonnes in 1982-83. The indications given by the MPEB are that they would be in a position to give some additional power in the near future to enable BALCO to energise, at least, a part of the 4th phase of the smelter. Apart from this, as mentioned in reply to recommendation No. 13, BALCO has been assured an addional 30 MW from the Korba STPS from February, 1984 and an additional 45 MW from September, 1984. In this context the production prospects in 1984-85 appear better.

As mentioned in reply to recommendation No. 9, as a long term solution. Government has decided to set up a Captive Power Plant to meet BALCO's entire power requirements.

[Ministry of Steel & Mines (Department of Mines) O.M. No. 1/30/83-Met. I, dated the 31st December, 1983].

Recommendations (Serial No. 11-13, Paragraps 3.27-3.29)

The main reason for the shortfall in production is stated to be non-availability of adequate and stable power supply from Madhya Pradesh Electricity Board. The Committee are distressed to find that inspite of the fact that the State Government of Madhya Pradesh had formally committed in 1968 to supply the required quantity of 265 MW of power to the aluminium project, the actual average power supply has ranged between 69 MW to 84 MW during 1977-82. With the result that two potlines (50% of the capacity) could not be commissioned at all and the power supplied was not adequate even to operate the remaining two potlines to their full capacity. The chronology of events in the earlier paras indicate that though the Company had been assured of power supply from time to time, when its units were ready for commissioning power was not made available. It is surprising that having set up a plant with all the necessary surveys etc. indicating immediate and future power requirements of the Company and the power available and likely to be available in the area, and after such a huge investment (more than Rs. 315 crores) all the concerned authorities are helpless in providing power to the Company to meet even its basic requirements. The Committee have found that most of the enterprises are suffering on account of inadequate and irregular power supply. They would like the Central Government to take up the issue at the highest level with

the concerned State Governments and make them fully aware of their obligations to supply adequate and regular power to the public undertakings set up in their States.

The Committee are also surprised at the helplessness expressed by the Ministry of Energy in making available any additional power to the Company in spite of the fact that substantial funds have been sanctioned by the Planning Commission from time to time for creating new power generation capacity in M.P. to Meet BALCO's demands on long term basis. The Korba Super Thermal Power Station, being set up by the NTPC at a distance of hardly 5 miles from the aluminium plant, does not give any ray of hope to the Company. According to the Ministry while the generation of power in the Central Sector is now accepted as a policy, the distribution continues to be with State Governments and that had no control over it. The Committee desire that the matter deserves serious consideration to find a satisfactory solution to this problem.

In spite of the fact that as early as 1974-75, it became clear that there was no possibility of getting power for II, III and IV phases of smelter till the end of 1976-77 and the Department of Mines took up the proposal for setting up the captive power plant in April, 1975, this was not agreed to by the Department of power. It was not before 1982 that the justification for the captive power plant was realised and a plant of the capacity of 270 MW was sanctioned. The failure to take timely decision in regard to captive power plant has cost heavily in terms of production loss. The Company has already lost production worth about Rs. 378 crores upto 1982-83 as against the estimated cost of Rs. 285 crores for the captive power plant and the production loss was estimated to go up to Rs. 646 crores by the time the power plant comes up in 1986-87 assuming the current average selling prices of aluminium metal fixed by Government. Strangely enough adequate funds have not yet been made available to take up the work in 1983-84. The Committee would urge that there should be no further delay in setting up the captive power plant for BALCO and the required funds should be made available as early as possible so that construction of the Plant could be taken up in time.

The Committee find that 15% of the power produced by super thermal power plant of N.T.P.C. at Korba has been set apart for allocation by the Centre. They desire that out of this quota, power should

be made available to BALCO for meeting their immediate requirements till the captive power plant comes up.

Reply of the Government

Noted. BALCO has held detailed negotiations with Bharat Heavy Electricals Ltd. (BHEL) to explore the possibility of the purchase of their power plant from this Undertaking, and it has also obtained technical/commercial tenders from BHEL. A final decision has not been possible because of uncertainty of budgetary resources. A provision of Rs. 16 crores, which meets the down-payment requirements under BHEL's offer, has been made in the budget for 1983-84. However, on account of the fact that the Seventh Plan has not been finalised, the availability of funds towards the later part of the implementation schedule of the project, cannot be determined accurately. In these circumstances, the Department has had to examine the possibility of import of the 'captive' power plant, financed through a comprehensive bilateral aid package, Negotiations are at an advanced stage.

As regards the question of providing adequate power to BALCO in the interim period till the captive power plant is set up, Department of Power has taken the following decision :—

(1) Power will be supplied to BALCO from Korba STPS of NTPC as an interim measure. The existing Korba (West)-BALCO transmission line (220 KV D/C) is adequate for the purpose.

(2) Power will be allocated to BALCO through MPEB and will be in addition to the share of MP from Korba STPS.

(3) The quantum of additional power allocated to BALCO from Korba STPS will be 30 MW from February, 1984 and 45 MW from September, 1984.

(4) A tripartite Agreement will be concluded between NTPC, BALCO and MPEB to formalise the above arrangement. Necessary action in this regard will be initiated by Department of Power after obtaining necessary approval from Union Minister for Energy.

Further action is being taken to enter into a tripartite agreement between NTPC, MPEB and BALCO.

[Ministry of Steel & Mines (Department of Mines) O.M. No. 1(30)/83-Met. I dated the 31st December, 1983].

Comments of the Committee

(Please *see* Paragraphs 11 and 12 of Chapter I of the Report)

Recommendation (Serial No. 15, Paragraph No. 4.22)

The cost of production of various products has been higher than the standard and budgeted costs during the last three years. This has been stated to be mainly due to gross under-utilisation of capacities on account of inadequate availability of power. Higher consumption of inputs as compared to D.P.R. norms as well as the norms fixed by B.I.C.P. for the purpose of retention price has also contributed to higher cost of production. The excess consumption of some of the main inputs as compared to B.I.C.P. norms resulted in higher cost of production to the extent of Rs. 635/- per tonne in 1981-82. This calls for greater control over the consumption of materials. The power consumption in terms of KWH per tonne of metal was also much higher (17560) than the norms (16020). This has been attributed to erratic nature of power supply. The Committee however, feel that there is scope for reduction in energy consumption in the smelter through adoption of modern control techniques.

Reply of the Government

Noted. With a view to achieving reduction in energy consumption in the smelter, the followlng steps have been taken :—

(a) introduction of the scheme of Computerised control of Cell Voltage through installation of Automatic Voltage Controller in the power supply system of the smelter complex; this helps in controlling the operational conditions of the cells and reduction in electric energy consumption through on-line control of cell voltage; and

(b) The Project of "study on the use of Lithium Carbonate in potlines" has been taken up under Science & Technology Plan. The reported advantages in the operation of smelter with Lithium modified bath Technology are—

(i) Improvement in the current efficiency by upto 3%.

(ii) Reduction in power consumption by 4% to 7%.

(iii) Decrease in fluoride emissions by 20%—50%.

(iv) Increase in pot amperage by about 10%.

(v) Significant reduction in carbon consumption.

Experiments will now be conducted with Lithium Carbonate chips in one of the newly lined pots.

A Technical Committee has also been set up in BALCO to examine the consumption of various inputs for the Korba alumina/aluminium complex. The study is planned as a comprehensive one, covering a comparative analysis with other units. This will require visits to other alumina/aluminium complex and would, consequently, take a little time. The Committee is expected to submit its report by the end of January, 1984.

[Ministry of Steel & Mines Department of Mines O.M. No. 1(30)/ 83-Met. I dated the 31st Decemder, 1983.]

Recommendation (Serial No. 16, Paragraph No. 4.23)

The labour productivity was also much lower than the D.P.R. norm in the mines and alumina plant. This was due to the fact that in spite of low production, number of persons employed was even more than that provided in the D.P.R. The Committee regret to note the failure to make phased recruitment as per the requirements resulting in higher labour cost. They hope that steps would be taken for better utilisation of manpower.

Reply of the Goverament

Noted. Two issues have been raised in the recommendation : (a) the number of persons employed is more than that provided in the DPR; and (b) that the labour productivity is lower than the D.P.R. norm in the mines and alumina sections.

In regard to (a), it may be stated that the manpower provision envisaged for the project was based on the DPR/Aide Memoire prepared by the Soviet Consultants. These, in a large measure, relied on the Soviet methods of working. However, once operations of the plant started, it was found that these provisions were inadequate in the context of industrial practices obtaining in our country.

The manpower requirements were also reviewed by the Industrial Engineering Department of the Company, and it was found that the

provisions in the D.P.R. were insufficient in respect of following main areas :—

(1) Certain jobs which the Soviet Consultants expected the operator to carry out had to be assigned to other categories on account of in-built traditions;

(2) Additional manpower was required to be engaged for items of work like assistance to crane operators in stud pulling, stud removal from magazines, ladle cleaning, etc.

(3) In the category of 'services' it was found that the provision for maintenance of plant, running of utilities and administrative services was inadequate. In this particular project, a deliberate decision was taken by the Gov rnment to maximise the scale of indigenisation of equipment. The manpower requirement for maintenance of indigenous equipment was found to be higher than expected;

(4) For the mining operations, manual assistance was required to a much greater extent than was envisaged, because of the pockety and irregular nature of the deposits;

(5) A number of trainees were employed for being absorbed as operatiors in the smelter, on the assessment that power would be available on scheduled dates for commissioning all four potlines. The trainees had to be recruited two years ahead of the anticipated start of operations, as without adequate training, they could not be included for regular plant operations. The Madhya Pradesh Government had from time to time been holding out promises of increasing the power supply to the Korba Complex. Relying on those statements, the management recruited a larger number of trainees/than required for the curtailed level of production on account of inadequate supply of power.

As regards (b), actual out-put per menshift in the mines has been significantly lower than the norm because bauxite required for a lower scale of alumina production, is correspondingly loss When recruitment was made, it could not be anticipated that there/would be such a long delay in the commissioning of the last two potlines; and hence it

could not be anticipated that the bauxite mine would be required to work much below the rated capacity.

It may be noted that the third potline of the smelter has recently been energised on 1.7.1983, and there is a possibility of the fourth potline also being commissioned during the current financial year. The Company is thus poised for full utilisation of the capacity and available manpower. The currently surplus manpower in the mines and alumina plant is proposed to be absorbed in the Captive Power Plant being set up by BALCO, and also to meet the additional requirement in the Sheet Rolling Shop and the Profile Tube Shop.

[Ministry of Steel & Mines Department of Mines O.M. No1(30)/83-Met. I dated the 31st December, 1983].

Recommendation (Searial No. 17, Paragraph No. 4.30)

The Committee find that the Company is carrying high inventory which has gone up from Rs. 34.70 crores in 1979-80 to Rs. 50.77 crores in 1981-82. The position is particularly bad in regard to process stock and finished goods. While the accumulation of process stock was stated to be due to non-stabilisation of production in fabrication units the stock of finished goods was reported to be high in 1981-82 due to recessionary trend on account of fall in demand from State Electricity Boards. The Committee would stress the need for adopting an aggressive marketing policy and for intensifying efforts by the Company to capture the competitive market for fabricated items.

Reply of the Government

Noted. As a result of adoption of appropriate measures for marketing the products during the period of recession commencing early 1981, it has been possible for Bharat Aluminium Company Limited to reduce the inventory of finished goods from 5,648 tonnes at the end of 1981-82 to 1,232 tonnes at the end of 1982-83, notwithstanding the fact that the production of finished goods in 1982-83 registered an increase of about 25% over the production in the year 1981-82. The total sales of finished goods in 1982-83 represented an increase of about 58% over the level in the previous year 1981-82.

As regards marketing of semi-fabricated items, *viz.*, extruded sections and rolled products, the Company is making all-out efforts to

secure a reasonable share of the Market even during this period of dull demand. For this purpose, in the case of extruded sections, arrangements have been made to develop dies as quickly as possible to enlist a wider range of clientale. Further, accent is placed on securing orders in harder alloys which generate higher sales realisation. In the case of rolled products, intensive customer contact is being established to capture an increasingly larger share of the market. Considerable efforts are also being made by BALCO in the direction of product development, the impact of which will be felt in the course of time. With the improvement in the product-mix and marketing, the process stock is being kept well under control.

[Ministry of Steel & Mines (Department of Mines) O.M. No. 1(30)/83-Met. I dated the 31st December, 1983]

Recommendation (Serial No 19, Paragraph No. 4.45)

It has been brought to the notice of the Committee that delay in revision of retention price is also one of the reasons for the losses suffered by the Company. It is seen that there has been considerable time lag between the increase in cost of inputs and the revision of retention prices. The Committee have been informed by the Company that as a result of increase in the rate of power in February and September, 1982 the direct cost of production had gone up by Rs. 1300 per tonne. But Government have not raised the retention price after 3rd December, 1981 revision. The Ministry is empowered to notify itself the consequential increase in the retention price on account of increase of electricity prices. The Committee are surprised that the Ministry have not acted promptly in this regard and the revision in retention price after September 1982 increase in power rate, is still pending with them which has resulted in a great loss to the Company. In evidence, the Secretary of the Ministry had informed the Committee that presently there was no proposal under consideration for further streamlining the procedure for the revision of the retention price. The Committee are of the view that some procedure should be evolved so that delay in revising the retention price could be cut down and the Company has no complaint to make in this regard. The Committee desire that this matter should be discussed with all the concerned Ministries immediately and the decision arrived at be intimated to them.

Reply of the Government

Noted. As per the existing pricing scheme under the Aluminium (Control Order, 1970 each producer of aluminium is allowed a reten-

tion price based on its cost of production and a return on the net-worth part of capital employed. The sale price represents the weighted average of the retention prices. The concept of retention price and sale price has been in existence since 15th July, 1975. Two of the aluminium producers, namely, M/s. Hindustan Aluminium Corporation Limited (HINDALCO) and M/s. Indian Aluminium Company Limited (INDAL) are required to pay into the Aluminium Regulation Account the difference between their retention prices and sale price whereas BALCO and M/s. Madras Aluminium Company Limited (MALCO) are to get the similar difference from the Account. On an average the prices are revised once in a year as may be seen from the following :

Date of revision of retention price	Date of revision of sale price
15-7-1975	15-7-1975
10-5-1977	No change
1-12-1977	No change
16-3-1978	16-3-1978
18-10-1978	18-10-1978
4-10-1979	4-10-1979
15-7-1980	15-7-1980
27-3-1981	27-3-1981
6-8-1981	No change
3-12-1981	3-12-1981

The retention and sale prices are fixed on the basis of a detailed cost study of the industry undertaken by the BICP once in about 3 years. The last detailed cost study of the industry was made by BICP in early 1978 and the retention and sale prices fixed on 18-10-78 were based on that study. BICP had since undertaken another detailed study of the industry and submitted its report in April, 1983. Examination of BICP report is time-consuming, involving, as it does, several high policy issues. These policy matters are discussed at the meetings of Secretaries and often by Ministers.

Apart from the Department of Mines, other Departments are concerned with the policy issues arising out of aluminium pricing, namely, Department of Industrial Development, Department of Power, Planning Commission, Ministry of Finance (Department of Expenditure, Revenue and Economic Affairs) and the BICP. After a concensus is arrived at on the policy issues, a draft note for the Cabinet Committee on Economic Affairs is prepared and circulated to all the concerned Departments for concurrence. Thereafter, the approval of the Cabinet Committee is obtained for price revision as also on certain other aspects of price and distribution control where necessary. After approval by the Cabinet Committee, the draft price notifications are vetted by the Law Ministry. Quite often the Aluminium (Control) Order itself requires to be amended to give effect to changes in the aluminium pricing policy. Such changes require elaborate and detailed consultations with the Law Ministry (Legislative Departmert and the Department of Legal Affairs).

While the prices are fixed on the basis of BICP's cost study and detailed report, periodic revisions are also made by the Department of Mines in consultation with BICP to reflect increases in the cost of inputs. For this purpose, the producers are asked to supply invoices and other data supporting the cost of each input. This exercise is done by the Department of Mines and is verified by the BICP. Finally, a paper is prepared on the price revisions for approval of the Cabinet Committee. In the case of revision of prices to reflect the cost of power alone, the Department of Mines is authorised to revise prices without obtaining the approval of the Cabinet Committee.

As desired by the Committee, a meeting was held by the Additional Secretary, Department of Mines an 7.12.1983 with all the concerned Ministries to evolve a procedure so that delay in revising the retention prices could be cut down. The record note of the meeting is attached as Appendix III. It was noted at the meeting that the prices were revised on an average once in a year except after the last price revisions of 3rd December, 1981. There were special circumstances which delayed the price revision after 3rd December, 1981. It was agreed at the meeting that the periodicity for reviw of the retention prices could be reduced to six months.

Government is conscious of the fact that there is a need to revise the statutory prices of aluminium, which were last fixed on 3.12.1981.

However, because certain issues relating to price fixation were *sub-judice*, this has not been possible.

As regards the procedure for consultation, it was felt at the meeting that the existing procedure of consultation with other Departments, preparation and circulation of the draft Note for the Cabinet Committee etc. was necessary and could not be dispensed with. It was agreed that every effort should be made to speed up the process of consultation and finalise the note that Cabinet on top-priority bssis. It was agreed that in addition to the cost of power, the Department of Mines could seek powers for revising the prices to reflect increase in the costs of two more main raw-materials, namely, calcined petroleum coke and coal tar pitch without approaching the Cabinet. This will cut down a lot of delay and enable the Department to provide relief to the industry at more frequent intervals than at present. Approval of Cabinet will be sought for such delegation of powers to the Department of Mines

[Ministry of Steel & Mines (Department of Mines) O.M. No. 1(30)/83-Met Idated the 1st December, 1983].

Comments of the Committee

(Please *see* Paragraph 16 of Chapter I of the Report)

Recommendation (Serial No. 22, Paragraph No 5.7)

The Management of Alucoin Jaykanagar Industrial Undertaking which was taken over by Government under the Industries (Development and Regulation) Act 1951 was handed over the BALCO in May 1978. Even after its taking over the performance of the units has not been satisfactory. The capacity utilisation during the last two years (1980-82) was barely 23% and 19% of the capacity assessed at the time of taking over. It has suffered a loss of Rs. 1883 98 lakhs during 1979-82. The poor performance was stated to be mainly due to the plant being very old. The Committee find that even after more than four years of taking over the unit no decision has yet been taken for its nationalisation. They also fe.l that to make the plant economically viable immediate measures are necessary for its rehabilitation and modernisation.

Reply of the Government

A Bill for nationalisation of the undertaking, *viz*, The Aluminium Corporation of India Limited (Acquisition and Transfer of Aluminium Undertaking) Bill, 1983, has been introduced in the Lok Sabha on 21.12.1983.

[Ministry of Steel and Mines (Department of Mines) O.M. No. 1/30/83-Met. I dated the 31st December, 19 3].

Recommendation (Serial No. 25, Paragraph No. 5.26)

The Committee hope that in future the Annual General Meetings would be held in time and after giving the notice as required under the Companies Act.

Reply of the Government

The recommendation of the Committee has been noted by Bharat Aluminium Company Limited (BALCO) and efforts will be made by them to hold the Annual General Meetings in time and after giving the notice as required by the Companies Act, 1956.

[Ministry of Steel & Mines Department of Mines O.M. No. 1/30/83-Met. I, dated the 31st December, 1983].

CHAPTER III

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

—NIL—

CHAPTER IV

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

Recommendation (Serial No. 20, Paragraph 4 46)

The Committee also find that the retention price formula provides for interest and depreciation on the basis of actual capital cost. With the increase in capital cost on account of delays in construction *etc* the retention price also goes up. The Committee recommend that in order to provide a built-in incentive for keeping down the capital cost, for new projects whenever there is delay in commissioning, the escalation in capital cost on account of the delay should not be reckoned for the purpose of retention price, except in respect of cost of equipment due to circumstances beyond the control of project authorities as has been done in the case of fertilizer industry.

Reply of the Government

The retention prices of aluminium are fixed by Government initially based on the detailed cost study of the aluminium industry by the BICP once in about 3 years. Thereafter the Department of Mines, in consultation with the BICP, revises the prices to reflect the increase in the cost of inputs based on the escalation formula given by BICP in the report. At the time of initial study, the Bureau generally studies in detail the capital cost of new units before arriving at the interest, depreciation and return to be included in price. The capital cost remains unchanged for about 3 years till a fresh study is undertaken by BICP. As each industry is studied on merits, it has been the practice of the Bureau to scrutinise the capital cost before taking a final view in arriving at the capital cost to be considered for the return. Wherever called for a normative capital cost is also adopted insted of actual capital costs.

[Ministry of Steel & Mines Department of Mines O.M. No. 1 (30)/83-Met. I dated the 4th February, 1984]

Comments of the Committee

(Please *see* Paragraph 19 of Chapter I of the Report)

Recommendation (Serial No. 21, Paragraph No. 4.47)

The Committee note that since March, 1980 a producer is entitled to a return on net worth even on capacity utilisation lower than 55%. They feel thet there should be a sufficiently higher limit of capacity utilisation for an assured return to encourage better capacity utilisation.

Reply of the Government

Bureau of Industrial Costs and Prices (BICP) adopts a normative level of efficient utilisation of the units before providing for a return on net-worth taking into account not merely productivity aspects but also market and demand aspects as may be warranted. The unit would be in a position to avail of this return only if it is able to work upto the estimated level of efficiency in all aspects.

[Ministry of Steel & Mines, Department of Mines, O.M. No. 1/30/83-Met.I, dated the 31st December, 1983].

Comments of the Committee

(Please *see* Paragaph 22 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 14, Paragraph No. 3.41)

The Committee find that as against the installed capacity of 35,000 tonnes, the actual production of properzi rods in 1981-82 was only 13,403 tonnes. This was stated to be due to lower production of EC grade metal on account of contamination of imported calcined petroleum coke, resulting in a loss of about Rs. 3 lakhs to the Company. The material is stated to have been subject to contamination owing to storage in the open area near the wharf. The Committee regret that in spite of the fact that in the quarterly performance/review meetings held in March 1982, the Ministry had asked the Company that the matter should be examined and responsibility fixed, no such responsibility was fixed. It is only now, after the matter was taken up by the Committee, that further investigation in depth has been ordered with a view to identifying specific sources of lapses in handling, storage and transport of the material. The Committee desire that the investigation should be expedited.

Reply of the Government

Noted. The enquiry into the circumstances leading to the contamination of imported calcined petroleum coke, which occurred in November, 1980, has been completed, and specific responsibility has been fixed. The management of the company is now taking further action on the basis of the report.

The Enquiry Report has highlighted certain procedural lapses. In that context, the Company has evolved a comprehensive check list for the various activities, commencing with the issue of the enquiry for the raw-material/equipment and ending with the arrival of the item at

Korba. The different officers responsible for different sets of activities have also been identfied. A copy of this check list is annexed (Appendix IV).

[Ministry of Steel & Mines, Department of Mines, O.M, No. 1(30)/ 83-Met. I dated the 31st December, 1983].

Recommendation (Serial No. 18, Paragraph No. 4.44)

It is distressing to note that the Company has been incurring losses since its inception. Upto March, 1982 the Company had incurred an accumulated loss of Rs. 107.18 crores, whereas its paid up capital is Rs. 169.26 crores. The Company's dismal financial performance has been attributed to variety of reasons. Some of the reasons like low capacity utilization, higher consumption of raw materials, etc. have been discussed and commented upon earlier in this Report. The Committe are enxious that BALCO should be made soon economically if not financially viable. They would await the actual internal rate of return (economic) reached so far. An analysis in this regard should be made in consultation with the Planning Commission. The Committee would like to know the steps proposed to be taken by Government to make the company viable.

Reply of the Government

In this recommendation the Committee has desired that an analysis be made in consultation with the Planning Commission to work out the economic internal rate of return of the project. This is an extremely elaborate exercise, requiring detailed data fore the past. Experties on this is not available in the Company and the study is being conducted in consultation with the Project Appraisal Division of the Planning Commission. The study is likely to take some more time for completion.

[Ministry of Steel & Mines, Department of Mines, O.M. No. 1 (30)/ 63-Met. I dated 4th February, 1984].

Recommendation (Serial No. 23, Paragraph Nos. 5.17 and 5.18)

The setting up of Ratnagiri Aluminium Plant has been under consideration of Government since 1996. The Project was ultimately sanctioned in 1974 after having detailed project reports prepared both by foreign and Indian consultants at a cost of Rs. 70.20 lakhs.

Against the estimated cost of Rs. 78.82 crores a provision of Rs. 15 crores was made in the Five Year Plan for the project. The actual budget ptovision from the year 1974-75 to 1981-82 was, however, only Rs. 1.82 crores which was stated mainly due to financial constraints. According to the Ministry an investment decision on this project would be taken depending upon the results of the detailed exploration being conducted by Mineral Exploration Corporation with a view to establishing additional sources of bauxite required to sustain larger plant. An expenditure of Rs. 188.62 lakhs has been incurred on the project upto end of 1981-82 out of which Rs. 136.67 lakhs was spent on the preparation of DPRs, staff and contingencies, dead rent on mines etc.

The Committee woud invite attention in this connection to the recommendation contained in the 10th Report of the Committee on Petitions (7th Lok Sabha) wherein they have suggested that even if it is not possible to establish at Ratnagiri as big a plant as on the East Coast, Government should have a medium sized plant, so that the economic backwardness of the people of the area is ameliorated. Committee desire that the decision in regard to the project should be expedited.

Reply of the Government

Noted. The recommendation of the Committee on Petitions (7th Lok Sabha) contained in their 10th Report, with regard to the setting up of a medium-slzed plant at Ratnagiri, was examined, in detail, in consultation with the Bharat Aluminium Company Limited (BALCO). The salient features of the analysis, are reproduced below :-

(i) "In today's context, the optimum capacity of an alumina plant would be of the order of 8 lakhs t.p.a. A medium capaeity alumina plant would have to have a capacity of 3-4 lakh tpa. Even this medium capacity plant would have a specific investment about 20-30% higher than that for an optimum sized plant of 8 lakhs tpa.

(ii) The original Ratnagiri Aluminium Project was conceived on the basis of Dhangarwadi and Udgiri bauxite deposits in district Kolhapur of Maharashtra. The Geological Survey of India has estimated a total in-situ reserve of about 21 million

tonnes. However, judging from the past experience in the Amarkantak/Phutkapahar deposits, the recoverable reserve is expected to be only about 50% of that figure. In this context, the proved Dhangarwadi and Udgiri deposits would not be adequate for a medium sized plant of 3-4 lakh tpa.

(iii) To establish the existence of additional useable reserves, the Government has commissioned the Mineral Exploration Corporation on 24.2.1982 to carry out detailed investigations in the area. The dstailed investigations are scheduled to take 26 months. Only with the completion of these investigations would it be possible to come to a conclusion whether the primary requirement of adequate ore reserves, is fulfilled.

(iv) An alumina plant of 3-4 lakh tpa capacity would have to be linked with a smelter of 1-5-2 lakhs tpa capacity. The requirement of power for such a smelter would be of the order of 350 MW. Maharashtra is deficit in power at present, and is likely to continue to be so in the near future. Any proposal to set up an alumina/aluminium Complex based on the Ratnagiri reserves would require the setting up of a captive power plant. The investment on this Captive Power Plant would also dampen the economic viability of the project."

It may also be mentioned that the prices then prevailing in the world aluminium market were not encouraging.

As mentioned in point (iii) above, the bauxite reserves in Kolhapur District are being reinvestigated by the Mineral Exploration Corporation (MEC). After that is completed, and taking into account the global and Indian circumstances relating to the production of alumina/ aluminium at that point of time, the possibility of proceedings with the Ratnagiri Project can be considered.

[Ministry of Steel & Mines Department of Mines O.M. No. 1(30)/ 83-Met. I dated the 31st December, 1983]

Recommendation (Serial No. 24, Paragraph No. 5.22)

The Committee are surprised to note that although the only project of BALCO operating at present is at Korba in Madhya Pradesh

the head Office of the Company continues to be in Delhi. In spite of the fact that the decision had been taken by the Government to shift the Head Office from Delhi, it has not yet been implemented. They would invite attention in this connection to their recommendation in Tenth Report (1977-78) which had been accepted by Government wherein they had pointed out that with the development of rapid means of communication like telephones, teleprinters etc. there is no reason why the head offices of the Public Undertaking should continue to be located in the metropolitan cities. The concentration of the head offices of the Public Undertakings in these cities has resulted in creating severe overcrowding and scarcity in the availability not only of office accommodation but also residential accommodation and sharp rise in the rental charges of both office and residental accommodation, causing distress and hardship to a large number of people residing in these cities. The Committee feel that interests of the Company would be better served if its head office is close to the manufacturing unit, and it would also help to have close liaison with the State Government.

Reply of the Government

To accommodate the staff of the Corporate Office, which is proposed to be shifted out of Delhi, new residential/office accommodation would be necessary. Because of the resource constraint, the Government has so far not been in a position to earmark the necessary funds. The matter is being pursued.

[Ministry of Steel & Mines, Department of Mines, O.M. No. 1/30/83-Met. I, dated the 31st December, 1983].

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
February 28, 1984
Phalguna 9, 1905 (S)

APPENDIX I

Minutes of the 46th sitting of the Committee on Public Undertakings held on 9.2.1984

The Committee sat from 15.00 to 15.30 hrs.

PRESENT

Shri Madhusudan Vairale—Chairman

MEMBERS

2. Shri Harish Kumar Gangwar
3. Shri Krishna Chandra Halder
4. Shri Nihal Singh Jain
5. Shri Lakshman Mallick
6. Shri N. Kudanthai Ramalingam
7. Shri B.D. Singh
8. Shri Hari Shankar Bhabhra
9. Shri Mahendra Mohan Mishra
10. Shri Narendra Singh
11. Shri Manubhai Patel
12. Shri M. S. Ramachandran
13. Shri Syed Sibtey Razi

SECRETARIAT

1. Shri M. K. Mathur—*Chief Financial Committee Officer.*
2. Shri S. C. Gupta—*Senior Financial Committee Officer.*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer.*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same:

(i) Action Taken Report on 71st Report of CPU (1982-83) on Bharat Aluminium Co. Ltd.

** ** ** **

The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministries/Undertakings concerned and present the same to Parliament.

The Committee then adjourned.

APPENDIX-II

(Vide Reply to Recommendation at S. No. 1, page 8)

SYNOPSIS OF CORPORATE PLAN OF BHARAT ALUMINIUM COMPANY LIMITED, NEW DELHI.

INTRODUCTION:

Aluminium occupies a high place in the family of non-ferrous metals which are essential for the industrial growth of the country. Aluminium is a highly versatile metal and barring steel is the most widely used metal in the world. In India over 50% of aluminium metal produced is used in the power sector. The balance quantity is used, *inter-alia*, for manufacturing utensils industrial machinery, for mass transportation, for packaging of food and medicine etc. It is also used in defence, aeronautical and space industries and mints for coinage.

India has a sizeable reserve of bauxite, the basic ore for aluminium whereby India has the potentiality to become self-sufficient in production of aluminium for meeting full domestic as well as a part of overseas demand. The relatively scarce availability of other non-ferrous metals like copper, zinc, etc.. has elevated the role of aluminium to that of the "metal of the future".

Government's desire to indigenously meet the ever increasing demond of aluminium led to the formation of the Bharat Aluminium Company Limited (BALCO) in 1965. with its plant at Korba (M.P.). The Korba Project comprises of:

(i) Captive Bauxite Mines;

(ii) 2,00,000 tpy. alumina plant;

(iii) 1,00,000 tpy. Smelter;

(iv) Two Properzi Mills with a capacity of 35000 tpy. of wire rods;

(v) Extrusion Mills of 10,000 tpy. capacity;

(vi) Rolling Mills of 40,000 tpy. capacity.

CORPORATE MISSION

To operate varied industrial complexes for the mining of bauxite, production of alumina, aluminium and its products, so as to cater to demestic and international demand with high quality goods at competitive prices. In the process BALCO would contribute towards self-sufficiency in aluminium, achieve self-reliance in technology and promote the use of aluminium.

Programmed objectives:

Consistent with its mission, the long-term strategic objectives of the Company are as follows:

A. Super-ordinate Objectives (Obligations to Nation & Society)

1. To establish aluminium production capabulity for contributing resources for national development and fulfilling its socio-economic responsibilities to the state, the users, employees and to the future.

2. To be conscious of the environmental aspects and make efforts to maintain the ecological balance; to improve the general quality of life for people within a reasonable area around the plants.

3. To foster a climate for healthy industrial relations by encouraging constructive and responsible trade union practices.

4. To participate in R&D programmes in technology management and marketing of aluminium.

5. To endeavour to make aluminium available to the users at an economical price.

6. To create an awareness that aluminium is a vital industrial raw material with not only diverse energy saving uses but also considerable energy generating and transmitting uses.

7. To endeavour to function as an efficient enterprise, generating a satisfactory return on the invested public funds.

B. *Micro Objectives*:

Internally, BALCO would:

1. Stabilise production of the down-stream fabrication units by the year 1984-85.

2. Endeavour to commission the remaining two phases of the smelter lying idle for want of power.

3. Erect and commission 4×67.5 MW/270 MW captive power plant at Korba.

4. Modernise progresively the existing plant at Korba by updating technology so as to reduce cost, increase productivity and achieve product improvement.

5. Provide balancing plant facilities to optimise production capacity.

6. Improve capacity utilisation, diversifying the product lines and meeting market challenges.

7. Establish technological and commercial competence.

8. Utilise R&D in developing new products and in improving operational parameters.

9. Strive for import substitution.

10. Develop alternative bauxite sources for the Korba plant at Gandhamardan by 1985-86.

11. Stimulate demand for aluminium and its products for mass use.

12. Give special thrust to the marketing activities of the Company in terms of market/product development programme, consumer services, demand estimation and logistical plannin g on a continuous basis.

13. Optimise inventories and improve maintenance management.

14. Strive to achieve organisation development to generate an increased sense of team spirit and sense of belonging among the employees.

APPENDIX III

(Vide reply to Recommendation at Sr. No 19, Page 28)

RECORD NOTE OF THE MEETING HELD IN THE ROOM OF SHRI N. K. PANDA, ADDITIONAL SECRETARY, DEPTT. OF MINES, ON 7.12.1983, TO CONSIDER RECOMMENDATION NO. 19 OF 71ST REPORT OF COPU (1982-83) ON BALCO REGARDING EVOLUTION OF PROCEDURE FOR CUTTING DOWN DELAYS IN REVISING RETENTION PRICE ON ALUMINIUM.

PRESENT :

Department of Mines

1. Shri N.K. Panda,
   Additional Secretary—*In Chair*

2. Shri J.A. Chowdhury,
   Joint Secretary.

3. Shri D.K. Acharyya,
   Director and Controller of Aluminium.

4. Shri R.S.V. Subramanian,
   D.F.A.

5. Shri J.B. Munirajulu,
   Under Secretary.

6. Shri M.L. Ghosh,
   Under Secretary.

Department of Revenue

7. Shri R.K. Chandra,
   Deputy Secretary.

Department of Economic Affairs

8. Shri V.K.S. Nair,
Additional Economic Adviser.

Department of Industrial Development

9. Dr. G.S. Ram,
Deputy Economic Advisor.

Planning Commission

10. Shri P.N. Shali,
Deputy Adviser.

B.I.C.P.

11. Shri K.P. Sarma,
Dy-Chief Cost Accounts Officer.

Additional Secretary (Mines) desired Shri Acharyya to initiate the discussion on the issues before the meeting. Shri Acharyya explained that the BICP undertake a detailed cost study of the aluminium industry one in about three years. The retention and sale prices are fixed based on such study. Thereafter the Department of Mines in consultation with the BICP revise the prices reflect to the increase in the cost of inputs based on the escalation formula given by the BICP in the report. For this purpose, the producers furnish invoices and other data supporting the cost of each input. The price revision proposals are submitted to the Cabinet Committee on Economic Affairs, preceded by inter-Ministerial consultations for arriving at consensus on the issues involved. As indicated in the brief circulation for the meeting, the prices were revised almost once in a year and sometimes twice in a year. While examining the working of BALCO, the Committee on Public Undertakings observed that the delay in revision of retention prices was also one of the reasons for the losses suffered by BALCO. The Committee recommended that some procedure should be evolved so that delay in revising the retention price could be cut down and BALCO had no complaint to make in this regard. The Committee desired that this matter should be discussed with all the Ministeries concerned immediately and the decision arrived at be intimated to them. Shri Acharyya indicated that the Department of Mines has been delegated powers to reflect the increases in cost of power without seeking the approval of the Cabinate Committee.

2. Additional Secretary elaborated that three issues were involved in the pricing exercise, namely, (i) periodicity of revision of prices, (ii) procedure for consultation, and (iii) ingredients of the retention prices.

Additional Secretary invited the views of the participants on these constituent elements. Shri Sarma (BICP) explained in detail the procedure followed by the BICP in conducting the detailed cost study. The representatives of the BICP visited the factories of all the aluminium producers; and obtained technical data for a period of time. They fixed norms of consumption for major inputs. Normally, it took six months or so for the Bureau to complete the study of one industry. BICP's report included escalation formulae to enable the administrative Ministry to reflect subsequent changes in costs of major inputs. It was essential to have detailed cost study of the industry once in three or four years to take into account the technological changes, new additions to capital, etc.

3. The representative of Department of Industrial Development pointed out that the retention prices should be revised to reflect the reality of increases in the cost of inputs. Shri Subramanian (DFA) pointed out that und r the Essential Commodities Act the primary aim of price control was to ensure fair price to the consumers although the interest of the producers could not altogether be ignored. Therefore, a balance had to be struck between the two interests. It was noted that the prices were revised on an average once in a year except after the last price revision of 3rd December, 1981. There were special circumstances which delayed the price revision after 3rd December, 1981. After detailed discussion, it was agreed that the periodicity for review of the retention prices could be reduced to six months. Shri R.K. Candra, Department of Revenue pointed out that preferably the review and if necessary revisions could take place after the Budget inasmuch as changes in exise duty, customs duty, rail freight etc. would have a bearing on the pricing of aluminium.

4. As regards the procedure for consultation, Additional Secretary enquired from Shri M L. Gosh of Works Study Unit whether he could conduct a study in this regard. Shri Ghosh replied that he had discussions with the concerned officers and had a quick look at the problem. He gave a not making a few suggestions in this regard. It was felt that the existing procedure of consultation with other Depart-

ments, preparation and circulation of the draft note for the Cabinet Committee etc. was necessary and could not be dispensed with. It was agreed that every effort should be made to speed up the process of consultation and finalise the Note to Cabinet Committee on a top priority basis.

5. As regards the ingredients of retention prices, Shri J. A. Chowdhury (Mines) suggested that just as the Department of Mines was empowered to reflect the increase in the cost of power without going to Cabinet, it should be deligated similar powers for reflecting the costs of the major inputs based on the escalation formulae given by the BICP in its report, This would cut down a lot of delay and enable the Department to provide relief to the industry at more frequent intervals than at present. It was agreed that the Department of Mines could seek powers for revising the prices to reflect the increases in the costs of the other two main raw-materials, namely, calcined petroleum coke and coaltar pitch without approaching the Cabinet.

APPENDIX IV

(*Vide* reply to Recommendation at S. No. 14, Page 35)

CHECK LIST FOR IMPORT OF RAW-MATERIAL

Action by

I. *Before placement of order*

Dy. CRP (HQ)

1. Issuance of Enquiry

2. Scrutiny of offers received with respect to Quality specification, delivery schedules, quantity offered, validity period etc ;

II. *Placement of order*

1. Place order within the validity period. The letter of intent should include the following :—

   i) Price.

   ii) Quality stipulations of the material.

   iii) Quantity ordered.

   iv) Delivery/shipment schedule.

   v) Guarantee/Test Certificate.

   vi) Penalty/liquidated damage clause.

2. Issue detailed Import order on the supplier in line with BMI and ensure incorporation of following items in the detailed order including time schedule of various activities viz ;

   i) Programme for manufacturing.

   ii) Phasing of despatches by the supplier, wherever required.

iii) Programme for transportation of material to the port of loading.

iv) Provision for sampling/Testing of the material at the supplier's works as well as at the port of loading by Balco's nominated agency and also issuance of Test Certificate by the supplier.

v) Shipment details including programme for loading of cargo, expected departure from foreign port and expected date of arrival of the Ship at the specified India Port.

Dy. CPP (HO)

vi) Details of packing procedures to be adopted to ensure multiple handling, sea-worthiness and to avoid possible contamination.

III. *After placement of order*

(A) 1. Endorse a copy of the detailed Import order to the Ministry of Shipping and Transport and ensure appointment of Shipping Agent.

Dy. CPP (HU)

-do- 2. Appoint Insurance Agent and endorse copies of letter confirming appointment of Shipping Agent and the detailed Import order.

(*B*) *At the Port of Loading*

1. Ensure readiness of material for shipment at the Port of loading.

Dy. CPP (HO) 2. Ensure sampling/testing of the material by the authorised inspection Agent at the manufacture's works and/or at the Port of loading.

3. Inspection Agent to preserve samples till the material is received at the plant site and the quality of the material is finally confirmed/accepted.

Dy. CPP (HO) 4. Confirm suitability of the quality based on Inspection Agent's report and issue instructions to the foreign supplier/shipping agent for loading the cargo.

-do- 5. Ensure that the Shipping agent will arrange for the timely availability of the Ship at the Port of loading.

6. Ensure loading of cargo within the time schedule.

7. Inform Finance Department (HO/Kb) and Materials Department (Kb) about the Shipment details, immediately after the sailing of the vessels.

(C) *At the Port of Discharge*

Dy. CPP (HO) 1. Make financial arrangements for clearing the bill of loading.

M.M. (Kb) 2. Inform clearing Agent alongwith Shipping documents for undertaking the clearing operations and issue proper instructions for safeguard against pilferage, contamination etc.

HO (Finance)/ FA&CAO (Kb) 3. Arrange funds towards payments of customs duty to facilitate timely clearance of bill of entry *i.e.* before the Ship takes berth at the Port of discharge.

M.M. (Kb) 4. Ensure suitability of the wharf for discharge of cargo.

5. Ensure discharge of cargo within the permissible time limit and with due care to avoid contamination.

M.M. (Kb)	6.	Ensure collection of samples of the material during unloading. Inspection Agent to preserve samples till the material is received at Plant and the quality of material is finally confirmed/accepted.
-do-	7.	Ensure proper protection of the material at the wharf from the likely pilferage/ damage.
-do-	8.	Ensure timely availability of wagons/trucks for transportation to plant site in order to avoid multiple handling at the Port *i.e.* from wharf to open storage area.

(D) Transportation from Port to Plant site

MM/Kb	1.	Ensure receipt of material at the Plant site as early as possible.
-do-	2.	Inform Quality Control Department for arranging sampling/testing of the material immediately on its receipt at work.
-do-	3.	Inform Consumer Department for making necessary arrangements for unloading the material to be received by rail/ road.

(E) After receipt of material at Plant

CTM (Kb)	1.	Ensure that the quality control department completes quality test immediately on arrival of the consignment and before the material is taken for consumption.
-do-	2.	In case of any discrepancy in the quality of material, Quality Control Department to immediately bring the same to the notice of the consumer department, materials department and to ED to decide further course of action.

Cons. Deptt.	3. Material declared by quality control department, not as per the stipulated quality, should not be consumed till such a decision is taken to this affect.
MM (Kb)	4. Forward details of discrepancies in respect of quality/quantity or any other issue to HO so as to take up the same with the supplier.

APPENDIX V

(*Vide* para 3 of Introduction)

Analysis of action taken by Gavernment on the recommendations contained in the Seventy-first Report of the Committee on Public Undertakings (Seventh Lok Sabha).

I	Total number of recommendations made	25
II	Recommendations that have been accepted by the Government (*Vide* recommendations at S. Nos. 1-13, 15-17, 19, 22 and 25)	19
	Percentage to total	76%
III	Recommendations which the Committee do not desire to pursue in view of Government's reply.	NIL
	Percentage to total	NIL
IV	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations at S. Nos. 20 and 21)	2
	Percentage to total	8%
V	Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendations at S. Nos. 14, 18, 23 and 24)	4
	Percentage to total	16%