

FIRST REPORT
OF
NATIONAL COAL DEVELOPMENT
CORPORATION COMMITTEE

FEBRUARY, 1968

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I N T R O D U C T I O N

1.1 The Government of India Resolution No. C2-8(7) dated 22nd July, 1967 requires us to review the performance of the National Coal Development Corporation Ltd. The Resolution states that there may be scope for improvement matters such as planning, administrative and organisational set-up, staffing, procurement of equipment, control of stores, financial and budgetary control, management-employment relationship and marketing. The Resolution has asked us to identify and assess deficiencies in regard to all these aspects of the working of the National Coal Development Corporation and to suggest remedial action and the improvement that should be made in the policy and organisational set-up of the Corporation. In terms of this Resolution we were required to make our report to Government of India by the 31st October, 1967. A copy of this Resolution is appended as Appendix I.

1.2 Soon after we met and began our work, it became clear that a comprehensive review of the kind expected of us could not be made within the time-limit as stated in the Resolution. The Ministry of Steel, Mines and Metals (Department of Mines and Metals) was accordingly requested to extend the time to the 31st of January, 1968. On a further request the time has now been extended to the 30th April, 1968.

1.3 We began our work by defining its scope. Within the time available to us (including the further extension to 31.1.1968) it would not have been possible to go into

all matters of detail and that only a broad assessment of the more important problems relating to the working of the Corporation could be undertaken. We further considered that our principal task was to locate particular deficiencies and to suggest remedial measures for bringing about an improved working of the Corporation, for setting it on a sound working basis and for strengthening and preparing it for the tasks which it has to undertake in future.

1.4 Our terms of reference also specify that alleged malpractices and financial irregularities need to be looked into. Within the time available, it may not be possible to complete the examination of all such matters which have been brought to our notice. However, we propose to deal with this part of our work in a later report. The question of management-employee relationship and a number of other matters which are not dealt with in this first report, will also be taken up in the subsequent report.

1.5 With a view to ascertaining the points which should receive our attention, we wrote to all the Project Officers and Officers in charge of various collieries from the level of Colliery Manager to the Area General Manager asking them for replies to a specific questionnaire. In addition to the information which was called for from these Project Officers, and from the Project and Area Managers in regard to the plans and performance of the specific projects and collieries in their charge, we also requested

them to make suggestions for improvement of the performance of the particular projects and collieries as well as of the Corporation on the whole. We asked them more particularly to say more concretely, how production could be raised, machinery and plant kept in optimum working conditions and how costs of production could be reduced. In response to our request, several replies have been received. Replies have also been received from other technical staff officers in the field, like the maintenance and civil engineers, to whom the same questionnaire was sent at a subsequent date. A number of officers have made various suggestions for improving the organisational efficiency and performance. A copy of the questionnaire which was sent is attached to this report as Appendix II.

1.6 In addition to a detailed questionnaire which was sent to the Project and Area Managers, we also invited suggestions from the Directors of the Corporation (past and present) as well as from senior officers and heads of departments of the Corporation. In reply, we received a number of suggestions. We held discussions with many of these senior officers and Directors. We have also received statements from and held discussions with some Members of Parliament and also with representatives of unions of N.C.D.C. employees. These suggestions and discussions have helped us in making ourselves familiar with the working of the Corporation.

1.7 We have thus collected a large mass of material which it will take some more time to analyse before we reach

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our final conclusions. In the meantime, we have thought it advisable to make this first report on certain organisational aspects of the Corporation so that urgent attention is given to these problems. We have also briefly referred to certain immediate tasks to which early attention needs to be devoted by the National Coal Development Corporation and the Central Government.

II

SOME HISTORICAL PERSPECTIVE

2.1 when the National Coal Development Corporation was established in 1956, coal was in great short supply. Coal demand was stated to be considerably greater than the overall production of 38.0 million tonnes in 1954-55. Except for some 11 coal mines operated over many years by Railways and from 1952 onwards by Ministry of Production, and producing some 3 million tonnes and the Singareni Collieries of Andhra Pradesh, production of coal was in private hands. Thus, the coal industry was then essentially a private industry. Transport difficulties had aggravated the shortage of coal for several coal-based industries. The Second Five-Year Plan and the subsequent Plans calling for a rapid development of the industrial base of the country's economy, envisaged a very large and rapid increase in the demand of coal. The Industrial Policy Resolution of 1956 had included coal industry in its first Schedule requiring public sector to undertake investment in new productive units. These were the circumstances which led to establishment of National Coal Development Corporation. Its primary task as then envisaged was to work the State Collieries to maximum capacity, open out new mines, specially in outlying areas and thus augment the coal production to the requisite level. Emphasis was given to the starting of new mines and augmentation of productive capacity in the outlying fields of Madhya Pradesh, Orissa and Maharashtra with a view to reducing transport

costs and to smoothening the transport bottleneck.

2.2 A brief glance through the targets of development and production which the NCDC undertook to fulfil during the Second and the Third Plan periods and their comparison with the actual production is sufficient to show that the performance was considerably below the target. At the end of the Second Plan period, the N.C.D.C. was expected to step up its production to 13 million tonnes per year. The actual production during 1960-61 was 8.05 million tonnes. However, during the last quarter of 1960-61, an all out effort was made to step up production without regard to the availability of transport for moving the coal from pit-heads. It would appear that the purpose of this special effort was to demonstrate that the NCDC had in fact built up capacity to produce coal to the level of its target and that it was the railway transport capacity which came in the way of adequate supplies being made to the consumers. The production during this last quarter was reported to be 3.39 million tonnes, equivalent to the annual rate of 13.56 million tonnes.

2.3 In retrospect, this move to demonstrate the production capacity of N.C.D.C. must be regarded as questionable from many points of view. Commercially, it was indeed imprudent to step up production and to accumulate pit-head stocks, with the consequential risks of spontaneous combustion and deterioration.

There is evidence too that in a few cases, local officers attempted, rather unsuccessfully, to over-state the production figures. The sudden spurt in production also involved the danger that quality (particularly in regard to picking of shales, stones etc.) could not have been maintained.

2.4 Nevertheless, the performance during the last quarter of 1960-61 gave an indication that the NCDC was in a position to reach the level of production which was targetted for the Second Plan Programme. One after-effect of this artificial spurt was that immediately afterwards, the production had to be deliberately curtailed in order to clear the large pit-head stocks. On the 1st of April 1961, the pit-head stocks were 1.73 million tonnes which was equivalent to 2½ months' average production for this period. In the immediately following year i.e. 1961-62, the production had to be brought down to 6.05 million tonnes.

2.5 For the Third Five-Year Plan, the target for N.C.D.C. was 31.0 million tonnes out of a total production target for the coal industry of 98.5 million tonnes. This target of 98.5 million tonnes appears to have been arrived at after collecting data as to the likely consumption of the important consumer units and consuming sectors. When these projections were made, coal was in short supply and the shortage of transport had aggravated the situation. It would appear that the consumers and the consuming sectors were prone to exaggerate their needs in the context of these scarcities. The method adopted in making these projections, therefore, tended

to exaggerate the requirements especially as there seems to have been no more than a superficial check on the figures so collected. It has to be stated that the target was accepted by the Ministry and the Planning Commission. Certain projections made at the time of the mid-plan appraisal in 1963 projected the 1965-66 demand at 90 million tonnes while a study made by the World Bank Team published in June 1964 estimated the requirement in 1965-66 at 77 million tonnes. Actual production during 1965-66 was 67.73 million tonnes.

2.6 It was during the Third Plan period that the transport bottleneck progressively widened and by and large for the industry as a whole, it no longer became a restrictive factor in the production and supplies of coal. In actual fact, the total production of coal in 1965-66 i.e. the last year of the Third Five Year Plan, was only 67.73 million tonnes. This large shortfall from the target is accounted for partly by the earlier overestimates of demand and partly by the delays in undertaking and completion of a number of coal consuming projects, especially in steel production and power generation. The policy of increasing dieselisation and electrification of railways, which came to be implemented since 1961-62, on a progressively larger scale, also had the effect of stabilising at a low figure, the demand for coal for locomotive use. In 1965-66, the actual production of the NCDC was 9.61 million tonnes.

2.7 It may be interesting to compare the increase in the production and sales of the NCDC with the corresponding increase in the production and sales for the coal industry as a whole, during the final years of the Second and the Third Five Year Plans. In 1960-61 NCDC's production of coal was 8.05 million tonnes out of a total production of 55.67 million tonnes or 14.5 %. In 1965-66, the total industry-wise production was 67.73 million tonnes and the NCDC's production was 9.61 million tonnes or 14.2 % of the total. While the overall production of the coal industry went up during these five years by 21.6% that of the NCDC had risen by 18.8%. The special steps taken to step up the production during 1960-61 partly account for this slightly lower percentage rise of the production of NCDC. In regard to the despatches from the collieries, the NCDC accounted for 6.10 million tonnes out of the total despatches of 47.78 million tonnes during 1960-61 i.e. 12.8% of the total despatches. In 1965-66 the NCDC despatched 9.47 million tonnes out of the total coal despatches of 60.61 million tonnes i.e. 15.6%. It would thus appear that both in terms of actual production and despatches or sales, the NCDC's performance roughly corresponded with the performance of the entire industry.

2.8 However, when we compare the performance with the Third Plan targets of the Industry as a whole and of the NCDC respectively the story is different. NCDC had embarked on a very large expansion programme during the Third Five-Year Plan and there was a considerable shortfall in the fulfilment.

of the programme. It had incurred a total plan outlay of Rs.93.5 crores in expanding its capacity from 13 million tonnes in 1960-61 to a targetted figure of 31.0 million tonnes in 1965-66. It was also expected at the time that the Fourth Plan would see yet further rise in the demand for coal. It was in these circumstances that the NCDC began during the Second and Third Plan periods, to acquire machinery and manpower and to develop coalmines in various areas and more particularly in the outlying areas of Madhya Pradesh, Orissa and Maharashtra. Some of the difficulties now faced by the NCDC are due to the magnitude of this development and the speed with which it was undertaken. It became clear sometime after the mid-term appraisal of the Third Plan in 1963 that for various reasons, the NCDC's production capacity at the end of the Third Five-Year Plan would not be more than 22 or 23 million tonnes. The Corporation had brought this matter to the attention of the Government. By then, it was also known that the demand was not growing as fast as expected; but both the Corporation and the Government then thought it to be a temporary phase. The very next year i.e. 1964, when the demand continued to show a very slow rise, the NCDC found it necessary to review the development programmes and to suspend and defer several projects which it had undertaken, specially for non-coking coal and in the outlying areas. In as many as 7 locations, further work was abandoned after incurring

an expenditure of about Rs.4.5 crores mainly on buildings and townships as well as development of collieries.

The production and sales since 1965-66 have not been materially larger than those during that year; the figures for 1966-67 and for 8 months of 1967-68 are as follows:

	1966-67 -----	8 months of <u>1967-68</u>
	(in million tonnes)	
Production	9.39	6.60
Sales (Despatches)	9.12	6.36

Consequently, large and expensive projects which the Corporation had undertaken with a view to achieving the expected high target of coal demand have led to investment and acquisition of capital assets and man-power which are not presently needed for the current level of production.

2.9 A large and growing Organisation had been built up with some speed over a number of years in anticipation of a rapidly growing demand for production. As stated in the last paragraph, this process of growth continued till early 1964. Since 1964, several measures came to be taken for re-adjustments in the organisation and retrenchment of personnel. In the process, several weaknesses which had not received adequate attention during the period of rapid growth and the subsequent phase of retrenchment, came to the surface and new stresses and strains also appeared as a result of readjustment. These affected all aspects of working of the Corporation.

2.10 As a public sector unit, one particular feature of the NCDC that deserves to be kept in mind is that, unlike many other public sector industries, the NCDC meets only a part, approximately 15% of total demand for its products. The rest of the supplies come from the private sector (with the exception of Singareni Collieries which produce about 4 million tonnes of coal). The competition in the production and supply of coal is particularly keen, because as many as 800 different units are engaged in this industry. A large number of them (or as many as 523) are small units producing small quantities of coal not exceeding 5,000 tonnes each per month. It is believed that besides the NCDC and Singareni Collieries there are only some 15 or 16 important companies which mainly contribute to the production of coal, coking and non-coking. In respect of non-coking coal in particular, the NCDC had undertaken expensive development in virgin and isolated areas of Madhya Pradesh and Maharashtra. On the other hand, the competing collieries in the private sector, which had been working their mines for long years, found it easy and economical to step up their production in a relatively shorter time and without a large addition to the investment, by resorting to more intensive work in the mines, including permissible depillaring. The private sector was expected to raise its production from about 45 million tonnes in 1960-61 to 61.7 million tonnes in 1965-66. Its actual performance

was 54.1 million tonnes. As the overall demand had not risen as expected, a fierce competition emerged and NCDC as a relative new-comer into the field had difficulties in expanding its sales and production above the levels that it reached. It may, however, be stated, as mentioned to us by several knowledgeable persons, that there has not been any significant new investment in the private sector in recent years, except for some three or four units.

2.11 when the present industrial recession is overcome and the economy of the country resumes its upward course towards rapid development especially in steel, engineering and the thermal power generation, the demand for coal would rise. While for some more years to come the private sector of the industry would continue to meet the rising demand, it is more likely that thereafter, and provided the economy picks up at the rate which is essential for our industrial growth, the NCDC could easily become the mainstay for meeting the increased fuel demand in the country. The more immediate problem before the NCDC, however, is to build up its sales in a competitive market. This will require measures for a continuous survey of its markets, long-term agreements with known bulk purchasers, quality control to build up its reputation as a reliable supplier and aggressive salesmanship. It should seek to maximise its production, particularly from those collieries which can be run more economically and which have certain freight advantages in supplies to particular customers. Equally, from the long term point of view it is

important that the Corporation should take advantage of the present recessionary trend and of a lower growth in demand to put its house in order, remove its organisational and other weaknesses, economise on methods of production, make itself increasingly competitive with the private sector industry and set itself on a sound footing to meet the greater challenges which it would have to face during the years to come.

2.12 It is with a view to assisting the Corporation to streamline its structure and its methods of work and to draw its attention to the immediate tasks which need to be taken up to strengthen itself to meet the challenge of the future that this first Report is prepared and placed before the Government of India.

III

IMMEDIATE TASKS BEFORE THE N.C.D.C.

3.1 In an earlier paragraph, we have referred to the weaknesses which developed in the working of the N.C.D.C. during the period of its rapid growth. We also stated that these weaknesses and deficiencies came to surface when after 1964 the N.C.D.C. was required to reduce its rate of development and to undertake measures to suspend some of the developmental projects. Measures were also taken since 1964-65 to reduce some of its personnel and to dispose of some of the plant and machinery. These two phases of work of N.C.D.C. were followed during 1966-67 and 1967-68 when the post of the Managing Director was either vacant or was held by a person, otherwise distinguished in the field of mining engineering, but who was required to devote part of his attention to another large public sector project. The weaknesses and the deficiencies, referred to, remained unresolved throughout this period. Indeed many of them were aggravated, partly because they had not received requisite attention over a long period of years. Amongst these, the lack of teamwork and a tendency that had developed of different departments working in their own ways may be mentioned as major organisational defects. Absence of whole-time

leadership in management, therefore, resulted in a virtual crisis in management. It is not our intention in this first Report to deal with these matters in detail or to attribute responsibility for these weaknesses and deficiencies, but to briefly enumerate the various tasks which the Corporation should urgently take up with a view to placing its working on a sound footing.

3.2 Further, a recent change in trading conditions of coal, which has considerable impact on the working of the Corporation is the withdrawal of statutory control on prices and distribution of coal on 22.7.1967. It has to be noted that the coal trade and the consumers, no less than the coal producers, have been accustomed to conditions of control over a period of as long as 25 years. A generation of trade practices and procedures had developed during this period which were in tune with conditions of control. A reversion to decontrol and to the competitive market conditions has, therefore, added a new dimension to the work of the Corporation. As stated earlier in the Report, the M.C.D.C. is perhaps the only major public sector undertaking which encounters a great deal of competition for its market with the private sector. The removal of control on price and distribution means for the M.C.D.C., taking of special additional steps to canvass its sales. The sales procedure which

rigid or adjusted to the various control measures, has now to be made more flexible. The decontrol should also bring certain competitive advantages to the Corporation. We have been told that during the period of control, when the supply was in excess of the demand, private sector often resorted to measures like secret rebates and discounts, sometimes even in violation of the control regulations. With decontrol such rebates and discounts could be openly given and the N.C.D.C. could also resort to the same price flexibilities as the private sector of the industry in canvassing its market. A second important consequence of the decontrol is that hereafter the competition would not only be in terms of price but also in terms of quality and service. In these respects NCDC as a public sector organisation should be able to organise itself to play its part.

3.3 The tasks which require the immediate attention of the NCDC and the Government of India in several aspects of its working may now be summarised below:

(1) Sales - The most important problem facing the NCDC is to re-organise its sales office and the sales procedure. The directions in which this task should be undertaken are specified below:

(a) The Corporation should undertake a survey of the market, current and prospective. It appears that the NCDC has not undertaken any comprehensive

survey of its market. In undertaking developmental projects it has relied on the targets and the general demand trend as indicated to it by the Ministry or the Planning Commission. The NCDC, as a trading organisation should know its market. It should itself assume responsibilities for making comprehensive studies for this purpose. For such studies to be meaningful for sales promotion, there should be a separate market study for each mine or at the minimum, for each area of production. Coal being a bulky material, a large part of its cost to the consumer is the railway freight or other transport expenses. Therefore, for each mine there is a natural and economic area of marketability for its production; it should be possible for the NCDC to identify the particular areas in which each of its mines has this market potential and competitive advantage and to locate its principal customers in these areas.

(b) It should then establish close contacts with its principal prospective customers as determined above, both in private and public sectors and enter on an intensive canvassing effort for its sales. Emphasis is sometimes placed on reaching long term contracts with them. It would be possible to enter into such contracts, provided the customers are convinced that in price and quality and in service, as well as in guaranteed supply, NCDC would be a better supplier.

Steps should therefore be taken by the NCDC to gain the confidence of the consumers in these directions. Normally, it is to be expected that the public sector units, belonging to the State and the Central Governments would obtain their supplies from the N.C.D.C. Suggestions have been placed before us that the Government should direct such units to obtain coal supplies from the N.C.D.C. We appreciate that such a measure would be consistent with the commercial practice, by which Companies managed by the same managing agents or otherwise linked often obtain their supplies from the sister companies, provided prices and conditions of supply are competitive. However, we do not suggest the issue of such a directive to public sector units. In any case, issue of such a directive to State Government Units may not be feasible and the major public sector units in the Central Sector, like Railways and Steel Plants etc, we believe, already obtaining as large a part of these supplies as feasible from the N.C.D.C. A directive of the kind suggested has, therefore, a limited value. Moreover, we consider that the N.C.D.C. should be able to canvass its sales on the basis of its performance rather than by the support of a Government directive.

(c) To gain the confidence of its consumers the Corporation could guarantee the quantity of supplies to the customer. In this respect the Corporation can

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certain advantages which it should fully bring into play. If for some temporary reason the particular colliery from which supplies would normally flow to the consumer, is unable to maintain or develop production, the NCDC should, even at some temporary loss, make supplies available to the consumer from another of its collieries, thereby gaining the confidence of the consumer as to the continuity of supplies. Correspondingly it would be legitimate to expect from the consumer guaranteed minimum offtake at regular intervals from the NCDC at the agreed price. These guarantees would enable the NCDC to organise its production and to arrange despatches on a more regular basis.

(d) Rigid adherence to quality is important. As a public sector undertaking it should lay down standards of quality and rigidly enforce them. A serious note should be taken of any lapses in this respect by any of its officials. At several places, we noted that the Corporation has a mechanical screening plant, which, in fact, should enable it to provide far better satisfaction to the consumer in regard to quality of its coal as compared to many private sector collieries. There is no reason why the Corporation should not even seek to compensate itself with slightly higher prices for the higher standard, which it can and should maintain in regard

to low admixture, consistency in sizes etc. Under conditions of decontrol, current methods of grading coal and specifying sizes and admixture may need to be altered. Equally, price differentials as between different grades and as between steam and slack may also have to be altered, in order to suit the production programmes and consumer markets.

(c) The consumer satisfaction in regard to quality being important, the NCDC should also consider making arrangements for a system of independent inspection at the time of loading of coal. In respect of large and important consumers, even at the destination it could arrange for surprise checks to ensure that no supplies are made which are different from the standard specified.

(f) Another important measure which should be taken to gain the confidence of the consumer is to ensure that complaints made by the consumer in regard to quality or grade are quickly attended to. There should be a time-limit within which the complaints are investigated and settled. A procedure should be laid down for this purpose and staff earmarked who should be in touch with both the sales office and producing collieries. Where the complaint is found to be valid, the Corporation should not hesitate to give the necessary recompense. Where it is found to be frivolous, it should finally reject the complaint.

It is by maintaining high standards in regard to quality, regularity of supply and prompt disposal of complaints that the NCDC should seek to increase its share of the market.

(g) In regard to prices, the basic premise is that for the quality of supplies offered, the price should be competitive. There is no reason why consumers should require, as some public sector consumers do at present, that the price should be related to NCDC's cost of production. They should be primarily interested in getting their supplies at prices somewhat lower than the costs they would otherwise incur on supplies from other alternative sources. If such prices give more than moderate profit to NCDC, there is no reason why it should not make that profit. The NCDC should also exploit its special position as a large producer. The prices charged should be flexible and should differ with quality. Special inducements should be provided for payments made within a specific period of the receipt of bills. Reduction and rebate could be provided to large consumers who guarantee minimum offtake at an agreed pre-determined price, such reduction and rebates being applicable to sales in excess of the guaranteed offtake. It could even devise a sliding scale of prices for such large consumers as power-houses. After-sale service should be established to assist these and other consumers

with some of their problems in the use of coal. For this purpose the NCDC should explore the possibility of starting coal utilisation cells and/or fuel efficiency cells, as part of its sales promotion programme.

(h) The NCDC should not remain content with enjoying its legitimate share in the existing market. As a public sector enterprise it should assume special responsibility for developing expanding markets particularly in the rural areas for its products, where necessary with the help of trade.

(i) Considerable discussions have taken place in recent months as to whether or not the NCDC should employ the services of middlemen in marketing its products. In particular, it has been often alleged to be wrong to engage the services of middlemen for supplies made to other public sector enterprises. In actual fact supplies to the Railways and to the Steel Plants are made without the middlemen. It is only in regard to other public sector agencies, principally the power houses, that the sales to these agencies are made through middlemen. We do not wish to take any theoretical view on this subject. We agree that as far as possible, sales to public sector enterprises and in fact even to large private sector enterprises should be made direct and not through the middlemen. However, we see no

reason why the NCDC should not also seek to develop its market fully with the assistance of those marketing agencies which already have a considerable sales organisation around the country. From this point of view and more especially to develop new markets we consider that the NCDC should explore the possibility of appointing such middlemen as their agents for sales in particular areas. Such middlemen have to be chosen carefully not only on the basis of their financial standing but also on the basis of the organisation that they possess for the promotion of sales and for the expansion of market in particular areas. Their remuneration could be paid on the basis of performance. Their functions and liabilities should be precisely defined and enforced. What has been wrong in the present sales procedure through middlemen is not that they are employed for obtaining business from public sector enterprises, but that their functions and liabilities are not clearly defined, except by what goes in the name of trade practices. Further, timely action has not been taken to recover the bills for supplies made to some of them for the fear that markets for particular qualities of coal would be lost. In both these respects, the position can hardly be regarded as satisfactory.

(j) It is also important that the sales organisation remains in touch with the producing areas. We have

noted that there is a tendency at times for the sales offices to blame the producing areas for inadequate attention to quality and for irregular supplies. On the other hand, the producing areas have complained that sales have been inadequate or that adequate and timely arrangements are not made for the sale of slack or low grade coal and their accumulations of these grades of coal at pit-heads in turn have considerable impact on the flow of production. Sales and production are indeed closely connected activities. It is, therefore, essential that the sale and production agencies should remain in constant mutual touch. Currently coordination is provided only by a monthly or periodical meeting of Area Managers in Ranchi. What is important is that there should be effective and meaningful liaison at the lower levels as well. The suggestions made earlier for instituting an inspection and complaints procedure should provide one opportunity for bringing together these two agencies at the working level. In important areas, it may be even necessary to appoint at the Area level, a whole-time representative of the Sales Department to assist in bringing about the necessary coordination.

(k) Lastly, we have noted that the procedure of billing for sales needs to be speeded up. Currently, bills prepared for all despatches are sent each fortnight to the sales offices and the sales accounts

office in Calcutta within five days after the close of the fortnight. For sales made to middle men, the bills are sent to the sales office, whereas those made without the agency of the middlemen are sent to the sales accounts office. These offices then scrutinise the bills and forward them to the payees. The credit period is counted from the date of actual receipt of the bills by the payees. It has been found that this actual despatch of bills to payees has been inordinately delayed in several cases. We do not see why the bills should not be prepared even daily, and for each consignment, or why they could not be sent direct by the despatching collieries or their Area Accounts Offices, to the consignees direct instead of being routed through Calcutta offices. A system of a separate bill for each consignment has this merit that, should there be any complaint or dispute as to one particular consignment, the customer would not be in a position to delay payments in regard to other consignments and thus derive adventitious benefit. Copies of bills could be sent to Calcutta offices to enable them to watch the recoveries. It has been mentioned to us that one reason for the present procedure is to enable the Calcutta offices to check the bills before they reach the consignees. We do not understand why such an additional check should be necessary. If the sales orders clearly specify the quality and price,

the colliery offices or at best Area Accounts Offices should be able to exercise all the checks necessary before the bills are despatched to the consignee. In the present system the consignees including the middlemen, get an unintended advantage of an extended period of credit. The M.C.D.C. as a trading organisation having to borrow its working capital cannot afford to lose time in billing or in the recovery of the bills or to forego interest on overdue bills, as has been done so far. The M.C.D.C. should also ensure (a) that any cases of delay in the despatch of bills to consignees are fully investigated and necessary disciplinary action taken in regard to the delay and (b) that interest is charged on any payments delayed till after the usual credit period.

(2) Transport - In regard to transport we would like to mention only two or three matters at this stage.

(i) There are widespread complaints from the colliery offices that the supply of wagons is less than the indent and that the supply is irregular. These are borne out by statements of wagons indented, wagons allotted and wagons received, as furnished by a number of collieries. The Railway officials with whom we discussed the matter have, however, told us that there is no shortage of wagons. They have produced evidence of certain collieries not having

been able to load all the wagons supplied. These being matters of detail, which we have not yet examined, we do not wish to express a definite view. What has struck us, however, is that the existing procedure for allotment of wagons and of actual supplies is somewhat rigid and over-centralised. Some of the procedures and restrictions might have been correct when coal was subject to distribution control and also when there was an overall shortage of wagons. Some simplification in them should be possible, without necessarily reducing the requisite degree of efficiency in the use of rolling stock. We would request the railway agencies to re-examine these procedures.

(ii) Our study has shown that even after the allotment of wagons is made, their arrivals at the collieries are irregular. In theory, wagon allotment is notified to the pilot in time for the supply being made to particular collieries. If the pilot is notified at 3 O'clock and if the wagons as notified are readily available at the Depot station, it should be possible for the wagons to arrive at the colliery not later than mid-day. There are frequent instances, however, where the actual arrival of wagons is much later in the day and our investigations show that often the allotment includes wagons which are not readily available at the Depot station at the specified time. In making the

allotment the allotting authorities in fact also allot wagons which are expected to arrive at the Depot station during the next few hours on the day of loading. When these do not come in time the pilot cannot marshal them and take them to the colliery in proper time. We consider that with a little readjustment of the allotment procedure and better supervision of pilot operations, it should be possible for the railways to ensure that there is regularity in the supply of wagons and punctuality in their arrival at the colliery. This is a matter of great importance for the collieries as once they know that the time at which wagons are to be expected, the production and loading could be arranged to fit in with the supply of wagons. The N.C.D.C. would thereby avoid additional expenses of bunkering and of overtime and idle labour which they otherwise have to incur because of the vagaries of supply of wagons. If the N.C.D.C. is able to reduce its costs in this manner, it will be able to offer better competition, by passing a part of its savings to the consumers.

(iii) Besides this, it seems necessary that there should be an arrangement for adequate liaison at various levels between the Railways and the N.C.D.C. In some areas this liaison may take the form of special officers appointed to deal with day-to-day problems of the colliery and the Railways. The headquarters office and the Sales Department of

N.C.D.C. in Calcutta, moreover, should be in close contact with the offices of the two Railway systems namely the Eastern and the Southeastern Railways which are the predominant carriers of coal. In addition, Area offices should be in close touch with Divisional offices of the Railways so as to obtain better liaison at the operating levels.

(3) Production Planning: Sales and transport facilities are the major determinants in the planning of production. These three aspects are closely inter-related. Coal cannot be allowed to be held at pit-heads without risk of fire due to spontaneous heating and deterioration in quality. Pithead stocks involve double handling which also means extra costs. So production has to be coordinated with despatches and sales. At present, coordination in these activities is achieved at periodical meetings between A.G.Ms. and the headquarters officers. We consider that a systematic approach to planning of production will help to resolve many of the present difficulties.

For this purpose, what is necessary is for each mine, realistic cost data, data regarding potential markets and sale possibilities and data as to its production potential.

The cost data should reflect the actual expenditure incurred on production at each colliery

and should be presented in two parts, one relating to direct costs which vary with production, and another overhead and fixed costs. The cost data should also be capable of distinguishing the costs which are within the control of the local managers and those elements over which they have no control. Such a presentation may bring about greater cost consciousness than what obtains at present, amongst the local managers and thereby induce them to take those measures which are within their powers to economise on costs which are within their control. Such measures would include not only better deployment of labour but also economies in consumption of stores and spare parts and obtaining maximum service from its capital plants. It is the duty of the local managers, (A.C.Ms., D.S.C.C. and Colliery Officers) to be constantly on the look-out for effecting economies in the unit cost of production and the costing data should be fully utilised for this purpose.

The M.C.D.C. has a small cell of Industrial Engineers to study matters relating to productivity and thereby to suggest economies in unit cost of production. There should be a regular cadre of Engineers fully trained in industrial engineering whose services should be available to each of the Area Offices and these should be fully and freely

utilized to bring about higher productivity and lower economic costs.

One defect in the present cost system is that there is no reconciliation between the financial accounts and the costs as shown. This lacuna reduces the value of cost data as an instrument for control of costs. It is understood that the main difficulty in this respect is that even store accounts are not up-to-date and frequently correct values are not shown in respect of stores utilised in production. It is necessary that these defects should be removed as early as possible.

In planning production full use should be made of cost data. Profits of N.C.D.C. are the aggregate of the profits made from the production in each colliery. Therefore, larger sales and larger production from those collieries which give a larger margin between the selling price and the cost of production should improve the financial position of the N.C.D.C. The sales efforts and production efforts should, therefore, be concentrated on those collieries which give such larger margins. Where margins are smaller and yet the prices realisable are sufficient to meet both the direct and the variable costs, again attempts should be to maximise sales and production so as to improve overall profitability. In a competitive market prices may sometimes have to

be fixed in a way that they do not cover all the costs. Nevertheless, it is important to keep the production going. So long as the prices are in excess of the variable costs, the resulting margin should, with greater sales, reduce the losses incurred in respect of fixed costs. Here again is a further category of cases where efforts should be made to increase sales and production. If there are any collieries where the freight disadvantage to the W.C.D.C. as compared to supplies from other sources is very large or where even the variable costs cannot be covered in the realisable price, the W.C.D.C. may even consider suspending production from such collieries, and keeping them on care and maintenance basis or even abandoning them. Continued production from such collieries would mean larger losses and these would greatly affect the overall trading position of the W.C.D.C.

These are some of the major points which need to be taken into account in planning and production from each colliery and each area. Once it is decided to step up production from particular collieries and the sales are in sight, all reasonable assistance by way of stores and spare parts, should become available to them to ensure maximum production. It should be the effort of all concerned to meet the needs of these collieries promptly and adequately.

The work of the various connected officers should be judged on the basis of the extent to which they facilitate the achievement of the production plan.

If adequate informative data is collected at the headquarters of the N.C.D.C., it should be possible to draw up a plan of production each year which would give the optimum trading position. There should then be periodic reviews. The plans should be finalised after discussions with officers in the field. The areas and the collieries and the sales office should be required to make maximum effort to adhere to them. The performance of individual officers could be judged by means of periodic reviews and progress reports.

(4) Store and Purchase: One important point pointedly brought to our notice is the inadequate and irregular supply of stores and spare parts of machinery essential for maintenance of production. At all the local offices which we have visited complaints were made of the delays in the supply of spare parts, the dilatoriness of central purchase procedure, inadequacy of stores and spare parts and the consequent break down of earthmoving equipment as well as underground mechanical equipment. It would appear that while the N.C.D.C. undertook a large programme of mechanised mining, the ancillary services which could make such mechanised mining give the results expected, do not seem to have

received proper attention. A large number of makes and types of machines purchased from different countries - and often even from the same country - has added to the difficulties of their maintenance and of provision - ing of spare parts. In many instances we saw a large number of dumpers and other cartmoving machinery out of commission. Obviously the entire procedure of indenting, procurement and supplies of stores and spares requires to be reviewed and streamlined. In this respect we recommend that the post of Controller of Stores and Controller of Purchase be combined. It should be the responsibility of the Controller of Stores and Purchase to ensure adequate stocks at its regional stores. It should also be his responsibility to see that collieries are not overstocking nor are they deficient in essential stores. A system of timely indenting should be introduced and the purchase procedure simplified with a view to getting maximum supplies within minimum time. A large number of rates contract which have been made should help in ensuring quicker supplies. However, some collieries have complained that relying on single rate contract supplier has sometimes led to difficulties. It should be possible to arrange rate contracts with more than one supplier to the maximum extent possible in order to obviate these difficulties. Shortage of foreign exchange has been one of the

reasons for the inadequate supply of spare parts.. There are proposals for indigenous manufacture of a large number of spare parts. There is, however, no systematic arrangement for this purpose. The two Central Workshops should be brought to higher level of production especially of those stores and spare parts which are constantly in demand by collieries. These possibilities do not seem to have received the attention they deserve. The M.C.D.C. should draw up a systematic programme for the fuller utilisation of this manufacturing and repairing capacity which it has at its command. We hope to deal with these matters in greater detail in our subsequent report. Here we refer to the problem as one requiring taking of urgent measures which would ensure smooth flow of supplies of plant, equipment, stores and spare parts, specially to those collieries, where, under the production plan, production is to be stepped up.

(5) Accounting - Reference has already been made about the inadequacies of store accounts. In all the areas that we visited store valuation accounts were not updated. This lacuna has also been brought to our notice by the commercial auditors of the Corporation. It is the delay in the accounts of store valuations that comes in the way of there being a monthly reconciliation of cost accounts with financial accounts. This lacuna is also believed

to be responsible for large quantities of stores exhibited in the annual Balance Sheet, as "stores in transit". Without proper store accounts, it has not been possible to present monthly or periodical financial statements to the management. It is essential that definite steps are taken without delay to improve this state of affairs. Store accounts are essential if the costs sheets are to present a realistic picture. Owing to the long delay that has taken place, it may be worthwhile now to isolate past store transactions and seek to reconcile them separately by instituting arrears sections. The Accounts Offices should be suitably strengthened if necessary, by readjustment of staff between different departments, so that they bring the store accounts up to date as from some pre-determined date. If this is done, it should be possible to provide not only a monthly reconciliation of the costs and the financial accounts but also to present a monthly balance sheet for each area and each accounting unit to the management. Currently accounts are only reconciled for the whole financial year i.e. for a period of 12 months and the accounts date is available to the management long after the conclusion of the financial year. If the accounts are to play an effective part as an aid to sound management, the date being available only for 12 months and then

again lost after the events are not very useful for this purpose.

Another recommendation that the Committee would like to make is that each area accounts office should be a complete accounting unit by itself. At present the Area Accounts Office operates on an imprest account. As the transactions are large, the use of imprest accounts system for the accounting does not appear to be appropriate. We have consulted the commercial auditors of the Corporation and also the statutory audit authorities. We see no reason why the area accounts office should not be relied upon to produce complete accounts for the area, monthly, quarterly and annually. The coordination at the headquarters could then be of all these complete accounts.

One other deficiency relating to the accounts organisation which should be quickly attended to, is the inadequacy of the internal audit system. The internal audit section itself is too small for a large organisation like N.C.D.C. The staff requires to be strengthened both in number and in quality. The tasks of internal audit should not be limited, as hithertofore, to verification of payments with sanctions and to the formal or regulatory auditing to watch that the rules and regulations are being followed in sanctioning each payment. It should be given

specific problems for study. It should also be able to locate any waste or loophole which need to be attended to. In recent months such work has been undertaken in certain fields and the scrutiny of the Internal Audit staff has pointed to several important areas for management action, for economies and for toning up the administration. With decentralisation of accounts it would be all the more necessary to employ internal auditors for these higher audit functions. While the accounts are decentralised and become parts of the Area General Managers' offices, the internal audit should be independent of the area offices and should be directly responsible to management at the headquarters.

(6) Problems of Administration and Organisation -

It is not proposed to deal with these problems in all their aspects in this Report. The major and most urgent problem in our view is to restructure the top management, to strengthen it, providing for continuity of effective control, supervision, and decision making process at the headquarters level. Our comments on this problem and our recommendations in this behalf are contained in subsequent Chapters of this report. Here, we propose to record certain matters to which, in our view, the management should devote its early attention. In many areas we came across a number of competent personnel at the middle and the

intermediate levels of management. Many of them complain of too much paper work and rigidity of procedure which, in their views, could be avoided. The immediate tasks, however, in this respect are to improve the state of discipline and to bring about cohesion between the different offices of the Corporation. We have come across cases in which orders issued by the Board of Directors have not been implemented nor was adequate action taken to get them changed. We have also come across cases in which orders issued by the headquarters at Ranchi have not been given effect to. There is tendency more particularly at the headquarters office, to take a departmental view instead of considering each matter from overall point of view. This trend seems to have been promoted by the unfortunate system which came into vogue in early years of the Corporation when, for each major activity, there was a separate departmental head responsible only to the Managing Director, and having separate officers of his own in the field, not subject to the discipline of the local decision-making authority. This system has also resulted in over-staffing. What is worse is that it has promoted narrow departmental attitudes. A great deal of effort is now spent in trying to justify particular lines of approach or arguments instead of reaching, by discussions and consultations, practical working solutions to the

problems in hand. If the Corporation's working is to be placed on a sound footing, it is necessary to bring about a decisive change in this attitude and to take concrete and conscious steps to promote team work at various levels. Equally, the administrative procedures should provide for incentives for good performance and quick and speedy despatch in respect of leases. All these changes and improvements could be brought about only by strengthening the top management and by defining duties and functions of each official. It has been brought to our notice that there have been no clear definition of functions of each officer. Much is left to be inferred from the position he holds and the directions he gets from officials at higher levels.

(7) General - The various deficiencies and lacunae that we have referred to above are not exhaustive. But these are matters which, in our view, require immediate attention of the top management and in some cases, of the Central Government. Some of the weaknesses referred to above crept into the organisation because of lack of leadership and lack of continuity in the appointments of the various top posts. The task asked of us is to locate deficiencies and to suggest remedial action. By pointing out these weaknesses, we do not wish to imply that everything is wrong with the B.C.D.C. That would not be a correct and a balanced view. The Corporation has certainly built a large

production potential for the large market for coal as was expected in the Second and Third Plans. It has also become, by now, a price stabiliser for one of the elementary raw materials for industry. It has taken up projects of development which, in years to come and with proper management, will make significant contribution to meet the national needs. It has brought together a large number of competent technical personnel at the middle level who, with necessary direction and guidance, have the capacities to discharge their task loyally and competently. Some of them have acquired experience and training in methods and techniques which have not been commonly practised in this country. These add to the assets of the country for future development. These and many others are important gains which should be preserved. The suggestions made in this report will, in our view, go a long way in achieving these objectives.

STRUCTURE OF MANAGEMENT - BOARD OF DIRECTORS.

4.1 The National Coal Development Corporation Ltd. was incorporated under the Indian Companies Act. The Corporation having been given this company form of management, all its functions and powers vest in the Board of Directors. Being the wholly owned concern of the Government of India, its entire capital investment is met from the public revenue. The Directors themselves are nominated by the Government of India. For the first two years the Chairman of the Board of Directors was the Minister in charge of the Ministry of Production and later the Secretary of the Ministry. This continued till 7.9.1959 when the N.C.D.C. had a non-official Chairman. From the list of the Directors who were nominated, it would appear that with just one or two exceptions, they were Government officers from Ministries whose assistance was needed for the development of public sector production of coal. Thus the first Board of Directors had representatives of the Ministry of Iron & Steel, Ministry of Finance, Ministry of Railways and one non-official Director. While many changes had been made subsequently in the composition of the Board, it continued, in the main, to comprise of senior officers who represented certain Government departments and certain Government institutions.

4.2 This system of nominating a Board comprised mainly of officials of interested Ministries and organisations has two significant effects. Firstly, when the particular officer

who represents an organisation is transferred, his place is taken by his successor. In certain departments transfers are frequent and so this system results in a frequent change in personnel and a break in continuity. Secondly, the system also results in many of the Directors taking only a limited interest in the work of the Corporation. A number of Directors who have met us and discussed with us the way in which the Board of Directors of the Corporation has functioned have quite plainly told us that they were primarily concerned with the particular aspect of Corporation's work which impinged on the working of their own Ministries and organisations. On matters which were not directly connected with their particular interests, the Directors frequently displayed an uncritical and passive attitude. Moreover, if proposals made by the Managing Director had implicit or explicit support from the Ministry, the Board of Directors could not play an effective part in considering them. It may not be an exaggeration to say that in this way the Board of Directors of the N.C.D.C. has been functioning at the very best, like an inter-departmental committee. Many of the officials nominated to the Board are far too pre-occupied with their work and few of them, if any, have the time to devote themselves adequately to the affairs of the Corporation. It is significant that out of as many as 93 meetings of the Board of Directors held during 1956-57 to 1966-67 (inclusive) as many as 61 were held in New

Delhi and 7 in Calcutta, presumably to suit the convenience of several Directors. The numbers held in Ranchi and certain colliery areas were 23. Many Directors, past and present, have told us that frequently they were required to deal with a voluminous mass of papers, without adequate notice in a short period of a few hours, and hence they have had no time to go into matters of detail. We have glanced through the proceedings of some of the meetings of the Board and its agenda papers, which lend confirmation to these views.

4.3 The effective powers of management rested with the Managing Director, to whom all the powers of the Board have been delegated, with certain exceptions. Powers retained by the Board of Directors are appended as Annexure III. We do not object to these delegations as they facilitate day-to-day management. In fact, later we suggest that the present delegations should continue. But the delegation of powers does not mean virtual abdication of authority. The Managing Director has the right to receive guidance in the working of the Corporation from the Board of Directors and the Board of Directors, as the authority responsible for the sound working of the Corporation, has the right to keep itself fully informed, to intervene, where such intervention is necessary and generally to exercise its authority.

4.4 As stated earlier, even in these matters which required to be approved by the Board, in many cases, the Board allowed itself to be influenced in its judgement by the views of the Managing Director, especially when these also found the support

of the Ministry of Steel, Mines and Metals or its representative. If the Board had been vigilant and seriously concerned, as it should be, with the commercial and production aspect of the Corporation's work, it would not have allowed the Corporation to rush into what turned out to be an imprudent decision to secure maximum production in January-March 1961, irrespective of transport availability, merely to demonstrate its productive capacity. We find that such important matters, as large losses involved by fires or other causes, are not brought to the Board of Directors for the write-off of losses or for other action. There seems to be no regular procedure too for bringing to the Board a record of action taken in implementation of its earlier decisions. In the circumstances, it is also not surprising that officers and other employees, including trade unions, not satisfied with the decisions of the Corporation, have frequently sought to bring pressure to bear on it through the Government and the Ministry. Instances have also come to notice when the Ministry regarded the Corporation as one of its subordinate offices rather than an autonomous Company. Our conclusion is that while the formal and legal powers of business of the Corporation vested in its Board, the effective power was in the Ministry of Mines and Metals and the Managing Director, even in such day-to-day matters on which the Corporation should have relative freedom of action.

4.5 We consider that these arrangements should be changed and that the balance of power should be restored as between the Board, Managing Director and the Government. For this purpose, it is necessary to define in as precise terms as possible, matters which need to be looked into and controlled from Delhi and the matters in which the Board should have an effective and final voice. It would be necessary to define the responsibilities attaching to the Members of the Board and to reconsider its composition so that it could function more effectively. Further, it would be necessary to consider and evolve procedures which would enable the Government and the Board of Directors to exercise such control and supervision on the work of the Corporation as is required in fulfilment of their respective obligations, leaving a large part of the day-to-day work to the Managing Director and his team of top officials.

RELATIONSHIP BETWEEN THE CORPORATION
AND THE CENTRAL GOVERNMENT.

5.1 We have, thus, arrived at the conclusion that the Board of Directors of the Corporation, although formally and legally empowered to exercise all the powers of management, administration and policy decisions, has in fact not functioned effectively. General scrutiny of the minutes and agenda papers of the Board has indicated that many of the matters coming before it have been dealt with in a formal way. From the very beginning the Board was furnished with a quarterly report by the Financial Controller. It is interesting to find that for some time before 1967, this report was discontinued. If the Board wished to keep a watchful eye on the working of the Corporation, it would not only have insisted on furnishing of this and other reports but also on certain progress data regarding projects, cash position, accounts etc. which it should ordinarily need in order to carry out its functions. The reasons why the Board has not been an effective instrument in carrying out its functions have already been mentioned. Attention has already been drawn to the fact that the officials, the employees, the suppliers of stores and equipment and purchasers of coal have, when not satisfied with the decisions of the Managing Director, often sought to obtain the intervention of the Ministry and the Central Government. For the proper functioning of the Corporation it is necessary that the effective authority should vest in a

properly constituted Board of Directors which is formally vested with these powers. The present picture of weak Board of Directors with powers delegated to the Managing Director who receives guidance more from the Ministry than from the Board should be altered.

5.2 The Committee has read with interest the suggestions made by the Administrative Reforms Commission for the establishment, by statute, of sector corporations for each industry. The establishment of such sector corporations could inter alia undertake functions of co-ordination and detailed control on each industrial unit - functions which at present devolve on the Ministries. In regard to the N.C.D.C., the Commission has recommended that there should be a sector Corporation for the N.C.D.C. and the Neyveli Lignite Corporation. We feel that each of these two concerns having capital assets of well over Rs.150 crores, might prove to be too large to be brought under one Sector Corporation. Moreover, while the functions of the N.C.D.C. comprise mining of coal and the operation of coal washeries, the N.L.C. deals with not only the mining of lignite, but also its use for power generation and running of a large fertiliser plant. The dissimilarity of functions of the two Corporations casts doubt as to the suitability of their being brought under one Sector Corporation.

5.3 One obvious advantage of statutory sector Corporation is that the functions and responsibilities of the

Ministries and the corporations respectively would then come to be defined by Statute. There is less chance then of dilution of the autonomy of the corporations. However, the establishment of such corporations involves a time-consuming process of legislation. In our view, it should be possible to gain the objective of ensuring autonomous functioning of industrial units by finding a solution within the present frame-work of the establishment of public sector companies under the Indian Companies Act.

5.4 The precise method which we would suggest is that there should be a clear statement made of the main areas of responsibility of the Central Government and of the Board of Directors of the Corporation. The statement should take into account and reaffirm the formal position as indicated in the Articles of Association of the Corporation. The Articles of Association for the establishment of the company indicates quite clearly the intention that the Board of Directors should function in an autonomous manner. However, in view of the procedures that have developed in respect of N.C.D.C. (and possibly some other corporations as well), it would be best to restate the position more precisely and to carry out the intentions of the Articles of Association not only in spirit and practice but also in letter.

5.5 According to the Articles of Association, it is the responsibility of the Central Government to appoint the Board of Directors, the Managing Director and the Financial Controller. The prior sanction of the Central

Government is also needed for the creation of posts and the appointments thereto on salaries whose maximum level exceeds Rs.2250/- p.m. Thirdly, the approval of the Central Government is needed to incur capital expenditure in excess of Rs.40 lakhs. All other powers are vested in the Board of Directors.

5.6 In addition, Central Government as the owner of the Corporation has the right to ask for and to receive a performance budget, say once every year and quarterly reports giving a full and complete picture of progress. In respect of supervision of capital works and of progress of new projects, the Government should involve itself more closely than in respect of operation of completed projects and of other management matters.

5.7 Besides these powers, Central Government is frequently approached to provide such assistance as the Corporation needs for co-ordination with the working of other Government agencies. In this respect, the Committee is of the opinion that the Central Government should increasingly leave it to the N.C.D.C. (as also other Government Corporations) to establish direct contacts with the Government agencies, other than Ministries of Government. There is no reason why matters arising between Hindustan Steel and N.C.D.C. need to be considered at the Governmental level. Even in respect of such matters as supply of coal to railways, public sector steel plants, Electricity Boards of the State Governments and Central Electricity Units if any, there

is no reason why the N.C.D.C. should not enter into direct negotiations with them for supplies as well as for settlement of prices. The intervention of the Ministry should become necessary only in some very extraordinary circumstances.

5.8 Another important area where co-ordinating work by the Ministry is essential is in the formulation of the future plans of development. Here it is the question not only of coordination, but of preparing proposals for fresh capital investments. While the N.C.D.C. should determine both its potential production as well as make its own assessment of the market for its product, the Ministry would be in a better position to indicate to the Corporation such further plans of development as may be undertaken by or under the sponsorship of other departments or Ministries of Central or State Governments which may need supplies of coal from the National Coal Development Corporation. In the formulation of the plans, therefore, the Central Government has to be closely involved in order to secure balanced growth in different sectors of development. Furthermore, in so far as financial resources have to be found for measures of development and such resources have to be provided by Government, it is obviously the Government that would be the deciding authority. We, therefore, consider that all plans for development of new mines and washeries as well as other capital projects which are estimated to cost more than Rs.40 lakhs should, as at present, require the scrutiny and sanction of the Central

Government.

5.9 Next we may consider the matter of pricing policy. In a corresponding case of the National Coal Board in the United Kingdom, the Statute empowers the Government to approve the method of pricing. In the case of N.C.D.C., it should not be necessary for the Central Government or the Ministry of Steel, Mines & Metals to retain for itself the power for determining prices of coal produced by N.C.D.C. The position since the decontrol is such that prices may have to vary from product to product, from time to time and even from colliery to colliery in order to ensure the maximum production at minimum cost. The flexibility of operation that is needed to secure this object requires that the Corporation and its management should have the necessary powers to determine selling prices for its product. To ensure requisite flexibility, the Board of Directors may be well advised to lay down broad criteria, leaving it to the Managing Director to determine prices for individual sales orders. It would be necessary, however, as a working rule that important sales made by or under the authority of the Managing Director are reported to the next subsequent meeting of the Board.

5.10 The question then arises as to whether the Central Government should lay down to the Corporation specific economic criteria which the Corporation should follow in its working. In our view such criteria, in the present context, could be defined only broadly. (ne

obvious direction in which the N.C.D.C. should be required to organise its work is to ensure maximum production at minimum possible cost. Being a public sector production unit, it should be expected to follow fair trading practices and necessary ethical standards in its business of production and trade. **The Corporation should make profits and** obtain a fair return on the capital which has been invested in its plant, equipment and other development works. These profits, however, should emerge primarily as a result of economies in production. **The objective should be** to set prices which would be fair to the consumers besides being profitable to the N.C.D.C. In the United Kingdom, the National Coal Board is required by the policy directive of Government to price its products and to organise its working in a way which ensures that taking good years with bad, Board would neither make profit nor loss. Such a provision was probably necessary in the United Kingdom as the National Coal Board has a monopoly of production and supply of coal. The position in India is different. Only a portion of the coal market is at the disposal of the N.C.D.C. As required by the Industrial Policy Resolution, the private industry will continue to operate and will be given requisite assistance for its reasonable growth. Prices are, therefore, determined by competition than by a formula such as the one set for the National Coal Board in the United Kingdom. In actual fact it would appear that even in the United Kingdom, the National Coal Board has to reckon with competition from Oil & Natural gas, with the result that with the encroachment of these

competing fuels and a progressive reduction in the coal production, the National Coal Board has found it increasingly difficult to avoid losses as required by the price policy set for it by its Government. We consider that it may not be necessary to lay down any specific economic criteria, except to state explicitly, what is implicit in the present situation, that the N.C.D.C. should seek to maximise the return on its investments, following at the same time fair trading standards and setting out for itself sound commercial management.

5.11 Next, it may be considered if any other general directions are necessary to specify certain broad standards for the working and practices of the Corporation. It has been mentioned that as a public sector corporation, the NCDC should be required to maintain best trading standards. It should not resort to practices which are not in accordance with the best business ethics. Similarly, in the matter of labour relations, the Corporation has necessarily to adopt a more progressive outlook than the private sector. In these and similar other matters, the Ministry or the Central Govt. may wish to lay down a specific code of conduct for being followed by the Corporation in its actual working. The problem is not peculiar to the working of N.C.D.C. and hence may have to be considered for all public sector units.

5.12 However, having laid down these general criteria, the management of the corporation should be left entirely to the Board of Directors subject only to the specific powers

reserved for the decision of the Central Government.

5.13 In particular, all matters relating to what are known as revenue collieries should be finally disposed of by the Board of Directors and under its supervision and guidance by the Managing Director and by the top management. It should not be necessary either for the Board of Directors or for the Managing Director to seek prior concurrence or approval of the Central Government in the management of these collieries: As the Board of Directors would have a representative from the Ministry, he would necessarily be in a position to keep the Ministry and through it, the Central Government, informed of the progress of working of these collieries. Moreover, as stated earlier, Central Government should receive before the beginning of the financial year of the Corporation in the form of a performance budget, a statement of its production plan, what it expects to produce in each mine and in each region, the sales that it seeks to make, the expected financial return and any other information that may be relevant to the planning of production. The Central Government could also expect to receive progress reports from time to time including financial data and such other reports as may be needed to keep it informed of the progress.

5.14 We are aware that the principle of public accountability requires the Ministry to keep a close watch on the operation of a Government-owned company. It may be necessary for the Government to intervene in

matters, involving public interest. Where the Board of Directors finds that the commercial and financial interests of the Company would be best served by a particular course of action, the Central Government may wish that, in the public interest, a different course of action be followed. We have suggested above ways in which the Central Government, through its own nominees on the Board and by obtaining periodic progress reports, makes itself continuously familiar with the working of the N.C.D.C. These working procedures should enable Central Government to intervene when intervention is required. We believe that in respect of matters, other than the development of capital programmes, such intervention would not need to be frequent. In any case, we consider that the intervention should take the form of specific directive and that the concomitant financial responsibility be assumed by the Government and not allowed to be reflected in N.C.D.C.'s balance sheet. This latter point is important, as the assumption of financial responsibility by the Central Government will ensure that the directive is subject to periodic reviews and modification as required. Moreover, it will also ensure that the balance sheet of the N.C.D.C. is not saddled with the financial impact of its non-commercial activities. It may be stated that in September, 1960 Central Government issued a directive to N.C.D.C. to continue the working of Giridih collieries, but the losses incurred on these collieries were merged in the financial results of the Corporation, instead of being

given as a grant from Central Government. The system has resulted in exhibiting in N.C.D.C.'s balance sheets profits lower than what they would have been but for the directive. In so far as the accumulation of surplus funds with N.C.D.C. was less because of this factor, the Corporation has, moreover, been called on to bear additional interest charges as a consequence.

5.15 In regard to the development projects, the Central Government should be closely concerned. Before a project is taken up in future, the Government should require the N.C.D.C. to initiate necessary surveys and studies, prepare project reports which would be sufficient to indicate the justification for undertaking the project, its expected financial results and its contribution to the national economic growth. We have seen a number of project reports for the Second Plan and Third Plan projects. In all these project reports, the N.C.D.C. assumed that there would be adequate market for coal produced from these projects.

On enquiry we understand that the N.C.D.C. made no market survey at all and it was guided largely by the indications given to it by the Central Government and the Planning Commission. These project reports themselves are sketchy. For project after project, the geological data on which the projects were drawn up was in course of actual construction, found to be inadequate. Plant and equipment was purchased not directly related to the project taken in hand but on a bulk order of the equipment normally utilised either for open cast mines or for underground

development. Except in the case of projects planned with foreign collaboration - Russian or Polish - the project reports gave no working details as to the way in which the mine was to be developed. As a result, several changes had to be made in the details of the projects with consequent delays and increases in costs. It is not therefore surprising that, almost in all cases, the project estimates of capital costs were exceeded. On enquiry we were informed that these defects in the project reports and the inadequate attention given to matters of detail was due to the considerable urgency with which the N.C.D.C. was required to step up its production capacity in order to meet the rising demand for coal. It must be stated that neither did the Central Government insist on such detailed planning as required for timely and economic execution. The projects as prepared were sanctioned and the N.C.D.C. was required to ensure their expeditious execution. The past experience in respect of many of these projects should be sufficient to realise that such short-cuts in development are frequently self-defeating. Another criterion which influenced the N.C.D.C. in its selection of projects was the insistence from the Central Government that it should take up development in outlying fields away from Bengal/Bihar area with a view to easing the transport situation. In many such places, communications had to be newly developed, new townships set up for its workers and staff some of whom had to be brought from other places

and considerable infra-structure provided before the mines could be brought into production. As events turned out, the expected increase in demand for coal from these collieries has not materialised; the transport situation is less difficult than what has been envisaged; many of the enterprises which were expected to come up and absorb production of the N.C.D.C. have either been deferred, abandoned or delayed and the industrial recession specially since 1965 has aggravated these difficulties.

5.16 Whatever has been the past record, it should be possible in future to ensure that projects are planned in a more businesslike and realistic manner and on the basis of fuller data. Latest techniques in project and construction managements should be increasingly employed. In the present context of demand, the N.C.D.C. need not undertake any new project during the next few years except to cater to the needs of a specific consumer. A new power house of a significant size takes about 3-4 years to be completed from the time it is planned. Any plan for a new power house would have to take into account supplies of fuel. If supplies from existing production are not adequate, it may be necessary for the N.C.D.C. to undertake development of a new project to provide a more suitable and economic source of supply. The period taken to plan and establish a new power house should ordinarily be sufficient for the N.C.D.C. to plan and establish a new non-coking coal-mine. There could thus be a co-ordinated development of both power house

and the coal supplies needed for it. A steel plant under present conditions takes about 8-9 years to be completed from the time it is planned. Assuming new sources of supply of coking coal are needed for the steel plant, it should not be difficult for the N.C.D.C. to take up planning of such production at about the same time that the new steel plant is planned and to so arrange its construction and development phase as to be well in time for the supply of coking coal to the steel plant. Similar other instances can be thought of. The point that the Committee wish to make is that there could be and should be far greater coordination in the development of N.C.D.C.'s new projects and of the projects which are expected to be the natural markets for the coal produced from those projects. In sanctioning new projects, the Central Government should ensure such co-ordinated programmes. Further, the N.C.D.C. should also be required to follow the best techniques now known for planning and undertaking development of the projects. The development of mines with the foreign collaborations have shown the way in which detailed planning should precede actual development work. The Corporation should be required to follow similar practices. The time taken in the preparation of such working details may at time be found to involve some delays in starting the project. However, if the geological and other data has been carefully prepared, preparation of such working

plans should enable the Corporation to reduce the time taken on its construction schedule and also to economise in cost. We also suggest that in respect of new projects, there should be prior consultation with the Mines Safety Department and with the Coal Board, so that precise methods of mining are drawn up well before the projects are undertaken. Currently, we have come across cases where mine development was planned without such consultations and changes had then to be made in the methods of mining, as required by the Mines Safety Department, with consequent increase in capital costs and costs of production

5.17 Before concluding this part of the Report it would seem appropriate to refer to two other matters of detail.

We have suggested that in all matters relating to production, management, sales, etc., in respect of all the revenue collieries, the effective decision-making power should vest in the Board of Directors and under its delegation with the Managing Director. We have also suggested that for development projects, the Central Government should be more closely involved. It is, therefore, of some importance to lay down a procedure for determining as to when a development project should be regarded as having reached the stage when it should be brought on the revenue account. We have seen different views expressed on this matter. Obviously, no hard and fast formula can be laid down in this respect.

Each of the development projects presents certain features of its own which need to be taken into account in reaching this decision. The minimum condition necessary to bring a development project on to the revenue account is that (1) it is in continuous production and that (2) it has the necessary facilities for loading and despatch of coal. Beyond this, it is more a matter of informed judgment. If a project is not put on the revenue account merely because it is incurring losses, the result would be over-capitalisation of the project, in so far as these losses would then be included in the capital cost of the project. On the other hand, if the revenue account shows a profit, the cost of plant and machinery and development cost would tend to be under-assessed by reason of the capital cost being diminished by the extent of profits. Neither situation would seem to be in accordance with the best accounting practices or in the interest of the future working of the project. The best course would be that at the time of the preparation of the project itself, the planning authorities should indicate fairly clearly as to the stage at which the project should be brought on to the revenue account. The situation thereafter could be reviewed by a group of technical and finance officials at the Headquarters in consultation with the Area General Manager and the Project Officials. The group should watch the progress of the project and advise as to the

date from which the project should be brought on to the revenue account. The Corporation's decision in this matter could also be subject to the approval of the Government of India. As we have suggested that in important matters relating to the development projects, the final decision should rest with the Government of India, it would seem to be only appropriate that this decision is also made by Central Government.

5.18 We have noted that the N.C.D.C. does not maintain a depreciation fund. The annual balance-sheet and the profit and loss account exhibit the total depreciation on plant and machinery and other capital assets in use, that is charged to the profit and loss account. However, no separate fund is maintained. In its annual capital budget which is placed before the Central Government for approval, depreciation accruing on plant and equipment and capital assets is shown as resources available for further development. The Central Government has been providing plan funds to the extent of the total capital budget less the amount of depreciation and other internal resources which the Corporation can find. The expenditure on major maintenance and replacement of plant and machinery, normally chargeable to depreciation fund, comes to be regarded as part of this annual budget. Earlier, we have recommended that all matters relating to the collieries on revenue account should be determined finally by the Corporation. The Articles of Association also empower the Board of Directors to sanction capital

expenditure not exceeding Rs.40 lakhs for any project; the Board would be in a better position to exercise this power in respect of major maintenance and replacement if a separate fund is maintained and the entire depreciation, as it accrues, is not merged as at present with genuine internal surpluses available for expansion and further development.

5.19 A further point arises in respect of the maintenance of separate depreciation fund. Normally commercial concerns utilise their surplus resources in the depreciation fund to finance their working capital needs. In this way the enterprise is not saddled with interest charges on its entire working capital needs. The accounting procedure followed by the N.C.D.C. transfers the entire depreciation fund resources for use on capital development. For its working capital it has been borrowing from the State Bank of India in recent years paying an interest of $7\frac{1}{2}$ to $8\frac{1}{4}$ % annually. If the capital funds required for expansion and development were provided exclusively by the Central Government, it would need to pay interest only on half of the amount, because the funds subscribed by the Government towards capital development are partly equity and partly loan in equal proportions. Under the circumstances, it would be in the interest of the Corporation and in accordance with best business practice, if Central Government were to meet the cash requirements for

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the entire capital development schemes, leaving it to the N.C.D.C. to utilise its internal resources either for the purpose of working capital, replacement needs or, if any surplus is still available, for investments in Central Government's securities.

VI

THE BOARD OF DIRECTORS: SUGGESTED COMPOSITION

6.1 Besides laying down the specific areas of responsibilities and functions as between the Central Government and the Board of Directors, it is also necessary to see that the Board of Directors is so constituted that it can competently and effectively discharge these responsibilities. As we have mentioned before, the Board of Directors of the N.C.D.C., composed largely as it is, of representatives of Ministries or other public sector agencies, works more like an inter-departmental committee than as a body responsible for adequate and effective functioning of the Corporation in all its aspects. It has also been stated before that one result of constituting Board of Directors in this manner is the frequency with which the composition is changed, when incumbents of particular posts in the Ministries or the public sector units concerned are changed. For its effective functioning, it is essential that not only should the Board of Directors be constituted differently but that there should be adequate continuity in its composition. In fact, the importance of continuity not only amongst Directors but also amongst the top management posts cannot be over-emphasized. Many of the present difficulties faced by the N.C.D.C., the tendency amongst various departments of Corporation to work in a somewhat un-coordinated manner, certain

inadequacies in the matter of discipline and implementation of directions, can well be attributed to this lack of continuity amongst the Board of Directors and in the top management.

6.2 The Committee has given very considerable thought as to the composition of the Board of Directors. It considers that on Board of Directors there should be 4 whole-time Directors (including the Managing Director). The Chairman may be whole-time or part-time but even when a part-time Chairman is appointed, care should be taken to see that he is in a position to devote a great deal of his time and interest to the work of the Corporation. Even a part-time Chairman should be expected to make adequate time available for such guidance which the Managing Director may seek from him. Besides, it should be his specific charge to maintain good public relations and to maintain high level liaison with the State and Central Governments and important leaders of public opinion. There is an increasing trend to criticise public sector undertakings. While well-informed criticism should be welcomed and acted upon, instances are not unknown of such criticism coming from interested sources.

It is important, therefore, that the public sector corporations have effective arrangements for public relations. The Chairman of the Corporation, properly selected, should be able to supply the requisite need. If necessary, the part-time Chairman may be given a suitable

retainer for his services.

6.3 It is needless to add that care has to be taken to see that the Chairman and the Managing Director have the requisite qualities to get on with each other and that both have the necessary qualities to provide the leadership needed to the Board of Directors and to the management of the Corporation respectively. Other whole-time Directors should be appointed in consultation with the Chairman and the Managing Director. One of them would be required to take charge of matters of finance, accounts etc.; another should take charge of all technical matters, whether of production or of planning, geological surveys, maintenance of equipment and plant etc. There might be a third whole-time Director to deal with the administrative matters. For the time being, we would not suggest a separate Board Director for sales although development of sales is a major and immediate task before the Corporation. We consider that for some time to come, Managing Director should personally be the Board Director responsible for sales. In this work he would have the assistance of the Sales Manager and the two should be together tackling the various matters relating to it as referred to earlier.

6.4 While these whole-time Directors would thus have some specific charge for each of them, it is essential to ensure that along with the Managing Director they work as a team and not as separate departmental heads.

This should be ensured firstly, by proper selection, secondly, by ensuring that the selections are made in consultation with the Chairman and the Managing Director and thirdly, by involving them in joint responsibility with the Managing Director in various decisions which the Corporation makes. In making decisions on their own or on behalf of the Managing Director, these functional Directors should be required to take an overall view and not a departmental view. Finally, we have suggested elsewhere that in matters within the delegated powers of the Managing Director, he would have the power to over-rule the recommendations of any or all the other whole-time Directors and the right to review and alter any decisions made by them. It is expected, of course, that normally he would not need to exercise such powers and the decisions are reached by discussions and consultation rather than by the use of overriding powers. A good team would seldom need to invoke such residual measures for decision-making.

6.5 We have emphasized the need for such whole-time Directors as we consider that the provision of such Directors would strengthen the organisation from many points of view. It would provide for a continuity in decision-making in case of any sudden change in the incumbency of anyone of the three or four whole-time Directors. It would also provide a suitable avenue for rising to the top posts to the officers of various cadres of the N.C.D.C. We believe that while for sometime to come the N.C.D.C.

and the Central Government may have to seek services of officers from outside the Corporation for appointment to these posts, we look forward to the period when the N.C.F.C. itself will provide the necessary personnel for the manning of these posts of Directors even including the post of the Finance and Managing Directors. We have come across many officials in the Corporation, specially amongst the younger groups, who have struck us as having the potential to undertake leadership and competent management. If their talents are properly developed, there is no reason why some of them could not rise to these top posts. The fact that they could do so may add to the incentives of the service in the Corporation and thereby raise efficiency all round.

6.6 Besides the four whole-time Directors and a part-time or a whole-time Chairman who has both the time and inclination to take close interest and to provide guidance and public relations support to the overall working of the Corporation, the Board may also include a number of part-time Directors. Here/Again, there should be some 3 or 4 Directors who would also have the time and inclination to take close interest in the working of the Corporation. It would be useful if they have the knowledge of some specific aspects of the working of the coal industry whether technical, financial or administrative. But the more important consideration which could influence their selection is

the extent to which they can devote their time and energy for an effective contribution to the working of the Corporation and that they can be relied on to ensure adequate team work. Government may be represented on the Board of Directors by 2 Directors; one from the Ministry of Steel, Mines & Metals and one from Ministry of Finance. No other Government department need be represented. There should also be a Director with the knowledge and experience of trade union matters. We have been informed that the presence of such a Director on the Board of the N.C.D.C. has been found to be particularly helpful in maintaining over a long period of years, healthy and progressive management-employee relationship.

6.7 To sum up, we consider that the Board should comprise of a part-time or a whole-time Chairman, four whole-time functional Directors (including the Managing Director), two Government representatives as part-time Directors and some four or five other part-time Directors, including a suitable Director with the knowledge and experience of Trade Union matters. The Board will thus comprise of some 11 or 12 Members. The Articles of Association provide for the appointment of a maximum of 15 Directors.

6.8 Currently, the Managing Director of the N.C.D.C. is a Director of the H.B.C. and of the Hindustan Steel. Correspondingly the N.C.D.C. has on its Board as members the Managing Director of the N.A.M.C. and the H.S.L. Obviously these arrangements were made with a view to

provide contacts between the public sector units concerned who are either suppliers or consumers of the production in their respective units. In the scheme of things that we have suggested, there need be no such representation at the Board level. The necessary contacts between these various public sector units are essential; but these could be provided otherwise, as for example in the form of Coordination Committees. The reason why we do not think that this kind of coordination need to be provided at the level of Board of Directors is that these top managers are busy men and have not the time and only a limited interest to devote themselves to the working of the sister Corporations. What we envisage is that the members of the Board should assume more comprehensive and overall approach to their functions and should be able to devote sufficient time to make an effective contribution to the work of the Corporation.

6.9 We have emphasized earlier in this Chapter the importance that we attach to continuity in policies and continuity in top-management. We, therefore, consider that once the Directors are chosen with the care as suggested in an earlier paragraph, they should have a reasonable tenure so that they are able to make an effective contribution to the work of the Corporation. For this purpose, a convention should be followed that the appointments of part-time Chairman and/or Directors should be renewed as necessary in order that each incumbent holds the

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position for not less than three continuous years and possibly even five continuous years. To begin with, half the number of part-time Directors (including the Chairman) may have a three year tenure and the other half five years. This will introduce a system of rotation which would ensure year-to-year continuity over a period of years. It is understood, of course, that the whole-time Directors will be appointed for a minimum period of five years, which period could be extended as necessary.

VII

SOME PROBLEMS RELATING MAINLY TO HEADQUARTERS
MANAGEMENT

7.1 Having dealt with the questions relating to the constitution of the Board of Directors and the powers that should be effectively vested in them, the Committee wish to turn now to making certain preliminary recommendations in regard to the management of the Corporation. In this Chapter it is proposed to deal ^{primarily} with the management at Headquarters and then again with only a few of its important aspects.

7.2 The Board of Directors has delegated a large part of its powers to the Managing Director. This delegation conforms to the sound business practice, in so far as the best management is the one where day-to-day decisions are quickly taken and speedily implemented. The Board of Directors howsoever constituted cannot meet often enough to make these decisions nor can it concern itself with matters of day-to-day detail. The Committee has no comments to make on the existing scheme of delegation; it generally endorses the extent of delegation of powers made to the Managing Director.

7.3 The Committee has suggested that besides the Managing Director, there should be three other functional Members of the Board of Directors. A question may be asked whether the presence on the Board of Directors of two or three whole-time officials of the Corporation, who are in the management hierarchy subordinate to the Managing Director will not lead

to some of the day-to-day matters being brought before the Board. We suggest that such a contingency should be avoided by providing that in the exercise of powers delegated to the M.D. and within these delegated powers, he will also have the powers to over-rule any member of its management whether or not that member is also a Member of the Board of Directors. The Board should not require a functional Member to bring any matter within the delegated powers, on which he does not agree with the Managing Director, to the notice of the Board of Directors nor should the Managing Director be required to do so. If this position is clearly laid down and well understood, there will be little danger of any day-to-day matters other than those which are of major importance being brought to the Board of Directors with differences in views expressed by the functional members. The functional members will be free to express their views and will, in fact, be expected to make their frank contribution to the discussions of the Board of Directors, in matters which are brought up before the Board for decision.

7.4 To enable the Board of Directors to function properly, they should prescribe a number of returns and reports which should be brought to the meetings periodically so that they get closely familiar with the progress and performance of the Corporation. In an earlier paragraph, we have referred to certain matters which are not at present placed before the Board (vide para 4.4).

These are only illustrative, and we suggest that the reconstituted Board be asked to review the position. The intention is to enable the Board to discharge its responsibilities effectively. If any Member of the Board possesses special aptitude or knowledge on any aspect of the working, he may be also called on to study those aspects and advise the Board. This practice will ensure continuing and abiding interest by the part-time members in the work of the Corporation.

7.5 While large powers are delegated to the Managing Director, it is to be understood that the M.D. cannot be expected to personally exercise all those powers. The delegation, in fact, provides that the M.D. may in turn re-delegate some of his powers. At present, there is delegation of powers up to certain specified limits to the Area General Managers and lower down to the Deputy Superintendent of Collieries. We suggest sufficient powers be redelegated also to the heads and officials of various departments at the headquarters. We have come across instances of minor matters being placed before the M.D. for his approval. If the M.D. is to carry out his principal functions adequately, it is necessary that he is not burdened with such routine. A review should be made of the type of cases which are now put to him for orders and appropriate delegations made to appropriate officers in the headquarters office.

7.6 We consider that the primary task of the M.D. should be to provide leadership to the management team to ensure that

there is adequate and effective coordinated action, that the decisions are taken with requisite speed and care and promptly implemented. These are also the important duties and functions to which the M.D. should devote his whole time attention. Ordinarily, the M.D. should not be in charge of a specific Department. However, for reasons noted elsewhere, we have suggested that for some time to come, he should devote a great deal of his attention to sales and to the reorganisation of the sales department. The Sales Manager would be working directly under his control.

7.7 The Technical Member of the Board of Directors should function as the head of all technical departments. In his charge there should be -

(1) A Chief Engineer (Production) who would be responsible for planning of production and operation of the revenue collieries;

(2) A Chief Engineer (Planning) who would be responsible for all matters connected with the development projects from the time of their inception to the time they are placed on revenue account; and

(3) Other heads of departments like Electrical & Mechanical, Geological work, Civil Engineering etc.

Their precise designations and ranks would depend on the volume of work as it develops from time to time. We believe that at present, while the head of Electrical and Mechanical (including excavation) has to be of the

rank of a Chief Engineer, for the geological and civil engineering departments, officers of lower ranks may be adequate as heads of these departments.

7.8 Similarly, the Finance Member of the Board of Directors should be incharge of the following functions:

- (1) Internal Audit;
- (2) Accounts including cost accounts; and
- (3) Financial Advice.

Separately we have suggested decentralisation of accounts functions to the areas and that this decentralisation be accompanied by giving a very important role to the internal Audit. We would like to see early strengthening of the internal audit set-up in the Corporation. Not only should it look into questions of whether in incurring expenditure rules and procedure as prescribed are followed, it should from time to time undertake studies of comparative unit costs, efficiency with which various tasks are undertaken at the areas and colliery levels in stores depots and workshops, as well as in the sales offices. The function of the Chief Cost Accounts Officer would be to provide technical guidance to the cost personnel, to coordinate the cost data received from various accounting units of the Corporation, to present it to the management and the Board of Directors, with a critical appreciation of the comparative results, and to bring to the notice of the Management, matters arising from the cost data, requiring management attention and decision. We have separately suggested that the Area Accounts Office,

instead of working on an imprest should be fully responsible for store accounts, monthly financial accounts and the balance sheet for the area leaving it to the headquarters only to coordinate the accounts received from them as well as from other accounting units. The Chief Accounts Officer, should, however, be required to inspect, supervise and guide the Area Accounts Offices in technical matters of accounting.

7.9 Current orders provide that all financial powers delegated to the AGMs are exercised by them in consultation with the Deputy Financial Advisers. Where there is a difference of view between them, the matter is referred to Ranchi for final decision. In the earlier years, the Area General Managers had been given the power to overrule their Financial Advisers; the circumstances in which this power was withdrawn are not altogether clear. The correct system is for Area General Managers to be empowered to overrule their Financial Advisers when they consider it necessary to do so in the interest of production and progress of development project. The A.G.Ms. should, however, be required to record their reasons in such cases and to report the matter to the headquarters immediately after the decision is taken.

7.10 The third important area of work is the administration. The Board member in charge of administration should have under him, a Chief for administration and a Chief Personnel Officer. He should also be in charge of

stores and purchase which should have a Controller of Stores and Purchase as its main functionary. He may also take charge of certain other miscellaneous departments like security, and medical attendance and Legal advice.

7.11 Vigilance should remain independent of the three functional members of the Board of Directors and be directly in the charge of the Managing Director, with a Chief Vigilance Officer to assist him.

7.12 With these changes, the management chart of the headquarters in Ranchi could be presented as in the diagram.

7.13 We have stressed earlier and we wish to reiterate that the Managing Director and these three whole-time Members of the Board should work as a headquarters management team. While each member will have powers of decisions in matters relating to departments assigned to him, he should be required to take an overall and not a narrow departmental view in dealing with these matters. His decisions are, in fact, decisions on behalf of the Managing Director or of the headquarters management team. Various devices can be evolved, such as an half-hour meeting each day of this management team, so as to foster the necessary team spirit. The Managing Director as leader of the team will doubtless pay attention to evolving these devices, so that the group works in the spirit in which it is conceived. We also consider that the Managing Director and the functional members should undertake frequent tours of inspection of the various areas and collieries.

7.14 The Managing Director and three whole-time members of the Board are key posts in the administration and management of the Corporation. It is important that the incumbents of these posts are appropriately remunerated. The three whole-time members of the Board should be co-equal in status and remuneration. Their remuneration should ordinarily be only marginally lower than that of the Managing Director. As stated earlier, every endeavour should be made to make a careful selection of persons for appointment to these posts and if, for attracting suitable persons, higher salaries have to be given, there should be no hesitation to do so. Any small extra costs incurred in such higher remuneration will more than repay itself in the economies that may come about in the working of the Corporation by reason of its having a competent top management.

7.15 We have stated earlier that at the area level, sufficient administrative and financial powers be vested in the Area General Managers. We have reviewed the existing powers and consider that these appear to be adequate for the time being. They could be reviewed if necessary after some time. In the present organisational chart, the Area General Managers themselves are shown as subordinate to and under the control of the Director of Production or D.G.M.(T). It would be more appropriate to show Area General Managers as under the control of the Managing Director and of the headquarters management team.

Area General Manager is the top functionary in the area concerned and holds position somewhat similar to that of the M.D. He is not only in charge of production and development but he should also be made responsible for proper functioning of other departments like administration, accounts, civil engineering, repairs and maintenance, labour relations, etc. It is not therefore correct to show Area General Manager as being under the control of Director of Production or of D.G.M. (T). The A.G.Ms. should be free to correspond direct with the appropriate functional members of the Board, as for instance with Administration member on labour and staff matters or on stores and Purchase matters.

7.16 In providing the administrative structure as indicated in the preceding paragraph, it is important to ensure that none of these top-management posts are left vacant for any appreciable length of time. The major difficulties which have arisen in the working of the Corporation in recent months and years are attributable at least in part, to the absence of one or other functionary for several months on end. Since Shri Vadera left the Corporation early in 1965, there is no Chief Personnel Officer dealing with the important area of work namely labour relations. Since Shri Kumaramangalam left the Corporation towards the end of 1965, there has been no senior officer in charge of Administration (except for a short period). Even such a high technical post as that of D.G.M.(T) is now filled on a provisional basis. The difficulties that arose owing to the gap in the continuity in the

post of M.D. are now well-known and do not need to be restated. The Committee consider that greater attention should be given than hitherto, to ensure that all these and other top posts are properly staffed and not left vacant for any appreciable length of time.

7.17 We understand that one reason why most of the top posts have remained vacant in the past is the time that is taken in the selection of suitable personnel and in sanctioning their terms of appointment. The Board of Directors has powers to sanction posts and make appointments to them on scales of pay maximum of which does not exceed Rs. 2250/-. In regard to the posts for which higher emoluments have to be given, the sanction of the Central Government is necessary. Within the Government departments these proposals have to be considered by the Ministry of Steel, Mines and Metals in consultation with the Ministry of Finance in regard to the terms proposed and thereafter obtain the concurrence of the Ministry of Home Affairs and with the approval of the Appointments Committee of the Cabinet. This procedure especially in regard to the fixation of terms of appointment sometimes takes a long time. As the emoluments of the officers concerned are not met directly from the Consolidated Fund of India, it is not clear as to whether the sanctioning of the remuneration and other terms in such cases need require the approval of the Ministry of Finance. It would be desirable, in any case, if the financial powers for

settling the terms of appointment are delegated to the Ministry of Steel, Mines and Metals.

7.18 Another important lacuna which needs the attention of the management is the absence of any orders defining the functions and powers of each officer in the Ranchi office. Sound management requires that each officer should know what his functions, duties and responsibilities are. At present there seems to be some confusion in this matter. Duties are assumed by inference and implications. In a well-organised office, duties of each individual right down to the Lower Division Clerk are properly defined and are well understood by each person working in it. This system needs to be introduced both in the headquarters office as well as in the working units. It should be the responsibility of each head of the department to ensure equitable allotment of duties of officers working under him and to see that these duties are properly carried out; each officer, in turn, should be responsible for similar allocation of duties amongst his subordinate and so down the line.

Another office matter which needs to be attended to, is to control the present trend of writing long notes in each department on problems that arise for management decisions. Given team spirit, many decisions can be reached quickly after discussions and in a commercial concern like N.C.D.C. frequently only the final decision would need to be reduced to writing.

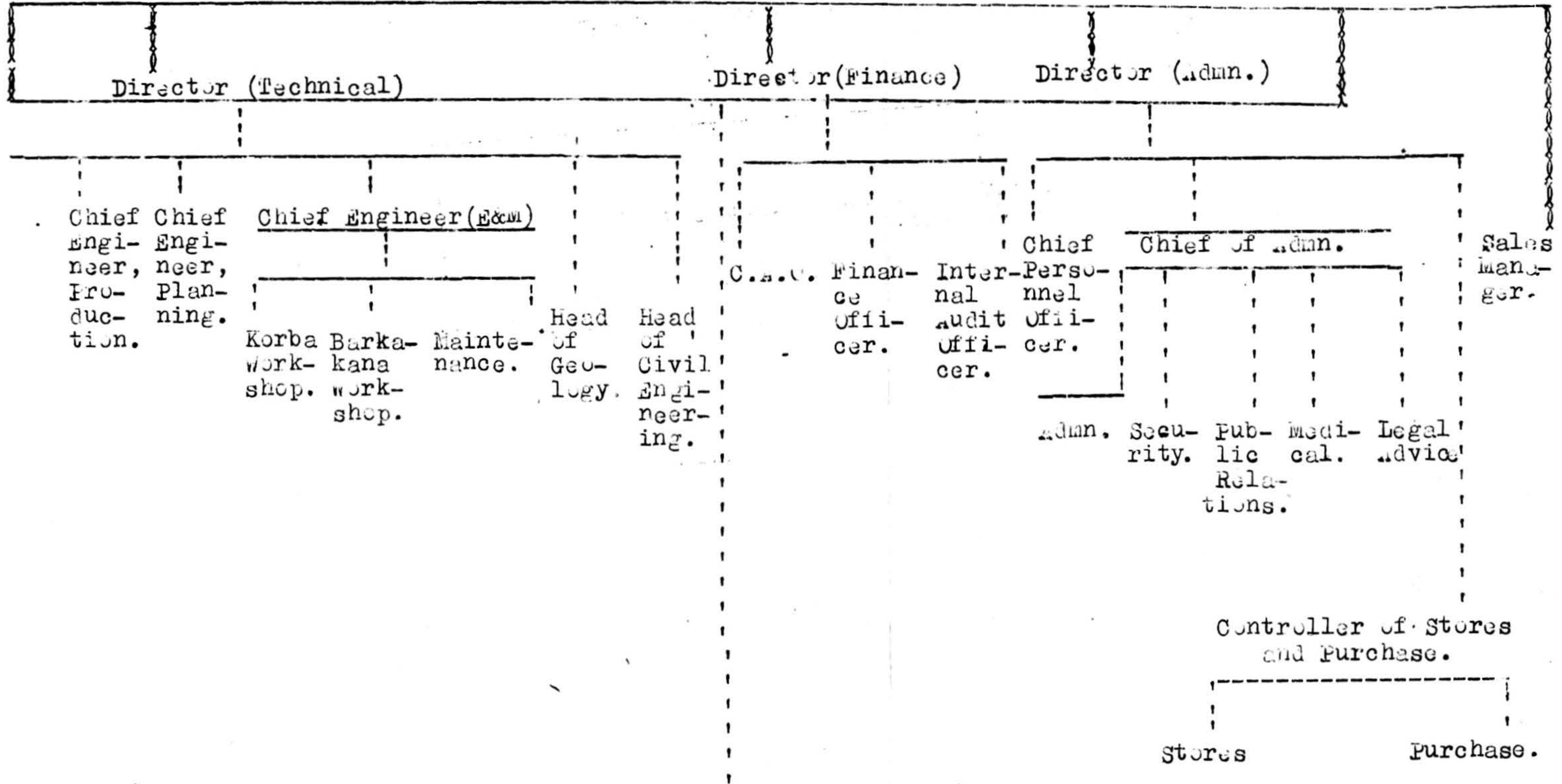
7:19 In this first report, we have referred only to those

matters which require immediate attention. In our subsequent report, we hope to deal with these organisational matters more fully. In the meantime, we expect that if the top management is restructured in the way suggested in this report, it would itself set the tone for improvement. It will naturally review the many working procedures and matters of details and seek to improve efficiency and competence at various levels, which is after all, the main goal of all management efforts.

7.20 We believe that an organisational structure of the kind that we have recommended would be in a better position to ensure that decisions are promptly made and are faithfully implemented. Such a management will doubtless, evolve procedures for inspection, supervision, receiving of requisite statistical and progress information to enable it to exercise broad regulatory control over the field units. Decentralisation/and delegation of powers does not mean abdication of powers or authority. It remains the function of the headquarters office to ensure that powers are properly exercised and an effective watch kept on implementation of policies and orders. Serious notice should be taken of any lapses. Indeed, it is by a judicious use of incentives, encouragements and where necessary, reprimands and penalties that an administrative structure would derive the best that can be obtained from the services of its personnel.

MANAGING DIRECTOR

Personal Section of the
Managing Director.



All Area General Managers.

MANAGING DIRECTOR

Section of the Director.

(Technical)

Director (Finance)

Director (Admn.)

Chief Engineer (E&CM)

Korba Work-shop.
Barkana work-shop.
Maintenance.

Head of Geology.
Head of Civil Engineering.

C.A.O. Finance Officer.

Internal Audit Officer.
Personnel Officer.

Chief of Admn.

Admn. Security. Public Relations.

Control and

Stores

All Area General Managers.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

For the Third Five Year Plan, the target for National Coal Development Corporation was 31.0 million tonnes out of a total production target for the coal industry of 98.5 million tonnes. This target appears, in retrospect, to have been based on questionable assumptions. (2.5)

2. It was with a view to fulfilling the high Plan targets that the National Coal Development Corporation embarked on an expensive programme for acquiring machinery and manpower and for the development of mines in several areas, particularly in the outlying areas of Madhya Pradesh, Orissa and Maharashtra. Some of the present difficulties of National Coal Development Corporation are due to the magnitude of the development and the speed with which it was undertaken. Large and expensive projects which the N.C.D.C. had undertaken have led to investments in capital assets which are not presently needed for the current level of production. (2.8)

3. In the process of development with speed and since 1964, of retrenchment and readjustment, several organisational weaknesses had not received adequate attention and stresses and strain have appeared affecting all aspects of working of N.C.D.C. (2.9)

4. It is likely that after some years, provided the economy picks up at the rate which is essential for the country's industrial growth, the N.C.D.C. could

become the mainstay for meeting the increased fuel demand in the country. The immediate problems before the National Coal Development Corporation are -

- (a) to build up sales in a competitive market;
- (b) to remove organisational and other weaknesses; and
- (c) to economise on the methods of production.

(2.11)

5. For reorganising the N.C.D.C.'s sales offices and sales procedure, the following steps should be taken immediately:

SALES:

- (a) The Corporation should undertake the survey of the market, current and prospective for each of its mines;
- (b) It should then establish close contacts with its principal prospective customers and wherever possible enter into long-term contracts with them;
- (c) The Corporation should guarantee continuity of supplies;

- (d) Quality should be rigidly adhered to. A system of inspection at the time of loading and surprise checks at the destination in the case of large consumers should be introduced to ensure standards;
- (e) Prices should be competitive and related to the quality of supplies. Reduction and rebate should be provided to large consumers for sales in excess of guaranteed minimum and also for prompt payment;
- (f) As a public sector undertaking, N.C.I.C. has the special responsibility of developing expanding markets, particularly in the rural areas;
- (g) As far as possible, sales to public enterprises and even to large private sector enterprises should be made direct and not through middlemen. The middlemen's services could, however, be utilised for developing the markets fully and for exploring new markets. The appointment of such middlemen as agents for sales should be made after careful selection with due regard to their financial status and capacity to expand the market in the particular area. Their functions and liabilities should be clearly defined and their obligations enforced;
- (h) There should be closer liaison at working levels between the area officers and collieries on one hand and the sales department on the other;

(i) The billing system should be speeded up. Bills can be prepared daily and for each consignment, and sent direct by the collieries or Area Accounts Offices to the consignees keeping the central sales office informed for the purpose of watching the recoveries. Interest should be charged on overdues.

(3.3.1)

6. The Railways may examine the procedures for the allotment and supply of wagons in the context of the situation prevailing after decontrol with a view to simplifying them and removing over-centralisation. With a little adjustment it should be possible to ensure that there is regularity in the supply of wagons and punctuality in their arrival at the colliery. There should also be a proper arrangement for liaison between the N.C.D.C. and the Railways at various levels.

TRANSPORT:

(3.3.2)

7. Each mine should prepare cost data reflecting the actual expenditure and showing separately the direct costs which vary with production and the over-head and fixed cost. The cost data should be capable of identifying cost elements which are within the control of the local managers. Stores accounts should be

PRODUCTION
PLANNING:

brought up-to-date and the financial and cost accounts reconciled.

Services of persons trained in Industrial Engineering should also be employed for bringing about higher productivity and lower costs.

On the basis of the cost data, the Headquarters of the N.C.D.C. should draw up an annual plan of production which would give optimum trading position. Sales efforts and production efforts should be concentrated on those collieries where there is large margin between sales realisation and production cost or atleast the variable element in it. In collieries where the economics are unfavourable, the N.C.D.C. may even consider suspending production or abandoning them. (3.3.3)

STORES
AND
PURCHASES:

8. In order to ensure smooth and regular supply of plant, equipment, stores and spares parts, the following measures are suggested:-

- (a) The indenting procedure should be simplified. In this respect we recommend that posts of Controller of Stores and Controller of Purchase be combined;
- (b) To the maximum extent possible, rate contracts for each important store should be arranged with more than one supplier;
- (c) The Corporation should take special measures to ensure full utilisation of the

manufacturing and repairing capacity which it has at its command in its workshops.

(3.3.4)

9. In all the areas, stores valuation accounts have not been kept up-to-date. This lacuna is believed to be responsible for the non-reconciliation of cost accounts with financial accounts as well as for the exhibition of large quantities of "Stores in transit" in the annual balance sheet. The stores accounts should be brought up-to-date as from some pre-determined date. If this is done, it should be possible to provide not only the monthly reconciliation of the costs and the financial accounts but also to present the monthly balance sheet for each area and each accounting unit.

ACCOUNTS:

As the transactions in the areas are large, the use of imprest accounts system does not appear to be appropriate. The area accounts office could be required to produce complete accounts monthly, quarterly and annually.

The Internal Audit Section requires to be strengthened urgently both in number and quality. It can then be given specific problems for study and asked to locate wastes and loopholes if any. While the accounts are decentralised and become parts of the area offices, the internal audit should be the responsibility of the management

INTERNAL
AUDIT:

at the Headquarters; (3.3.5)

ADMINIS-
TRATION
AND ORGA-
NISATION:

10. Some of the measures needed for infusing a sense of discipline and toning up of the administration are indicated below:

- (a) The duties and functions of each officer should be defined clearly;
- (b) The present compartmental approach of officers in different branches should be given up; and
- (c) The administrative procedures should provide for incentive for good work and speedy penalty for lapses. (3.3.6)

STRUCTURE
OF MANAGE-
MENT:

11. The system of nominating a Board of Directors comprised mainly of officials of interested Ministries and organisations has resulted in break of continuity and insufficient interest by Directors in the work of the Corporation, and a virtual abdication of the powers by the Board. While the Board in which the powers were formally and legally vested remained inactive, the effective power was in the Deptt. of Mines and Metals and the Managing Director. The Committee feels that the balance of power should be restored and the powers and responsibilities of the Central Government, the Board of Directors and the Managing Director defined. (4.1 to 4.5)

12. The areas of responsibility of the Government and the Board of Directors as envisaged in the Articles of Association of the Company should be reaffirmed. The Central Government should concern itself mainly with the affairs of the Corporation in regard to the development plans. The Government may also lay down codes of conduct for labour relations, trading practices etc. which may be common to all public undertakings. All other matters such as coordination with other Government agencies (e.g. Hindustan Steel, Electricity Undertakings), pricing policy etc., should be left to the Board of Directors and the management of the Corporation. In particular all matters relating to revenue collieries should be finally disposed of by the Board of Directors and under its supervision and guidance by the Managing Director and the top management. In respect of these collieries, the Central Government should however receive performance budget before the beginning of the financial year and periodic progress reports, financial and physical. Where the Central Government intervenes with its powers of issue of directive, in public interest, the concomitant financial impact should be met from Government revenues. The Corporation's balance

RELATIONSHIP
BETWEEN THE
CORPORATION
AND THE
CENTRAL
GOVERNMENT:

sheet should not be saddled with the burden of the resulting losses. (5.4 to 5.14).

DEVELOPMENT
OF NEW
PROJECTS:

13. In regard to the development projects, the Government should require N.C.D.C. to prepare project reports after detailed surveys and studies. These project reports should contain justification for taking up the project, expected financial results, way in which the mine is to be developed, details of equipment required etc. (5.15)

14. In the present context of demand, N.C.D.C. need not undertake any new projects for some years except to cater to the needs of a specific consumer. Since large coal consuming projects like steel plants and power houses take several years for being commissioned, N.C.D.C. need plan new mines only at the same time as the consuming projects. Detailed planning, even if it is time consuming should precede the development work as it would lead to reduction in the construction time and economy in cost. (5.16)

15. At the time of preparation of a new project itself, the planning authorities should indicate fairly clearly as to the stage at which the project should be brought on to the revenue account. The situation thereafter could be reviewed by a group of technical and financial officials at the Headquarters in consultation with the Area

General Manager and the Project Officer. The group would advise as to the date from which the project should be brought on to the revenue account. The Corporation's decision in the matter could also be subject to the approval of the Government of India. (5.17)

16. The Corporation should maintain a separate depreciation fund for meeting the expenditure on major maintenance and replacement of machinery instead of the present practice of adjusting the depreciation provision in the annual capital budget. It would be in the interests of the Corporation as well as in accordance with best business practice if the Central Government were to meet the entire cash requirements for all the capital development schemes leaving its internal resources to be used for working capital, replacement needs or if any surplus is still available, for investment in Central Government securities.

DEPRECIATION FUND:

(5.18 and 5.19)

17. The Chairman of the Board of Directors may be whole-time or part-time, but when a part-time Chairman is appointed, care should be taken to see that he is in a position to devote a great deal of his time and interest to the work of the Corporation, and provide adequate guidance to the Managing Director. In particular, the Chairman

COMPOSITION OF THE BOARD OF DIRECTORS:

should be required to assume high level public relations duties. (6.2)

18. Other whole-time Directors should be appointed in consultation with the Chairman and Managing Director, one for Finance, one for Technical matters and one for Administrative matters. (6.3)

19. The whole-time Directors should work as a team and while the Managing Director will have overriding powers, the decisions should ordinarily be reached through consultations and discussions.

Working procedures should be specially evolved to ensure this team approach. (6.4)

20. Besides the Chairman and the whole-time Directors, and in addition to 3 or 4 part-time Directors, one representative each of the Ministry of Steel, Mines and Metals and the Ministry of Finance and a person with knowledge and experience of trade union matters should be nominated to the Board. The Committee does not consider it necessary for other Ministries of the Government of India or public undertakings like, Hindustan Steel Limited, Mining and Allied Machinery Corporation etc. to be represented on the Board. (6.6 to 6.8)

21. In order to enable the part-time Directors to make an effective contribution to the work of the Corporation, their appointments should be renewed as necessary so that each incumbent holds

the position for not less than 3 continuous years and possibly even 5 continuous years. The whole-time Directors should be appointed for a minimum period of 5 years which could be extended as necessary. (6.9)

22. The Committee fully endorses the extent of delegation of powers at present made to the Managing Director. In the exercise of these powers he would have full authority to over-rule the other functional directors. (7.2 and 7.3)

HEADQUARTERS
MANAGEMENT:

23. To enable the Board of Directors to function properly, they should prescribe a number of returns and reports which should be brought to the meetings periodically. (7.4)

24. The Committee suggests that sufficient powers be redelegated to the heads and officials of various departments at Headquarters so as to relieve the Managing Director of routine and unimportant work. (7.5)

25. Ordinarily the Managing Director should not be in charge of any specific Department. However, for some time to come, sales and sales promotion will have to be specifically looked after by him. The Sales Manager will work directly under him. (7.6)

26. The Technical Director should be in charge of all technical departments and have under him a Chief Engineer (Production) responsible for

the planning of production and operation of revenue collieries, Chief Engineer (Planning) responsible for all matters connected with development projects, Chief Engineer (Electrical and Mechanical), Geologist and Civil Engineers.

(7.7)

27. The Finance Director should be in charge of Internal Audit, Accounts and Financial Advice. The Internal Audit should be strengthened early and asked to undertake studies of comparative unit costs etc. The Chief Cost Accounts Officer should coordinate the cost data, provide technical guidance and bring to the notice of the management, matters arising out of the cost data that require their attention.

(7.8)

28. The Area General Managers should be empowered to over-rule their Financial Advisers where they consider it necessary to do so in the interest of production and progress of development projects. They should, however, be required to record their reasons and to report the matter to the Headquarters immediately thereafter.

(7.9)

29. The Director in-charge of Administration should have under him a Chief of Administration and a Chief Personnel Officer. He should also be incharge of Stores and Purchase and miscellaneous departments like Security, Medical, Legal and Public Relations. Vigilance should remain with the Managing Director.

(7.10 and 7.11)

30. The whole-time Directors should be carefully

selected and if necessary higher salaries may be given for attracting suitable persons. (7.14)

31. In the present organisational chart, the Area General Managers are shown as subordinate to and under the control of the Director of Production. It would be more appropriate to show them as under the control of the Managing Director and the Headquarters management group. (7.15)

32. Greater attention should be paid to ensure that all the top posts are properly staffed and not left vacant. (7.16)

33. The procedure for sanctioning the top posts and filling them up has to be speeded up and if necessary, the Department of Mines and Metals could seek delegation of necessary powers for the purpose. (7.17)

34. Duties and responsibilities of each official in the Headquarters office should be properly defined and well understood by each person working in it. (7.18)

Sd/-
(G.R. Kamat)
Chairman

Sd/-
(Mohan Lal Gautam)
Member

Sd/-
(S.S. Saluja)
Member

Sd/-
(Ram Sahay)
Secretary

February 17, 1968.

Government of India
Ministry of Steel, Mines & Metals
(Department of Mines & Metals)

New Delhi, the 22nd July, 1967.

R_E_S_O_L_U_T_I_O_N

No. C2-8(7)/67. The performance of the National Coal Development Corporation Ltd., Ranchi (a public sector undertaking) has been causing concern for some time past inasmuch as production has not been commensurate with the investment made and there is no adequate return on capital invested. There may be scope for improvement in regard to such matters as planning, administrative and organisational set-up, staffing, procurement of equipment, control of stores, financial and budgetary control management-employees relationship and marketing. The alleged malpractices and financial irregularities need also looking into.

2. Government feel that an independent review of these problems, among other issues, is likely to be helpful at this stage in order to enable remedial actions to be taken for removing any deficiencies which may be affecting overall and detailed performance of the various units of the National Coal Development Corporation. Government, therefore, hereby appoints a Committee consisting of -

- | | | |
|--|-----|----------|
| 1. Shri G.R. Kamat, ICS.,
formerly Secretary,
Planning Commission. | ... | Chairman |
| 2. Shri Mohan Lal Gautam
MLA (UP) | ... | Member |
| 3. Shri S.S. Saluja,
Acting Principal,
College of Mining & Metallurgy,
Banaras Hindu University,
Varanasi. | ... | Member |

with its headquarters at New Delhi to conduct such a review.

Shri Ram Sahay, Under Secretary, Department of Mines and Metals will be the Secretary of the Committee.

3. The Committee will identify and assess deficiencies and ascertain the causes therefor in respect of each of the spheres among others, referred to in paragraph 1 above. The Committee will also indicate what remedial action can be taken and what improvements, if any, be made in the policy and

(ii)

organisational setup to ensure full utilisation of the installed capacity, not only to bring about efficient performance immediately but also to gear up the organisation to take up additional responsibilities in future.

4. The Committee will report to Government by the 31st October, 1967.

Sd/- N.C. Shrivastava
Secretary to the Government of India.

O_R_D_E_R

Ordered that a copy of this Resolution be communicated to all State Governments, Administrators of Union Territories, all Ministries of the Government of India, President's Secretariat, Cabinet Secretariat, Prime Minister's Secretariat, Planning Commission, Comptroller & Auditor General of India, Accountant General Commerce, Works & Miscellaneous, Lok Sabha Secretariat, Rajya Sabha Secretariat, Managing Director, National Coal Development Corporation, Ranchi, all Directors of the National Coal Development Corporation.

Ordered also that a copy of the Resolution be published in the Gazette of India for general information.

Sd/- N.C. Shrivastava
Secretary to the Government of India.

To

The General Manager,
Government of India Press,
Faridabad:

N.C.D.C. COMMITTEE - QUESTIONNAIREI. PROJECT PLANNING AND DEVELOPMENT.

- (a) what were the principal considerations in the selection of the project site? were any surveys made to determine the quantity and quality of coal available at the site, the economies of its production, transport facilities and marketing potential for the mine? Please give such particulars, in brief, as are available from the Project Report or from your knowledge.
- (b) The following information may be furnished:
- (i) The capital cost of the Project as indicated in the sanctioned Project Report and the actual cost.
- (ii) Estimated time of completion and the actual date of completion.
- (iii) Anticipated level of production and the actual level of production during each of the last three completed financial years 1964-65, 1965-66 and 1966-67.
- (iv) If any changes were made in the scope of the project, after it was sanctioned, the main changes and the reasons why they were made should be indicated.

II. PRODUCTION AND COST OF PRODUCTION:

- (a) If the level of production is below what was anticipated, please indicate reasons therefor.
- (b) Given adequate market, what is the optimum rate of production that can be achieved with the equipment and labour now employed.
- (c) what measures would you suggest for increasing the rate of production?
- (d) The estimated cost of production per tonne of coal as given in the Project Report and the actuals for each of the last three years.
- (e) Is there scope for reducing the cost of production? If so, please suggest concrete measures to achieve economies.

contd...

III. EQUIPMENT AND EMPLOYMENT.

- (a) It has been alleged that excessive equipment has been provided at some of the collieries and that the rate of utilisation is low. Please give particulars in respect of your project giving the lists of the main items of equipment, the rate of their utilisation during the last three years, whether the rate of utilisation can be stepped up and if so, to what extent and in what way?
- (b) What are the existing maintenance facilities and what improvements would you suggest in them?
- (c) It has also been alleged that excessive number of workers are employed at some of the collieries. Please give details in respect of your project giving average numbers employed during each of the last three years.
- (d) What was the output per man-shift envisaged in the Project Report and what has been the actual output per man-shift during the last three years?
- (e) If either labour or equipment or both is found to be excessive to the needs of the project, what would you suggest for providing alternative employment for them?

IV. TRANSPORT AND SALES:

- (a) It is often alleged that one reason for restricted output is the irregular and inadequate supply of wagons. On the other hand, on several occasions some of the wagons supplied return empty and large amounts are incurred in demurrage. What is the position in your project? What improvements would you suggest?
- (b) Have you any suggestion to make for increasing the sales of coal produced in your project?

V. ADMINISTRATION AND INDUSTRIAL RELATIONS:

- (a) Do you think that the production and economy of production would be improved if additional administrative powers are delegated to you. If so, indicate in concrete terms additions that should be made?
- (b) Are relations with labour satisfactory? If not, what measures would you suggest to bring about an improvement?

(v)

VI. GENERAL:

Any other material or suggestions, which in your opinion could be of assistance to the Committee in the review of the working of NCDC.

SDB

APPENDIX III TO N.C.D.C. COMMITTEE'S FIRST REPORT.

SECTION I : ESTABLISHMENT.

- (1) The creation of permanent posts above 80% of the total sanctioned posts, temporary and permanent, and exceeding the Scale having a maximum of Rs.950/- p.m.
- (2) The creation of temporary posts in the scale whose maximum exceeds Rs.950/- p.m.
- (3) The appointment of persons on a scale of pay having a maximum exceeding Rs.1,400/- p.m.
- (4) The fixation of initial pay of selected candidates for appointment at any higher stage exceeding, five increments in the time scale to any post which he is empowered to appoint.
- (5) The grant of any remuneration or special pay to any employee, otherwise than in the following circumstances:-
 - (i) Holding in addition to his own duties the current charge of an equivalent or higher post during temporary absence ex-India on duty of the regular incumbent for a period not less than 30 days.
 - (ii) Undertaking work of temporary nature in addition to his own duties.
 - (iii) Undertaking in addition to his own duties the current charge of a higher post for not less than thirty days.
 - (iv) Holding charge of another equivalent post in different office, in addition to his own, for a period not less than thirty days.

Note: The rate of remuneration in the aforesaid cases shall not exceed 20 per cent of the grade pay of the employee.

- (6) The grant of honorarium or reward for specially meritorious work exceeding Rs.500/- in each case and exceeding the total of Rs.10,000/- in any financial year.
- (7) The termination otherwise than on acceptance of resignation from service of employees the maximum of whose scale of pay exceeds Rs.1400/- p.m.

SECTION II : FINANCIAL & MISCELLANEOUS.

- (1) The sanctioning of schemes/works and incurring of

expenditure thereunder not covered by approved budget unless (i) the managing Director certifies that provision shall be made in the revised estimates, (ii) the cost of scheme/work does not exceed Rs.20 lakhs and (iii) such schemes/works is not in-consistent with any previous decision of the Board.

- (2) The incurring of expenditure in respect of the approved projects in excess of 10 per cent of the overall provision contained in the approved project report, where such excess expenditure has been approved by the Government.

Provided that in case of emergency the Managing Director may incur such expenditure, in which case the fact shall be reported to the Board at its next meeting.

- (3) The acceptance within his powers of any tender other than the lowest without recording in writing the reasons thereof.
- (4) The sanction of petty ex-gratia payments of a non-recurring nature exceeding Rs.500/- in any individual case or a total Rs.10,000/- in any financial year.
- (5) The sanction of non-recurring grants to cultural, charitable and local institutions exceeding Rs.2,000/- per year in each project area or at Head quarters.
- (6) The referring of any claim or demand exceeding Rs.23,000/- (other than one arising out of an industrial dispute) by or against the Company to arbitration and execute the awards.
- (7) The write off losses exceeding Rs.10,000/- in each case.
- (8) The incurring of expenditure of contingent nature on special occasions such as Independence Day, Republic Day, Opening Ceremony, etc. exceeding Rs.1,000/- in each case.

The Managing Director is hereby authorised to sub-delegate any or all powers delegated to him under this order to any of his officer/officers under intimation to the Board.