

COMMITTEE ON PUBLIC UNDERTAKINGS (1967-68)

(FOURTH LOK SABHA)

SIXTH REPORT

Contracts entered into by Rourkela Steel Plant of Hindustan Steel Ltd. with M/s. B. Patnaik Mines (P) Ltd. and others for the supply of Iron Ore and Manganese Ore.

(MINISTRY OF STEEL, MINES & METALS,
DEPARTMENT OF IRON & STEEL)

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**LOK SABHA SECRETARIAT
NEW DELHI**

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SIXTH REPORT OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS ON CONTRACTS ENTERED INTO
BY ROURKELA STEEL PLANT OF HSL WITH M/S
B. PATNAIK MINES (P) LTD. AND OTHERS FOR
THE SUPPLY OF IRON ORE AND MANGANESE ORE.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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7	-	S.No.22	March, '65	March, '66
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23	55	2	shart-fall	short-fall
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42	147	5	transformed	transferred
42	165(ii)	3	<u>add</u>	'be' <u>before</u> 'rerouted'
48	165(iv)	4	'63%,63%Fe'	'63%Fe'
79	-	Heading	<u>add</u>	'(IRON ORE)' <u>after</u> 'APPENDIX-V'
81	-	4	<u>add</u>	'2,37,601 tonnes' <u>against</u> 'mine-owners'
82	-	1	<u>insert</u>	'R.S.P.' <u>after</u> 'Manager'
107	82	1	Maganese	Manganese
107	82	4	Plan	Plant
111	171	4	regretttble	regrettable

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1967-68)

CHAIRMAN

Pandit D. N. Tiwary*

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3. Shri Surendranath Dwivedy**
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5. Shrimati T. Lakshmi Kanthamma
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9. Shri Prem Chand Verma
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11. Shri Arjun Arora
12. Shri Vimalkumar M. Chordia
13. Shri Banka Behary Das
14. Miss M. L. Mary Naidu
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SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

*Left for New York on the 25th September, 1967 to join the Indian delegation to the XXII Session of the U. N. General Assembly.

**Appointed by the Speaker as Chairman during the absence of Pandit D. N. Tiwary out of India.

INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Sixth Report on the contracts entered into by Rourkela Steel Plant of Hindustan Steel Ltd. with M/s. B. Patnaik Mines (P) Ltd., M/s. Mishrilal Jain & Sons and M/s. Rungta Sons (P) Ltd. for the supply of Iron Ore and Manganese Ore.

2. The matter regarding contracts for supply of Iron Ore to Rourkela Steel Plant of HSL first came to the notice of Parliament on the 18th August, 1966 when a starred question was asked by Shri Banka Behary Das in Rajya Sabha. There was also a half-an-hour discussion in Rajya Sabha on this matter on 29th August, 1966. The Committee on Public Undertakings (3rd Lok Sabha) decided in September, 1966 to call for detailed information from the Government on various points arising out of this matter. The information received from the Ministries of Iron & Steel and Commerce was examined and the Committee proposed to discuss this matter on the 3rd March, 1967. The matter however, could not be pursued further by the Committee as the Third Lok Sabha was suddenly dissolved on that very day.

3. The present Committee on Public Undertakings examined the matter *de novo* and decided on the 14th August, 1967 to take up the matter for detailed examination.

4. The Committee took the evidence of the representatives of HSL and MMTC on the 3rd October, 1967 and of the Ministry of Steel, Mines & Metals (Department of Iron & Steel) and the Ministry of Commerce on the 4th October, 1967.

5. The Report was considered and adopted by the Committee on the 21st December, 1967.

6. The Committee wish to express their thanks to the officers of the Rourkela Steel Plant of HSL, Minerals and Metals Trading Corporation of India Ltd., the Ministry of Steel, Mines & Metals (Department of Iron & Steel) and the Ministry of Commerce for placing before them the material and information that they wanted in connection with their examination.

SURENDRANATH DWIVEDY,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

December 21, 1967.

Agrahayana 30, 1889 (*Saka*).

INTRODUCTORY

The matter regarding contracts for supply of iron ore to Rourkela Plant of Hindustan Steel Ltd., first came to the notice of Parliament, on the 18th August, 1966 when Shri Banka Behary Das, M.P. asked the Minister of Iron & Steel the following *Starred Question in the Rajya Sabha:

- “(a) whether two *ad hoc* contracts for iron ore supply for Hindustan Steel Ltd., Rourkela were given to Messrs. B. Patnaik and Mishrilal Jain, during 1965 and 1966;
- (b) if so, the terms of this contract;
- (c) whether enquiry and notifications were made and quotations obtained before giving the contracts; and
- (d) if not, the reasons therefor?”

2. In reply the Minister of Iron & Steel (Shri T. N. Singh) stated that in February, 1966, Hindustan Steel Ltd., Rourkela, had entered into two *ad hoc* contracts with M/s. B. Patnaik and M/s. Mishrilal Jain for supply of 130,000 tonnes and 100,000 tonnes of iron ore and 28,000 tonnes and 22,000 tonnes of manganese ore respectively. The contracts stipulated supplies at the base prices of Rs. 16 per tonne of iron ore and Rs. 25 per tonne of manganese ore.

The Minister further explained that although no formal notifications were issued before entering into contracts with these firms, a number of firms in the Barajamda area were contacted. It was understood that very few mine-owners were in a position to supply high grade iron ore as well as manganese ore, and many did not show any interest. As the stock of iron ore with Hindustan Steel Ltd. had come down to only two days' consumption, there was no alternative but to arrange for supplies immediately to keep the plant running without necessarily completing the formalities of issuing formal notification etc.

3. During the course of supplementaries the members alleged that:

- (i) Contrary to the general policy of the Government and public sector undertakings, in this particular case, no tenders had been called for and quotations were obtained only from a few persons. This was objected to by the Mine Owners' Association who made representations to the HSL.

*Appendix I. Reply to Starred Question No. 506 on 18-8-1966 in Rajya Sabha.

- (ii) This procedure had been adopted to benefit Shri Biju Patnaik and his business associates.
- (iii) Minerals & Metals Trading Corporation of India Ltd. was purchasing iron ore at the rate of Rs. 15.50 per ton from small mine-owners and supply it to HSL at the rate of Rs. 16.50. HSL could have purchased the ore directly from small mine-owners at the rate of Rs. 15.50 had it so desired. Had tenders been invited the correct price could have been known.
- (iv) No proper precautions had been taken by HSL to acquire the raw materials in time and the stocks had been allowed to dwindle down to two days' supplies.
- (v) Shri Biju Patnaik had come to adverse notice of Government but still HSL entered into contracts with him.
- (vi) On the 27th December, 1965 a search was conducted at 3, Lord Sinha Road, Calcutta premises of Shri S. L. Kapur, and in the course of search certain incriminating papers were found involving Shri Biju Patnaik's firm and these included bogus hundis worth Rs. 6,25,000. Promissory notes dated 29th March, 1954 were issued by Shri Biju Patnaik to Shri S. L. Kapur worth Rs. 3 lakhs at 6 per cent interest and a promissory note dated 18th March, 1960, signed by Shri Biju Patnaik, for Rs. 45,000 for Shri M. V. Subramaniam, Hindustan Buildings. Papers were found showing an agreement in 1954 between Shri Biju Patnaik and Shri S. L. Kapur for manganese and iron ore business for 20 years. After all these disclosures of bogus hundis, bogus promissory notes, etc. held by Shri Biju Patnaik, why was the Government maintaining this particular firm on the Government list. Why was a general order not being issued by the Government that no department of the Government or no Ministry should have anything to do with this particular firm or firms under the control of Shri Biju Patnaik?
- (vii) Why was the Utkal Mining Corporation not being treated in the same way as certain other firms?
- (viii) That MMTC which is a public sector undertaking had been neglected.

4. In reply the Minister stated that:

- (i) On the 4th April, 1966 discussions were held at Ranchi with the Eastern Zone Mine Owners Association. As it was not a trading body it was not possible to enter into any contracts with them and therefore contracts were placed with these two firms.

- (ii) The price at which the contracts were placed with these firms was lower than that offered by MMTC. The price quoted by MMTC was Rs. 17 per tonne, besides Re. 0.30 per tonne as commission, whereas that paid to the parties was Rs. 16 per tonne.
- (iii) Some mine-owners had seen the Minister of Iron & Steel (Shri T. N. Singh) only recently and he had assured them that if small mine-owners could come together for joint supply he could look into the question of getting supplies from them.
- (iv) The stocks had depleted due to pressure of export obligations.
- (v) Regarding bogus hundis and other matters details would be obtained and the matter would be looked into.
- (vi) The agreement itself stipulated arrangements for temporary supplies, but the old position could be reverted to, by rerouting supplies through MMTC.

5. There was also a Half-an-Hour* discussion in the Rajya Sabha on this matter on the 29th August, 1966 from which it appeared that a large number of Members were not satisfied with the replies of Government.

The Committee on Public Undertakings (Third Lok Sabha) decided in September, 1966 to call for detailed information from Government on the various points arising out of this matter. The information received from the Ministries of Iron and Steel and Commerce was examined and the Committee proposed to discuss this matter on the 3rd March, 1967. The matter, however, could not be pursued further by the Committee as the Third Lok Sabha was suddenly dissolved on that very day.

6. The present Committee on Public Undertakings (1967-68) was constituted on 1st April, 1967. On the 16th June, 1967, while giving replies to Unstarred** Question Nos. 2662 and 2663 in the Lok Sabha, the Minister of State in the Ministry of Steel, Mines and Metals (Shri P. C. Sethi) stated that these contracts were being examined by the Committee on Public Undertakings. In view of the concern expressed over this matter in both the Houses of Parliament, the present Committee examined *de novo* the material already furnished by the Ministries of Iron & Steel and Commerce and decided on the 14th August, 1967 to take up the matter for detailed examination. The representatives of the concerned Undertakings and the Ministries of Government were examined by the Committee on the 3rd and 4th October, 1967. The findings of the Committee are contained in the following chapters.

*Appendix II. Extracts from Rajya Sabha Debates dt. 29-8-66.

**Appendices III & IV : Reply to Unstarred Question No. 2662 on 16-6-67 in Lok Sabha.

Reply to Unstarred Question No. 2663 on 16-6-67 in Lok Sabha.

II

BACKGROUND

A. Requirements of Ore

(1) *Iron Ore*

7. The bulk of iron ore required by the Rourkela Steel Plant comes from its own captive mines at Barsua. The Barsua Ore has an iron ore content of about 55 to 56 per cent. on an average. The blast furnaces at Rourkela Steel Plant are, however, designed to work on the basis of iron ore with an average of 60 per cent. Fe content. High grade iron ore is therefore required by the plant to "sweeten" the low grade Barsua ore. This high grade iron ore contains 63 to 65 per cent Fe content.

8. For making one tonne of pig iron the plant needed 1.6 tonnes or iron ore containing Fe content of 60 per cent. For making 3,000 tonnes of pig iron the requirement of the plant, of iron ore, is about 4,800 tonnes daily. In order to keep the consistency of about 60 per cent. Fe, out of this quantity, 40 per cent. (*i.e.*, 2,000 tonnes approximately per day) would have to be high grade iron ore and 60 per cent. *i.e.*, 2,800 tonnes approximately the low grade Barsua ore. The monthly requirements of Rourkela Steel Plant for high grade iron ore were therefore approximately 60,000 tonnes. There was at no stage any difficulty in obtaining the low grade Barsua ore. Difficulties, however, arose in respect of the high grade iron ore obtained by HSL from the market through M.M.T.C.

(2) *Manganese Ore*

9. Rourkela Steel Plant utilises the LD Process in which very high manganese hot metal is needed. The Barsua iron ore contains a high silicon content and the hot metal requires 2 per cent. manganese. For producing 84,000 tonnes of steel per month the plant requires about 12,000 to 14,000 tonnes of manganese ore per month.

B. Sources of Supply

10. The requirements of high grade iron ore were met by purchases from the market.

Hindustan Steel Ltd. was free to buy its requirements of high grade iron ore and manganese ore directly, but it had been obtaining them from State Trading Corporation (now MMTC) who in turn purchased them from private sector mines in the Barajamda sector. A part of the supplies was also obtained from National Mineral Development

Corporation (Kiriburu Mines) and Orissa Mining Corporation (Kendadhar Mines).

11. For the supplies obtained through STC/MMTC, the procedure adopted in regard to the high grade iron ore and low grade manganese ore was slightly different. In the case of high grade iron ore Hindustan Steel Limited placed demands from time to time on STC/MMTC who negotiated with the suppliers the prices and other details and finalised the contracts with the approval of Hindustan Steel Limited. In the case of low grade manganese ore, however, the contracts were entered into by Hindustan Steel Limited directly with the suppliers on the basis of the offers collected from the mine owners by the MMTC.

12. The following contracts had been placed for the supply of iron ore during January, 1965—June, 1966.

Sl. No.	Contract No. and date.	Party's Name	Grade of Materials	Quantity contracted	Period of supply	Remarks
1.	PM/22615/IX/3520, 31-12-64	M/s STC Ltd.	B. F. Grade	M/T 50,000	31-12-64-31-3-65	
2.	PM/18624/19737/IX/806, 16-3-65	M/s O. M. C. Ltd.	Export Grade	70,000	March, '65 Sept. '65	
3.	PM/23221/IX/2128, 21-7-65	„ „	B. F. Grade	30,000	20-7-65-30-6-66	
4.	PM/25000/IX/M/s I. Ore/Kiriburu/2621, 6-9-65	N. M. D. C. Ltd.	B. F. Grade	89,671	Dec. '64 Sept. '65	
5.	PM/18624/19737/IX/853, 19-3-66.	M/s M/M T. C. Ltd.	Export Grade	14,18,000	Feb. '64 31-3-66.	

13. The following contracts subsisted for supply of Manganese ore to Rourkela Steel Plant during January, 1965 to June 1966 :—

Sl. No.	Purchase Order and date	Supplier	Contracted Qty. in Tonne	Period of contract	
1	2	3	4	5	
1	CPO/RM-11(4) I/1062 dt. 7/13-8-63.	M/s Orissa Manganese & Minerals (P) Ltd.	10,189	August '62 to April, '65	

1	2	3	4	5
2.	PM/18688/IX/ 1924 dt. 2-7-64	B. Patnaik Mines	7,112	October, '64 to December, '65
3.	PM/19515/IX/ 2294 dt. 11-8-64	Serajuddin & Co.	10,000	November, '64 to December, '65
4.	PM/19515/IX/ 2295 dt. 11-8-64.	Arjun Ladha	10,160	November, '64 to December, '65
5.	CPO/R/630/RM 11(14)/I/1110 dt. 21/22-8-63	B. Patnaik & Mines (P) Ltd.	6,096	Aug., '63 to March, '65
6.	PM/19515/IX/ 2455 dt. 1-9-64	Tribhuvan Das Narbharam	6,000	Sept., '64 to Aug., '65 @ 500/t per month
7.	PM/19515/IX/ 3473 dt. 21-12-64	Rungta Sons (P) Ltd.	5,000	Immediate
8.	PM/19515/IX/ M/s. 3524 dt. 31-12-64	Mangilal Rungta	6,254	Dec., '64 to April, '65
9.	PM/19515/IX/ 1512 28-5-65	M/s Karamchand Thapar & Bros. (P) Ltd.	1,000	March, '65 to July, '65
10.	PM/19515/IX/ 1738 17-6-65	Orissa Minerals Development Co. Ltd.	30,000	May, '65 to April, '66
11.	PM/19515/IX/ 1790 22-6-65	Aryan Mining & Trading Corp. Ltd.	6,000	May, '65 to Oct., '65 @ 1000 tonnes per month
12.	PM/19515/IX/ 2771 23-7-65	Mishri Lal Jain (P) Ltd.	5,000	July, '65 to 31-12-65
13.	PM/19515/IX/ 3078 dt. 28-10-65	Jhakar Prasad Sao	500	July, & Aug. '65
14.	PM/19515/IX/ 3080 28-10-65	Orissa Manganese & Minerals (P)	10,000	July to Dec. '65
15.	PM/19515/IX/ 2391 20-8-65	M. S. Deb	1,524	July, '65 to Dec., '65.

1	2	3	4	5
16.	PM/18688/IX/ 2825 30-9-65	S. Lal & Co. (P) Ltd.	6,097	June, '64 to May, '65.
17.	PM/19515/IX/ 3079 28-10-65	Mangilal Rungta	2,032	May, '65 to August, '65.
18.	PM/19515/IX/ 3082 28-10-65	Rungta Sons (P) Ltd.	25,000	June, '65 to Oct. '65.
19.	PM/1515/IX/3230 11-11-65	Mishrilal Jain (P) Ltd.	5,000	Sept. '65 to Dec. '65.
20.	PM/19515/IX/ 3082 28-10-65	S. Lal & Co. (P) Ltd.	5,000	May, '65 to Sept. '65 @ 1000 tonne per month.
21.	PM/19515/IX/ 3229 11-11-65	Sirajuddin & Co.	25,000	August, '65 to Dec. '65.
22.	PM/19515/IX/ 3228 11-11-65	Tribhuvan Das Narbharam	2,540	Nov. '65 to March, '65.
23.	PM/22576/IX/ 3387 26-11-65	TISCO	20,000	April to Dec. '65.

C. Prices

14. The prices at which the iron ore and manganese ore were made available to Rourkela Steel Plant through MMTC before March, 1966 were as follows:

1. Before 1-7-65 the prices paid for iron ore and manganese ore were (per tonne) :

(a) Iron Ore	Rs. 14.75 + 30 paise	(MMTC's Commission for supplies from Orissa Mines).
	Rs. 15.25 + 30 paise	(MMTC's Commission for supplies from Bihar Mines).
(b) Manganese Ore	Rs. 21 + 19 paise	(MMTC's Commission).

2. As from 1st July, 1965, the prices at which Rourkela Steel Plant was getting high grade iron ore and manganese ore through MMTC were (per tonne):

(a) Iron Ore :	Rs. 15.75+30 paise	(MMTC's Commission for supplies from Bihar Mines).
	Rs. 15.25+30 paise	(MMTC's Commission for supplies from Orissa Mines).
(b) Manganese Ore:	Rs. 23+19 paise	(MMTC's Commission).

D. Depletion of Stocks

15. Until December 1964, the position of supply of iron ore and manganese ore to Rourkela Steel Plant was more or less normal.

The following maximum and minimum stock limits for iron ore and manganese ore had been prescribed by the Head Office of HSL for Rourkela Steel Plant:—

	Maximum (In terms of days')	Minimum
Iron Ore	30	20
Manganese Ore	60	30

16. The stocks of purchased iron ore and manganese ore at the Rourkela Steel Plant started falling below these prescribed limits from January, 1965 and reached dangerously low levels in August 1965 and February 1966 as would be seen from the statement below:

Month	Iron Ore	Stock in terms of days	Manganese Ore	Stock in terms of days
January '65	26,403	13	9,343	27
February "	33,122	20	8,700	24
March "	23,678	14	7,058	20
April "	27,699	13	4,325	12
May "	40,215	14	4,925	14
June "	31,971	11	2,449	7
July "	24,427	8	2,633	7

1	2	3	4	5
August '65	18,965	5	1,188	3
September "	26,254	8	2,221	6
October " . .	36,460	14	4,448	15
November " . .	21,173	7	3,138	9
December " . .	15,633	5	1,146	3
January '66 . .	13,740	6	2,560	6
February " . .	5,401	2	1,986	5
March " . .	56,072	31	6,627	18
April " . .	84,727	39	12,653	36
May " . .	100,110	46	12,398	38
June " . .	108,080	38	11,122	31
July " . .	108,710	32	13,577	39

E. Shortfall in supplies

17. Rourkela Steel Plant was dependent chiefly on MMTC for the supply of both high grade iron ore and manganese ore. The statement below shows that there were very heavy shortfalls in respect of supplies of both these ores during the period January, 1965 to July, 1966.

(in Tonnes)

Month	CBT Prog- ramme	Monthly Prog- ramme	Actual despatches	Shortfall/ excess
IRON ORE				
January 1965	50,000	50,000	43,217	(—) 6,783
February 1965	50,000	60,000	34,165	(—) 25,835
March 1965 .	50,000	60,000	53,802	(—) 6,198
April 1965 .	75,000	75,000	68,894	(—) 6,106
May 1965	75,000	95,000	75,769	(—) 19,231
June 1965	75,000	95,000	63,533	(—) 31,467
July 1965 .	90,000	95,000	71,075	(—) 23,925
August 1965	90,000	95,000	69,885	(—) 25,115
September 1965	90,000	95,000	60,585	(—) 34,415
October 1965	80,000	80,000	69,888	(—) 10,112
November 1965	80,000	80,000	49,291	(—) 30,709
December 1965 .	80,000	80,000	68,884	(—) 11,616
January 1966 . .	50,000	75,000	48,564	(—) 26,43

1	2	3	4	5
February 1966 . . .	45,000	90,000	45,940	(—) 44,060
March 1966 . . .	50,000	90,000	40,596	(—) 49,404
April 1966 . . .	81,500	86,000	18,256	(—) 67,744
May 1966 . . .	82,000	70,000	23,912	(—) 46,088
June 1966 . . .	81,000	70,000	33,587	(—) 36,413
July 1966 . . .	87,000	79,000	51,316	(—) 27,684

MANGANESE ORE

January 1965 . . .	16,000	16,000	14,524·8	(—)1,475·2
February 1965 . . .	16,000	16,000	11,627·9	(—)4,372·1
March 1965 . . .	16,000	16,000	8,446·3	(—)7,553·7
April 1965 . . .	16,000	16,000	10,121·1	(—)5,878·9
May 1965 . . .	16,000	16,000	5,917·1	(—)10,082·9
June 1965 . . .	16,000	17,000	6,047·1	(—)10,952·9
July 1965 . . .	16,000	16,000	8,394·9	(—)7,605·1
August 1965 . . .	16,000	16,000	12,607·0	(—)3,393·0
September 1965 . . .	16,000	20,000	10,058·1	(—)9,941·9
October 1965 . . .	19,000	20,000	12,541·4	(—)7,458·6
November 1965 . . .	19,000	20,000	8,408·7	(—)11,591·3
December 1965 . . .	19,000	20,000	11,481·3	(—)8,518·7
January 1966 . . .	15,000	20,000	11,857·9	(—)8,142·1
February 1966 . . .	15,000	20,000	8,477·7	(—)11,522·3
March 1966 . . .	15,000	20,000	6,208·2	(—)13,791·8
April 1966 . . .	19,000	20,000	4,469·3	(—)15,530·7
May 1966 . . .	18,000	20,000	3,062·6	(—)16,937·4
June 1966 . . .	18,000	18,000	2,013·2	(—)15,986·8
July 1966 . . .	17,000	15,000	6,298·2	(—)8,701·8

18. The main reason for dwindling of supplies of iron ore and manganese ore to Rourkela Steel Plant was the difference of opinion which arose between Hindustan Steel Ltd. and MMTC about the reasonable price that should be paid for each of these ores. In spite of many discussions, including meetings between officers of the two organisations at the highest level, the difference of opinion could not be resolved. While MMTC desired negotiating ceilings of Rs. 17 per tonne for the high grade iron ore and Rs. 28 per tonne for manganese ore, Hindustan Steel Ltd.'s view was that the negotiating ceilings were likely to become firm prices. They made a counter-tonne for the high grade iron ore and Rs. 28 per tonne for Rs. 12.82 per tonne for blast furnace grade iron ore and Rs. 25 per tonne for the manganese ore. MMTC were also to draw their normal commission over and above these firm prices.

19. While the discussions were still going on, the stock position of iron ore at Rourkela Steel Plant had become precarious. Actually, on February 21, 1966 the stock level of high grade iron ore at Rourkela Steel Plant had fallen to five hours' consumption.

The position regarding manganese ore was also precarious. The stock level at Rourkela Steel Plant fell below the 7-days consumption level from 7th December, 1965 onwards—falling as low as three hours' consumption on 23rd December, 1965.

F. Ad hoc contracts by Rourkela Steel Plant

20. In view of the seriously deteriorating stock position of iron ore and manganese ore and continuous tapering off of supplies through MMTC, Rourkela Steel Plant sought to replenish its stock through purchases in the open market. In the opinion of Rourkela Steel Plant the position of supplies through MMTC, was not expected to improve till the question of prices was finally settled.

21. Apart from the mine-owners, Rourkela Steel Plant contacted the National Mineral Development Corporation to ascertain whether they were in a position to help in meeting the immediate requirements of iron ore. The NDMC regretted their inability owing to breakdown in their conveyor system. Similarly, for manganese ore the Steel Plant contacted Manganese Ore India Ltd., a Government majority undertaking, but the price of Rs. 46 per tonne quoted F.O.R. mines siding exclusive of sales tax was considered unquestionably high. Over and above the high price the Steel Plant would have had to pay heavy railway freight charges on account of the long distance involved.

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22. Ten parties were therefore contacted informally by Rourkela Steel Plant. The details of offers given by them are as follows.

Name of the Firm	Prices indicated Iron Ore Rs. per tonne	Prices indicated Manganese Ore Rs. per tonne	Remarks
1. M/s. Orissa Manganese & Minerals Pvt. Ltd.	19.00	29.00	
2. M/s. M.S. Deb .	19.00		Not in a position to offer Manganese Ore.
3. M/s. Mishrilal Jain .	17.00	27.00	
4. M/s. S. Lal & Co..	..	..	Interested in long term contract only-
5. M/s. Serajuddin & Co.	..	25.00	Due to prior commitment to MMTC could not give definite commitment.
6. M/s. B. Patnaik Mines	16.50	26.00	
7. M/s. Baijanath Sardar	17.00		Could not offer manganese ore.
8. M/s. K. C. Thapar & Sons	16.50	..	If more than one lac tonnes, @ Rs. 16 per tonne.
9. M/s. Rungta & Sons	16.00	25.00	Withdrew offer subsequently.
10. M/s. Bird & Co.	..	..	Already on long-term contract with IISCO ; hence not in a position to supply to RSP.

23. By negotiations with mineowners the prices were ultimately settled at Rs. 16 per tonne for Export Grade iron ore and Rs 25 per tonne for manganese ore and two *ad hoc* contracts were placed by Rourkela Steel Plant on M/s. Mishrilal Jain & M/s. B. Patnaik Mines (P) Ltd. on the 2nd March, 1966 on the basis of these prices.

24. The quantity and the value of *ad hoc* contracts entered into on March 2, 1966 were as follows:—

(a) <i>M/s. B. Patnaik Mines (P) Ltd.</i>			
Iron Ore	50,000 tonnes	@ Rs.	16/- per tonne
	.....	Rs.	8/- lakhs.
Manganese Ore	10,000 tonnes	@ Rs.	25/- per tonne
	.....	Rs.	2.50 lakhs.
(b) <i>M/s. Mishrilal Jain:</i>			
Iron Ore	50,000 tonnes	@ Rs.	16/- per tonne
	.....	Rs.	8 lakhs.
Manganese Ore	10,000 tonnes	@ Rs.	25/- per tonne
	.....	Rs.	2.50 lakhs.

The above contracts were for the following periods:—

(a) <i>M/s. B. Patnaik Mines (P) Ltd.</i>	
Iron Ore	March to June 1966
Manganese Ore	March to September, 1966
(b) <i>M/s. Mishrilal Jain</i>	
Iron Ore	March to June 1966
Manganese Ore	March to June 1966.

25. On April 12, 1966 the following further orders were placed on these two parties through amendments to the original contracts in order to build up stocks for the coming monsoon. These additional quantities were of the same specifications and at the same prices as in the original contracts.

	Add . quantity	Value in Rs.	Revised period
(a) <i>M/s. B. Patnaik Mines (P) Ltd.</i>			
Iron Ore	80,000 tonnes	12.8 lakhs	June 1966
Manganese Ore	18,000 tonnes	4.5 lakhs	June 1966
(b) <i>M/s. Mishrilal Jain</i>			
Iron Ore	50,000 tonnes	8 lakhs	July 1966
Manganese Ore	12,000 tonnes	3 lakhs	July 1966

G. Long-term contracts

26. As the question of prices remained unsettled, Rourkela Steel Plant entered into further long-term contracts on 8th July, 1966 with (i) *M/s. Mishrilal Jain & Sons*, (ii) *M/s. B. Patnaik Mines (P) Ltd.* and (iii) *M/s. Rungta Sons (P) Ltd.* for the supply of iron ore and manganese ore. The details of the contracts are as follows:—

(i) <i>M/s. Mishrilal Jain & Sons</i>			
Iron Ore	7,20,000 tonnes	@ Rs.	16/- per tonne
		Rs.	1,15,20,000.
Manganese Ore	1,44,000 tonnes	@ Rs.	25/- per tonne
		Rs.	36,00,000

(ii) <i>M/s. B. Patnaik Mines (P) Ltd.</i>		
Iron Ore	7,20,000 tonnes	@ Rs. 16/- per tonne Rs. 1,15,20,000
Manganese Ore	1,44,000 tonnes	@Rs. 25/- per tonne Rs. 36,00,000
(iii) <i>M/s. Rungta Sons (P) Ltd.</i>		
Iron Ore	7,20,000 tonnes	@ Rs. 16/- per tonne Rs. 1,15,20,000
Manganese Ore	1,44,000 tonnes	@Rs. 25/- per tonne Rs. 36,00,000

The period of supply for the above three contracts both for iron ore and manganese ore was from the 8th July, 1966 to 7th July, 1969, *i.e.*, three years.

III

CONTRACTS FOR DIRECT PURCHASE OF IRON ORE AND MANGANESE ORE

A. Depletion of Stock

27. In January 1965, against the monthly programme of supply of 50,000 tonnes of iron ore, MMTC supplied 43,217 tonnes to Rourkela Steel Plant leading to a short-fall of 6,783 tonnes. In February the short-fall was 25,835 tonnes, in March 6,198 tonnes and in April 6,106 tonnes. Upto April 1965, there was thus an overall short-fall in the supply of iron ore to the extent of 44,922 tonnes. Similarly in respect of manganese ore, against the monthly programme of 16,000 tonnes, MMTC supplied 1,475.2 tonnes less in January 1965, 4,372.1 tonnes less in February, 7,553.7 tonnes less in March and 5,878.9 tonnes less in April 1965. There was thus a cumulative short-fall of 19,279.9 tonnes in the supply of manganese ore during the first four months of 1965.

28. During evidence the representatives of the Rourkela Steel Plant stated that a day-to-day watch over stocks is kept at the plant. In any particular month when there is any short-fall in despatch, the Superintendent, Ore, Mines and Quarries brings it to the notice of the Regional Manager, MMTC and the Purchase Branch of the Plant at Calcutta, who brings it to the notice of the Regional Office of MMTC in Calcutta to ensure that supplies are made in time.

29. The Committee were informed during evidence that Rourkela Steel Plant did not initially take up the matter at a higher level as they considered it a temporary imbalance and hoped that the matter would set itself right after the settlement of prices with MMTC on the 29th July, 1965.

30. *The Committee are surprised to notice that with a total short-fall of 44,922 tonnes of iron ore and 19,279.9 tonnes of manganese ore during the period January to April, 1965 the Rourkela Steel Plant were prepared to treat the matter as a case of temporary imbalance.*

31. Even after April, 1965, upto July there was a short-fall of 74,623 tonnes of iron ore and 28,640.9 tonnes of manganese ore. On the 16th August 1965, Chairman HSL sent a letter to Secretary, Ministry of Iron & Steel apprising him of the differences between HSL and MMTC on prices of two ores and shortfalls in supplies of manganese ore by MMTC to Durgapur and Rourkela Steel Plants. Meanwhile the position of supplies went on deteriorating.

32. *The Committee feel that active steps should have been taken by HSL to resolve the differences between HSL and MMTC and arrest the deterioration of stock position.*

33. Department of Iron & Steel had issued instructions on the 21st July, 1962 that the Steel Plants both in public and private sectors should furnish every Monday statements regarding raw materials position, finished steel production and wagon requirements with a view to take suitable and timely action to forestall any development that might hinder production in the Steel Plants in the context of difficult supply position of certain raw materials and the movement of finished steel items prevailing then. Accordingly weekly statements were being sent to the Government every Saturday by teleprinter message with effect from the week ending 28th July 1962 and were discontinued with effect from the week ending 12th February 1966 as per the instructions from the Ministry. The Senior Statistical Officer in the HSL Head Office at Ranchi had requested for submitting weekly statements given the position of raw materials with effect from the week ending 7th June 1964 and accordingly weekly statements were also being furnished at that critical time by Rourkela Steel Plant to the Head Office of HSL.

34. During evidence the Secretary, Ministry of Iron & Steel stated that the Ministry was aware from the monthly reports that the stocks were dwindling but the Ministry considered that it was primarily for HSL to make arrangements for meeting their day-to-day requirements or their long term requirements. The Ministry kept a watch on the trends, whether the production was going up or going down, whether the stocks of raw materials were adequate and whether the exports were taking place as planned. Whereas the Secretary, Ministry of Iron & Steel stated that the Ministry received 'Monthly' reports from Rourkela Steel Plant, the plant authorities have stated that they supplied the information re: stocks and production on a weekly basis.

35. It transpired during evidence that the reports received from Rourkela Steel Plant did not receive sufficient attention during the period August 1965 to April 1966. The officer concerned with the matter had been assigned special duty as Secretary to Mahatab Committee and in his absence the reports from Rourkela Steel Plant did not receive any attention.

36. *The Committee regret to note that the Ministry of Iron and Steel did not pay due attention to the precarious stock position at the Rourkela Steel Plant and treated raw materials stock reports as mere routine statements. They feel that if Government had taken effective action in the matter, the crisis at the Steel Plant could have been avoided.*

37. *The Committee are unable to understand why the Ministry issued instructions to the Steel Plant to discontinue the submission of*

statements to them with effect from the week ending the 12th February, 1966 especially at a juncture when the stock position at the Steel Plant was desperate.

38. It had become increasingly clear to the Rourkela Steel Plant authorities by August, 1965 that the position of supplies through MMTC was not likely to improve till the question of prices was finally settled. In his letter to the Secretary, Steel & Mines the Chairman, HSL had, on the 14/16th August, 1965 stated that:

“I am not sure that we shall not continue to have similar difficulties in regard to quantity, quality, price and timely delivery in regard to purchase of iron ore and manganese. Because MMTC are only a purchasing agent depending on small private suppliers; like other trading organisations, they are at present distinctly export oriented. They have also to earn their profit”.

39. The matter was also put beyond the pale of any doubt by the letter from Chairman, MMTC to the Secretary, Ministry of Commerce (copy endorsed to Secretary, Steel and Mines) on the 30th August, 1965 wherein he had stated that the reaction of mine-owners to marginal relief in the price (of iron ore) offered by H.S.L. had not been altogether happy and that future supplies of manganese ore on a satisfactory basis would depend on H.S.L.'s willingness to pay a reasonable price based on costs.

40. *It is surprising that even in spite of knowing the attitude of MMTC, Rourkela Steel Plant authorities did not take any action to arrange to supplement their requirements of iron and manganese ores by October/November, 1965 but waited till March 1966 to place the ad hoc contracts. The head office of H.S.L. also appears to have acted in a routine manner in stead of resolving the dispute or ensuring adequate supplies of ores to the Steel Plant.*

41. *It has been admitted both by the Ministry and the Rourkela Steel Plant authorities that there was no ban or directive on the steel plants against making purchases from open market. The Committee feel that the failure of Rourkela Steel Plant authorities to make purchases from open market earlier was a gross neglect and disservice to the cause of public sector.*

B. Ministry and HSL

42. *During the course of evidence the Committee gained the impression that the Department of Iron and Steel of the Ministry of Steel, Mines and Metals were not in full possession of facts relating to the Steel Plants. The Committee do not know whether to ascribe it to lack of proper co-ordination of information in the Ministry itself or to proper exchange of information between the Ministry and the Steel Plants.*

43. *During the course of examination of the Head Office of HSL during 1965 the first Committee on Public Undertakings had felt that*

the Ministry of Iron & Steel had not been able to exercise enough control on the working of HSL and the steel plants. In para 168 of their 28th Report (Third Lok Sabha) they had made the following observations:—

“The Committee have a feeling that during the period the Ministry of Iron & Steel have also not been able to exercise enough control on the working of Hindustan Steel Ltd. and the Steel Plants. They could and should have exercised greater vigilance over the working of the Steel Plants e.g., in regard to manpower position, high stocks of inventories, production costs, wastages etc.”.

The Committee would like to reiterate the above recommendation as they feel that as the Ministry is responsible to Parliament for the general economical and efficient functioning of HSL, they should have periodical reports from the HSL regarding all important aspects of their work or functioning. They hope that they are calling for such reports and getting them duly scrutinised in the Ministry. While suggesting this the Committee is of the opinion that such exchange of information is in no way to be considered as interference in the day to day administration of the steel plants. No attempt should, however, be made to encroach upon the autonomous powers of the Corporation. The Committee hope that by cooperative efforts better co-ordination would result.

C. Shortfall in supplies by MMTC

44. In the course of evidence, General Manager, Rourkela Steel Plant had stated that ordinarily at least 15 days' stock of purchased iron ore should be available with the Plant. In times of difficulty, however, the Plant could manage with Barsua ore although it would make the blast furnace operations rather difficult as the Fe content in the burden would be 55 per cent and not 60 per cent. Due to short supplies, production did not actually suffer but these resulted in operational difficulties continuously in the blast furnaces.

45. General Manager Rourkela Steel Plant had also stated that they required every day approximately 2,000 tonnes of high grade iron ore and 2,800 tonnes of Barsua ore to produce 3,000 tonnes of pig iron. The monthly requirements of high grade iron ore thus worked out to approximately 60,000 tonnes. The weekly rated capacity and the average programme accepted by Rourkela Steel Plant from June 1965 to February 1966 in respect of pig iron, ingot steel and saleable steel were as follows:

	Rated capacity	Average programme accepted
Pig Iron	17,654	20,543
Ingot Steel	19,230	20,170
Saleable Steel	13,462	14,150

46. In order to produce approximately 18,000 tonnes of pig iron every week, the Plant required 12,000 tonnes of high grade iron ore. According to the average weekly "programme accepted" i.e., 20,543 tonnes of pig iron, the monthly requirements would be 60,000 tonnes. Against the average monthly requirement of 60,000 tonnes of high grade iron ore, HSL according to their statement indented 75,000 tonnes in June 1965, 90,000 tonnes for July-September, 1965, 80,000 tonnes for October to December 1965, 50,000 tonnes in January 1966, 45,000 tonnes in February 1966, 50,000 tonnes in March 1966 and more than 81,000 tonnes in April, May and June, 1966. These quantities were later increased by HSL (Rourkela).

47. These figures of indented iron ore during the thirteen months when compared with the requirements as per rated capacity and 'Programme accepted' appear to be far in excess of the actual requirements of Rourkela Steel Plant.

48. The monthly figures of CBT Programme and revised programme for the period January, 1965 to June, 1966 as given by Rourkela Steel Plant differ very widely from those given by MMTC as is clear from the statements A and B reproduced below.

(A) IRON ORE (IN TONNES)

Month	Original Program-		C B T Program-		Altered program-		Qty. supplied (MMTC)	Actual despatches (HSL)
	(MMTC)	(HSL)	(HSL)	(MMTC)	(HSL)			
	1	2	3	4	5	6	7	
Jan. 65	.	41,300	50,000	50,000	50,000	44,807	43,217	
Feb. 65	.	29,400	50,000	50,000	60,000	32,833	34,165	
Mar. 65	.	28,000	50,000	50,000	60,000	55,671	53,802	
Apr. 65	.	50,600	75,000	65,000	75,000	68,350	68,894	
May 65	.	51,700	75,000	85,000	95,000	71,069	75,769	
June 65	.	50,600	75,000	90,000	95,000	67,093	63,533	
July 65	.	90,000	90,000	95,000	95,000	70,993	71,075	
Aug. 65	.	90,000	90,000	95,000	95,000	67,775	69,885	
Sept. 65	.	90,000	90,000	95,000	95,000	60,745	60,585	
Oct. 65	.	70,000	80,000	..	80,000	69,508	69,888	
Nov. 65	.	70,000	80,000	..	80,000	46,116	49,291	
Dec. 65	.	70,000	80,000	..	80,000	70,221	68,384	
Jan. 66	.	50,000	50,000	75,000	75,000	49,034	48,564	
Feb. 66	.	45,000	45,000	90,000*	90,000	46,838	45,940	
Mar. 66	.	50,000	50,000	90,000*	90,000	42,747	40,596	
Apr. 66	.	81,000	81,500	86,000*	86,000	18,257	18,256	
May. 66	.	82,000	82,000	87,000*	70,000	21,702	23,912	
June. 66	.	81,000	81,000	86,000*	70,000	35,832	33,587	
July. 66	.	No Programme	87,000	..	79,000	53,580	51,316	

(B) MANGANESE ORE (IN TONNES)

Month	Original Programme		Altered Programme if any		Quantity supplied (MMTC)	Actual despatches (HSL)
	(MMTC)	CBT (HSL)	(MMTC)	(HSL)		
1	2	3	4	5	6	7
Jan. 65	12,500	16,000	16,000	16,000	14,390	14,525
Feb. 65	11,300	16,000	16,000	16,000	11,449	11,628
Mar. 65	12,500	16,000	16,000	16,000	8,146	8,446
Apr. 65	16,000	16,000	..	16,000	9,925	10,121
May. 65	16,000	16,000	..	16,000	5,929	5,917
June. 65	16,000	16,000	17,000	17,000	7,017	6,047
July. 65	16,000	16,000	..	16,000	8,102	8,395
Aug. 65	16,000	16,000	..	16,000	13,135	12,607
Sept. 65	16,000	16,000	20,000	20,000	11,667	10,058
Oct. 65	19,000	19,000	..	20,000	11,955	12,541
Nov. 65	19,000	19,000	..	20,000	9,128	8,409
Dec. 65	19,000	19,000	..	20,000	11,357	11,481
Jan. 66	15,000	15,000	20,000	20,000	13,101	11,858
Feb. 66	15,000	15,000	20,000*	20,000	9,399	8,478
Mar. 66	15,000	15,000	20,000*	20,000	5,233	6,208
Apr. 66	19,000	19,000	20,000*	20,000	5,480	4,469
May. 66	18,000	18,000	20,000*	20,000	3,046	3,062
June. 66	18,000	18,000	20,000*	18,000	1,220	2,013
July. 66	No Programme	17,000	..	15,000	4,102	6,298

*These revised programmes were not accepted by MMTC due to short notice.

Non-acceptance was communicated to HSL in each case by letters.

The following comments were received from MMTC at the time of factual verification:

- (i) The HSL Programme includes not only the CBT Programme for supplies to be made by MMTC but also the programme for supplies by the Orissa Mining Corporation who had a direct contract with HSL.
- (ii) The discrepancy in supply figures is due to the fact that MMTC's figures are based on despatches from loading stations, while HSL figures are based on arrivals at Plant site. The difference represents ore in transit.

49. *The Committee are surprised to see that there is such a wide divergence between the figures submitted by Rourkela Steel Plant and MMTC in respect of original monthly programmes and Revised Programmes. It is curious that two major public undertakings—one concerned with the supply and the other with the indenting and receipt of iron ore and manganese ore—are not able to agree on the quantities indented and the quantities supplied.*

50. *The Committee feel that suitable procedure should be evolved to ensure that there is no disparity and discrepancy in the records maintained by the two undertakings in respect of quantities indented and the quantities supplied.*

51. From the statement it can be deduced that throughout 1965 Rourkela Steel Plant had been getting high grade iron ore through MMTC, more or less according to their rated capacity, although below their "Accepted Programme".

52. The statement below shows that from June, 1965 to February, 1966, Rourkela Steel Plant produced pig iron, ingot steel and saleable steel more or less equal to their rated capacity and in some cases in excess of it.

*Statement showing the weekly position of stock and production (sent by R.S.P)
to the Ministry of Steel, Mines and Metals)*

PRODUCTION

Week ending on	Stock position of pur- chased iron ore (in terms of days to last).	Pig Iron		Ingot Steel		Saleable	Steel	
		Tonnes	% of rated capa- city	Tonnes	% of rated capa- city	Tonnes	% of rated capa- city	
1	2	3	4	5	6	7	8	
5-6-65	.	13	22434	127	21595	112	11932	89
12-6-65	.	12	21738	123	20595	107	12295	91
19-6-65	.	11	22768	128	20175	105	15238	113
26-6-65	.	12	20580	117	20454	106	15074	112
3-7-65	.	10	20326	115	21603	112	17880	133
10-7-65	.	8	20195	114	22131	115	13624	101
17-7-65	.	7	21400	121	21390	111	19095	142
24-7-65	.	8	21710	123	22353	116	15287	114
31-7-65	.	7	22382	127	22222	116	17585	131
7-8-65	.	6	21017	119	20577	107	14030	104
14-8-65	.	7	21316	121	21787	113	12650	94
21-8-65	.	5	20852	118	21231	110	13717	102
28-8-65	.	6	21455	122	21439	111	16072	119
4-9-65	.	6	21667	123	22383	116	15633	116
11-9-65	.	6	20367	115	19760	103	12967	96
18-9-65	.	7	15455	88*	13188	69*	11512	85
25-9-65	.	8	19871	112	20919	109	19279	143
4-10-65	.	10	21068	119	22295	116	14215	106
11-10-65	.	11	15819	90*	19466	101	13140	98
18-10-65	.	12	15332	87*	19086	99	14625	109
23-10-65	.	13	18728	106	17663	92	13285	99
30-10-65	.	14	17963	102	17616	92	10827	80
6-11-65	.	11	20551	116	22028	115	14479	108
13-11-65	.	10	21261	120	22302	116	14344	107
20-11-65	.	8	21407	121	23183	121	12315	91
27-11-65	.	7	21690	123	21905	114	15828	117
4-12-65	.	6	19927	113	20863	108	15645	116
11-12-65	.	8	18714	106	15407	80	13307	99
18-12-65	.	8	22520	128	22952	119	17539	130
25-12-65	.	8	21992	125	21624	112	13761	102
1-1-66	.	5	21684	123	23045	120	14862	110
8-1-66	.	5	22365	127	22684	118	13416	100
15-1-66	.	6	14659	83*	15117	79	11649	87
22-1-66	.	8	15765	89*	15128	79	14326	106
29-1-66	.	8	21744	123	22207	115	18411	137
5-2-66	.	5	21271	120	19116	99	15054	112

53. The percentage of rated capacity of saleable steel attained at the end of a particular week does not appear to be a sound criterion for concluding that there was any fall or rise in the production of pig iron and ingot steel during that week as can be seen from the figures relating to the weeks ending on 20th November, 1965 and 22nd January, 1966.

54. While the production of pig iron has been below the rated capacity during the week asterisked, it is seen that the week-end stock of purchased iron ore was higher than that available at the preceding week-ends.

55. Again, the stock of iron ore in terms of days available during those weeks when there appears to be a sharp-fall in production of pig iron was sufficient to meet the week's requirements as appears from the figures of stock appearing at the preceding week-ends.

56. *In the light of these figures the Committee are not fully convinced of the frantic urgency that prompted the Rourkela Steel Plant to rush into ad hoc contracts and long-term contracts without inviting tenders.*

D. Parties invited for quotations

57. In February, 1966, Rourkela Steel Plant contacted informally the following ten parties to make offers for iron and manganese ores:

1. M/s. Orissa Manganese and Mineral Private Ltd.
2. M/s. M. S. Deb.
3. M/s. Mishri Lal Jain.
4. M/s. S. Lal & Company.
5. M/s. Serajuddin and Company.
6. M/s. B. Patnaik Mines.
7. M/s. Baijnath Sarda.
8. M/s. K. C. Thapper & Sons.
9. M/s. Rungta and Sons.
10. M/s. Bird & Company.

58. It appears that as many as 43 different firms supplied iron and manganese ores to Rourkela Steel Plant from 1st March, 1965 to 28th February, 1966 through MMTC (Appendices—V, VI). A number of suppliers like M/s. K. N. Ram, Orissa Mining Corporation, M/s. L. N. Bhanjdeo, M/s. M. H. Feegrade and others who had supplied more than 20,000 tonnes of iron ore during the year to the Plant through MMTC were not contacted although Rourkela Steel Plant was aware that these parties were supplying such huge quantities of ores to them through MMTC.

59. *The Committee fail to understand the reasons which prompted Rourkela Steel Plant to contact only 10 parties all of whom were not the largest suppliers of ores out of the 43 concerns who had supplied ores to them during 1965-66. Calling for offers appears to have been done in an unplanned and arbitrary manner. Had the plant authorities contacted a larger number of suppliers who had supplied bigger quantities of these ores in the past, a more definite trend of market prices would have become apparent and the contracts for ores could have been placed on a more rational basis.*

60. Besides ascertaining from the mine owners, the Rourkela Steel Plant had contacted Manganese Ore India Ltd., a Government majority undertaking, for supply of manganese ore. Manganese Ore India Ltd., however, quoted a price of Rs. 46 per tonne for manganese ore F.O.R. mines siding, exclusive of sales tax. The price quoted was unquestionably high and the long distance involved would have led to payment of heavy railway freight charges. Rourkela Steel Plant therefore had perforce to give up the idea of obtaining manganese ore from this source.

61. *The Committee are surprised to note that at a time when manganese ore was being quoted at the maximum price of Rs. 28 per tonne in Barajamda area, MOIL another public undertaking under the Ministry of Steel, Mines & Metals, was quoting an exorbitant rate of Rs. 46 per tonne. The Committee feel that the Government should undertake a cost analysis of the working of the Manganese Ore (India) Ltd. to assess the reasons for the high prices for manganese ore being demanded by them and to ascertain whether any subsidy hidden or otherwise is being paid by Government to this Company.*

E. List of approved suppliers

62. The representative of Rourkela Steel Plant informed the Committee that no approved list of suppliers was being maintained by the plant, but that such a list was being prepared now.

63. *The Committee regret that even after so many years of the setting up of the plant, a list of approved suppliers of important items like raw materials is not being maintained by the Plant authorities. The Committee hope that a list of approved suppliers in respect of various raw materials required by the plant would be prepared without any further delay.*

F. Absence of Tenders

64. The representative of Rourkela Steel Plant informed the Committee that it was not their practice to call for tenders—either open or limited for the purchase of ores. They entered into long term contracts on the basis of negotiations. Open advertised tenders were issued only when the market was not known and new parties were

sought to be encouraged or there was fierce competition in the market and the intention was to get a very cheap price. In the case of iron ore and manganese ore all the suppliers were known and the plant knew who would be in a position to supply. It was stated that the objective of the plant was to get the supply at the most competitive rate, of the right quality and at the stipulated time of delivery.

65. *Another argument advanced for not calling for tenders was that HSL was discussing the question of price with MMTC at that time and MMTC would not have liked such a move on the part of Rourkela Steel Plant. It is felt that from the point of view of MMTC calling for open advertised tenders would have had the same effect on the market as calling for offers informally and this argument is therefore not quite valid.*

66. *The conditions prevailing at the time when Rourkela Steel Plant made enquiries from the ten parties mentioned at para 57, were to a great extent those which were stated by HSL to be the prerequisites for calling open tenders. The market and capacity of various suppliers was not fully known to HSL. They knew about the potentialities and capabilities of those firms only which had supplied the two ores to HSL through MMTC. About others they did not have full information. According to their own admission they did not have a list of approved suppliers. It was in the interest of HSL to have encouraged new parties and located all sources of supplies.*

67. *Besides other factors like shortage of diesel oil, shortage of trucks and entry of Indian Iron and Steel Co. Ltd. in the market the main reason for dwindling supplies of iron ore and manganese ore to the plant was the price factor. The Committee are therefore, of the view that calling of open advertised tenders would have resulted in the cheapest rates for the two ores being offered to HSL.*

68. *The representative of HSL, to add strength to their arguments for not calling open tenders, have cited the instance of MMTC who do not call for tenders. MMTC are the monopoly buyers of these ores in that area. Under their 'charter' MMTC have to buy whatever quantity is available from all the suppliers who are in a position to supply. There is no question of pick and choose by MMTC between different suppliers.*

69. *This did not however, apply to HSL, who had the whole market open to them and should have obtained their supplies at the most competitive rates in view of their difficulties with MMTC.*

70. *It was explained to the Committee that tenders were usually not invited in the case of purchase of raw materials. One had to be sure about the quality of the raw materials, the reliability of the party and the timely delivery.*

71. While the Committee agree that all these factors should be taken into account, they do feel that the principle of inviting tenders for such large scale purchases is a fundamental one. It is, therefore, necessary that proper policy and procedure should be laid down for purchase of raw materials by HSL plants. The absence of such a procedure leads to allegations of favouritism and discrimination which should be avoided by a Public Undertaking at all costs.

G. Offers from Ten Parties (Ad hoc contracts)

(a) Written Offers:

72. Out of the ten parties contacted by HSL (Rourkela), only the following three parties had given offers in writing:

- (i) M/s. Mishrilal Jain & Sons, offered on 31st January, 1966 to supply 1,00,000 tonnes of high grade iron ore at a price of Rs. 16.50 per tonne, basis 65 per cent. Fe content. They had further stated that if an order for a minimum quantity of 50,000 tonnes was placed on them, rebate of Re. 0.50 per tonne would be given.

On the 21st February, 1966 M/s. Mishrilal Jain (P) Ltd. sent HSL telegram offering to supply 30,000 tonnes of manganese ore and 1,00,000 tonnes of high grade iron ore for emergency requirement of HSL. They had stated that they were holding a ready stock of 10,000 tonnes of manganese ore for despatch ex-Banspani/Barbil railway station and 25,000 tonnes of high grade iron ore could be moved in block-rake from Barajamda station. They had offered for a personal meeting, if considered necessary.

- (ii) M/s. Mangilall Rungta, on the 25th February, 1966 offered 10,000 tonnes of manganese ore at a price of Rs. 25 per tonne f.o.r. Banspani.
- (iii) M/s Madangopal Rungta, on the 25th February, 1966 offered to supply 30,000 tonnes of high grade iron ore at a price of Rs. 16 per tonne f.o.r. Banspani, basis 65 per cent. Fe.

(b) Verbal offers:

73. The following parties had given quotations verbally:—

- (i) *B. Patnaik Mines (P) Ltd.*

The Secretary of M/s B. Patnaik Mines (P) Ltd. had seen the plant authorities on 10/11th February, 1966 and offered to supply 1,00,000 tonnes of high grade iron ore at the rate of 25/30,000 tonnes per month starting from March, 1966 at a price of 16/50 per tonne

f.o.r. Barajamda and manganese ore at the rate of 1,500 tonnes per month at a price of Rs. 26 per tonne f.o.r. Barajamda up to a maximum quantity of 15,000 tonnes.

(ii) *M/s. Orissa Manganese & Minerals (P) Ltd.*

On the 10th February, 1966 Messrs. Orissa Manganese & Minerals Ltd. offered to supply 1,00,000 tonnes of iron ore at the rate of Rs. 19 per tonne f.o.r. Gua at the rate of 5,000 tonnes per month and manganese ore at the rate of Rs. 29 per tonne f.o.r. Barbil at the rate of 5,000 tonnes per month. The offer was subject to HSL providing loading facilities and stacking plots at the railhead specially at Gua. In case they were not able to provide such facilities, the firm would only be able to supply manganese ore at the rate of 2,000 tonnes per month.

(iii) *M. S. Deb*

On the 11th February, 1966 M. S. Deb offered to supply 20/25,000 tonnes of iron ore at the rate of 2,000 tonnes per month at Rs. 19 per tonne f.o.r. Barbil. The delivery would start only in May, 1966 and they regretted their incapacity to supply manganese ore.

(iv) *S. Lal & Company*

Shri Lal saw HSL authorities personally on the 10/11th February, 1966 and stated that they were not interested in any supply on *ad hoc* basis.

(v) *Sirajuddin & Company*

Sirajuddin & Co. informed the plant authorities on the 11th February, 1966, that since they had no extra transport capacity they could not supply iron ore. They indicated that the price of manganese ore, would be Rs. 25 per tonne but could not make definite commitment due to prior commitment to MMTC.

(vi) *Baijnath Sarda*

Baijnath Sarda offered to supply 1,00,000 tonnes of iron ore at a price of Rs. 17 per tonne f.o.r. Barajamda at 12/15,000 tonnes per month but regretted their inability to supply manganese ore.

(vii) *K. C. Thapar & Sons*

Thapar & Sons offered to supply 1,00,000 tonnes of iron ore at the rate of Rs. 16/50 per tonne from March, 1966 onwards at the rate of 10/15,000 tonnes per month and also indicated that if an order for 1,00,000 tonnes of iron ore was placed on them, they would be able to bring down the price to Rs. 16 per tonne.

(viii) *Mishrilal Jain*

Shri Mishrilal Jain saw HSL authorities on 10/11th February, 1966 and stated that they would be able to supply 1,00,000 tonnes of iron ore at the rate of 15/20,000 tonnes per month starting from March, 1966 at Rs. 17 per tonne f.o.r. Barajamda. Further, they offered to supply 30,000 tonnes of manganese ore at 2/3,000 tonnes per month at Rs. 27 per tonne f.o.r. Barajamda.

(ix) *Bird & Company*

Bird & Co. did not show any interest perhaps due to long-term contract with IISCO.

74. According to Rourkela Steel Plant, many of the mine-owners were reluctant to give offers in writing in view of the fear of antagonising MMTC under the circumstances prevailing then.

75. On 28th February, 1966 M/s Mangilall Rungta and M/s. Madan Gopal Rungta withdrew in writing, their offers earlier made for supply of manganese ore and iron ore.

76. On the basis of these written and verbal offers the following contracts were placed on M/s. B. Patnaik Mines (P) Ltd. and M/s. Mishrilal Jain, after negotiations:—

Contract No. & Date	Party's Name	Grade of Material	Qty. contracted.	Price	Period of supply
1. PM/26601/IX/670 dt. 2-3-1966	M/s B. Patnaik Mines (P) Ltd.	Iron ore Export Grade	50,000 tonnes	Rs. 16/- per tonne	March '66 to June '66
2. PM/26601/IX/669 dt. 2-3-1966	M/s Mishrilal Jain & Sons	Iron Ore Export Grade	50,000 tonnes	Rs. 16/- per tonne	March '66 to June '66
3. PM/26601/IX/671 dt. 2-3-1966	Do.	Manganese Ore	10,000 tonnes	Rs. 25/- per tonne	March '66 to July '66
4. PM/26601/IX/672 dt. 2-3-1966	M/s B. Patnaik Mines (P) Ltd.	„	10,000 tonnes	Rs. 25/- per tonne	March '66 to June '66

The initial *ad hoc* contract were for 1 lakh tonnes of iron ore and 20,000 tonnes of manganese ore.

77. M/s B. Patnaik Mines (P) Ltd. originally offered iron ore at Rs. 16.50 per tonne and manganese ore at Rs. 26 per tonne. M/s. Mishrilal Jain had originally offered iron ore at Rs. 17 per tonne

and manganese ore at Rs. 27 per tonne. On the other hand, M/s. K. C. Thaper & Sons had offered iron ore at Rs. 16.50 per tonne and had indicated that if an order for one lakh tonnes of iron ore was placed, they would be able to bring down the price to Rs. 16 per tonne. Similarly M/s. Serajuddin & Co. had offered manganese ore at Rs. 25 per tonne although they could not make any definite commitment due to prior arrangement with MMTC. M/s. Baijnath Sarada had offered to supply iron ore at Rs. 17 per tonne.

78. *The Committee are unable to understand why Rourkela Steel Plant did not consider the offer for 1,00,000 tonnes of iron ore by M/s. K. C. Thaper at Rs. 16 per tonne. Similarly, the matter could have been pursued further with other firms who had quoted low prices.*

79. *Instead of following this straight forward line of action, the plant authorities preferred the procedure of negotiating with parties who had quoted higher prices for these raw materials. If negotiations with M/s. B. Patnaik Mines and M/s. Mishrilal Jain could bring down the rates quoted by them for these ores there is every reason to believe that similar negotiations with others would have brought down their rates. Thus the likelihood of further lowering of prices was ruled out by negotiating with certain chosen parties.*

80. *In view of these reasons the Committee are not convinced that Rourkela Steel Plant were not unreasonably inclined to favour some mine-owners. It is difficult to believe that the Management of Rourkela Steel Plant and other concerned offices were not aware of the C.B.I. report on B. Patnaik etc. It is still more surprising that contracts were given to this firm when it was not in a position to raise the required quantities of ores from its own mines as is indicated by its associating other mine-owners for supplies against the long-term contracts.*

H. Linking of two ores

81. *The representative of Rourkela Steel Plant stated during evidence that orders were placed on M/s. B. Patnaik Mines and M/s. Mishrilal Jain & Sons because they were the only firms who could supply both the raw materials.*

82. *Manganese ore was much more difficult to get than iron ore. The export market for manganese ore was extremely good at that time. The economics of the plant were that if iron ore and manganese ore were linked up only then could they expect manganese ore at a reasonable price. Otherwise they would have had to pay Rs. 26.50 to Rs. 27 or even Rs. 28 per tonne of manganese ore.*

83. *This plea of HSL does not appear to have a sound basis as even in February, 1966, when HSL contacted ten parties informally, two firms had offered manganese ore at Rs. 25 per tonne. This is also borne out by the fact that M/s. B. Patnaik and M/s. Mishrilal*

Jain subsequently offered this ore at Rs. 25 per tonne. These mine-owners shared the supplies to be made to Rourkela Steel Plant with a number of other mine-owners. It would, therefore, appear that the linking of two ores was artificial and commercially unsound.

I. Question of prices

84. At the meeting between the representatives of Rourkela Steel Plant and MMTC held on the *11th May, 1965, at Rourkela the question of prices for iron ore and manganese ore was discussed.

85. MMTC desired that the price of high grade, iron ore for supply to the plant should be increased by Rs. 3 per tonne. The claim actually was due to the Interim Wage Board award. MMTC had already negotiated separately with the Durgapur Steel Plant regarding this matter. The Durgapur Steel Plant had agreed to a price increase of Re. 1 per tonne. MMTC wanted Rourkela Steel Plant also to agree to give a similar increase in respect of supplies made to it but the Plant did not agree to this price increase.

86. In regard to manganese ore MMTC desired a clearance up to Rs. 25 per tonne, as against the then existing rate of Rs. 21.02 per tonne. The plant did not agree to full increase. The maximum limit up to which it could go was Rs. 23 per tonne. Even though MMTC were not fully confident about the reaction of the mine owners, they agreed to supply at the rate of Rs. 23 per tonne.

87. This was followed by discussions at another meeting on the **29th July, 1965 at which Chairman HSL and Director MMTC were present.

88. HSL felt that the Iron Ore Mines Wage Board award was not a statutory award, so the increase in costs resulting from it could not be transferred to the purchaser. However, in view of the commitments which MMTC were reported to have made with the mine owners, it was mutually agreed that the prices of high grade iron ore for Rourkela Steel Plant might be increased by 50 paise per tonne from the existing price w.e.f. 1st July, 1965 till 31st March, 1966.

89. In regard to iron ore for the Durgapur Steel Plant HSL suggested that the increase per tonne should be only 50 paise and not Re. 1 as already mutually agreed upon between MMTC and Durgapur Steel Plant. MMTC, however, urged that the mine owners already knew about this arrangement and there would be considerable trouble with the mine-owners if the payment was reduced by 50 paise. They also stated that a concluded contract should not be disturbed. It was ultimately decided that the Durgapur Steel Plant would pay the increased price (*i.e.* increase of Rs. 1 per tonne) until 31st March, 1966. MMTC agreed that from 1st April, 1966, until 31st March, 1967 both Durgapur and Rourkela Steel Plants

*Appendix VII.

**Appendix VIII.

would have to pay for the iron ore the price agreed to by Rourkela Steel Plant with effect from 1st July, 1965, i.e., Rs. 15.75 paise for Bihar ores and Rs. 15.25 for Orissa ores.

90. Regarding manganese ore it was decided that supplies to Durgapur Steel Plant would continue to be at the current prices. As for Rourkela Steel Plant it was agreed that the increase of Rs. 2 accepted by them in May, 1965, would continue.

91. Supplies of iron ore and manganese ore to Rourkela and Durgapur Steel Plants, however, continued to dwindle in spite of this agreement on prices.

92. On the *31st January, 1966 at a meeting of Chairman, HSL and Chairman, MMTC with Secretary, Iron & Steel, MMTC asked that the reduction of 50 paise per tonne in the case of Durgapur Steel Plant w.e.f. 1st April, 1966 agreed to earlier should not be given effect to. Instead the prices should be increased by 25 paise. They asked for a price of Rs. 17 per tonne for high grade iron ore and Rs. 28 for manganese ore for Rourkela Steel Plant.

93. This was followed by another meeting at which General Managers, Rourkela and Durgapur Steel Plants and Chairman, MMTC discussed the issue of prices.

94. The price demanded by MMTC and those offered by HSL for the raw materials were as follows:

	Price asked for by MMTC (per tonne)	Price offered by HSL. (per tonne)
B.F. grade iron ore for Durgapur	Rs. 13.10	Rs. 12.82 Existing price
SMS grade iron ore for Durgapur	Rs. 17.00	Rs. 16.00
Export grade iron ore for Rourkela	Rs. 17.00	Rs. 16.00
Manganese ore	Rs. 28.00	Rs. 25.00

95. It was decided that firm indication of prices by H.S.L. would be given later after consulting Chairman, HSL.

MMTC also insisted that HSL should not enter into contracts with mine owners directly.

96. On 27th February, 1966 Chairman, HSL informed MMTC that HSL was prepared to offer:

Rs. 13 per tonne for BF grade iron ore for Durgapur.

Rs. 16 per tonne for Export grade iron ore for Rourkela.

Rs. 25 per tonne for manganese ore.

MMTC were also informed that *ad hoc* contracts had been entered into with mine-owners as supplies through MMTC were not forthcoming.

97. On 19th March, 1966, MMTC offered the following prices to HSL:

Rs. 16.50 for Export Grade iron ore for Rourkela.

Rs. 16.50 for SMS Grade iron ore for Durgapur.

Rs. 13.10 for Blast Furnace iron ore.

Rs. 26.50 for Manganese Ore.

98. Ultimately on 20th May, 1966 MMTC agreed to Rs. 16 for Export Grade iron ore and demanded 50 paise increase from Rourkela Steel Plant from 1st January, 1964 instead of 1st July, 1965.

99. On the 20th May, 1966, after his talk with the Minister and Secretary Iron & Steel Chairman, HSL gave orders to Rourkela and Durgapur Steel Plants to enter into direct deals with mine-owners.

100. The negotiations with MMTC however, finally broke down on the issue of package deal. Whereas they had agreed to Rs. 16 for iron ore to be supplied to Rourkela Steel Plant they had demanded Rs. 16 for SMS grade iron ore for Durgapur Steel Plant also which was higher than the price of Rs. 15.50 at which Durgapur Steel Plant was already negotiating with certain firms. Durgapur Steel Plant entered into a contract with M/s. S. Lal & Co. as the terms offered by them were more advantageous than those offered by MMTC.

101. MMTC however objected to this and insisted* that either both the Steel Plants make purchases through them as a package deal or HSL could make direct arrangements for both the Steel Plants w.e.f. 30th June, 1966. Rourkela Steel Plant consequently entered into long term contracts with mine-owners for the supply of iron ore and manganese ore.

102. *The Committee feel that the insistence of the MMTC on a package deal for both Rourkela and Durgapur Steel Plants was unreasonable and largely responsible for further deterioration of relations between the two undertakings.*

J. Long-term Contracts

103. Rourkela Steel Plant entered into the following further contracts for supply of iron ore and manganese ore on the 8th July, 1966:

(i) M/s. Mishrilal Jain & Sons	Export Grade Iron Ore.	Rs. 16/- per tonne.	720,000 tonnes	Deliver 8-7-66 to 7-7-69
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*Appendices X & XI : Savingram dt. 8-6-66 from Chairman MMTC to Chairman HSL.

Chairman MMTC letter dt. 16/18-7-66 to Chairman HSL.

(ii) M/s. B. Patnaik Mines (P) Ltd.	Export Grade Iron Ore	Rs. 16/- per tonne	720,000 tonnes	Delivery 8-7-66 to 7-7-69
(iii) M/s. Rungta Sons (P) Ltd.	"	"	"	"
(iv) M/s. Mishrilal Jain & Sons.	Manganese Ore.	Rs. 25/- per tonne	144,000 tonnes	"
(v) M/s. B. Patnaik Mines (P) Ltd.	"	"	"	"
(vi) M/s. Rungta Sons (P) Ltd.	"	"	"	"

104. *The ad hoc contracts placed on M/s. Mishrilal Jain & Sons and M/s. B. Patnaik Mines on 2nd March, 1966 were to have run up to June, 1966. From March, 1966 to June, 1966 there was ample time for Rourkela Steel Plant to have called for open or limited tenders.*

105. The plant's contention is that they did not take any action for concluding long-term contracts in the hope that a permanent arrangement would be reached with MMTC soon. MMTC had informed HSL only on 19th May, 1966 that they would offer H.G. iron ore to them at Rs. 16 per tonne. However negotiations with MMTC finally broke down on the 30th May, 1966 because it desired a package deal for Durgapur and Rourkela Steel Plants.

106. In a meeting held between the mine-owners and MMTC on the 19th May, 1966 an understanding was arrived at between them that mine-owners making direct supplies to HSL would be debarred from claiming any business through MMTC. In view of this understanding, it was apprehended by HSL that mine-owners would be unwilling to submit quotations against tender enquiries made by them as in the event of orders not coming through with HSL, they would be faced with loss of business with MMTC as well as uncertain future contracts with HSL. Even earlier, the parties, because of anticipated/feared pressure, had been reluctant to make direct offers and the understanding of the 19th May, made the position much worse. Because of devaluation announced on the 6th June, 1966, the market price of manganese ore particularly had shown an upward trend. It was anticipated by HSL that on inviting formal tenders, even if some of the parties had quoted, they would have quoted prices appreciably higher than Rs. 25 per tonne for manganese ore, thus making the bargaining position of HSL very weak. It was even felt that the two earlier suppliers against *ad hoc* contracts would have demanded much higher prices for manganese ore if HSL had gone in for tendering, even if they were agreeable to quote against such tender. When several parties had been informally contacted in February, 1966, even at that time the parties were hesitant to give written offers because of pressure from MMTC. In June, 1966 it was well known among the mine-owners that MMTC had finally refused to supply ores to HSL and that made the position even worse. So, issue of limited tender enquiries was not considered advisable by HSL since it was intended to ensure regular supplies at reasonable price.

107. *This argument of HSL does not appear to be convincing as M/s. Mishri Lal Jain & Sons, M/s. B. Patnaik Mines (P) Ltd. and M/s. Rungta & Sons who had signed the minutes of the meeting of the 19th May, 1966 agreed to enter into long term contracts with Rourkela Steel Plant in spite of a self-imposed ban. In fact a number of mine-owners belonging to the Association of mine-owners are now sharing the supplies with M/s. B. Patnaik Mines and M/s. Mishrilal Jain & Sons against the direct contracts. These arguments of Rourkela Steel Plant therefore are not convincing.*

108. *Considering all the circumstances the Committee feel that after entering into ad hoc arrangements for three months in March 1966 there was sufficient time for HSL to invite open tenders for their long term supplies. In view of the known attitude of MMTC there seems to be no justification for HSL to wait till July, 1966 for making firm arrangements for the supply of these vital ores.*

K. Negotiations

109. While placing *ad hoc* contracts Rourkela Steel Plant had invited ten parties to offer quotations and had placed contracts on two firms M/s. B. Patnaik Mines (P) Ltd. and M/s. Mishri Lal Jain & Sons.

110. Before placing the long term contracts on these very firms Rourkela Steel Plant did not negotiate with any other mine-owner and straightway placed contracts for such huge quantities on the same firms.

111. The representatives of the Eastern Zone Mining Association and Utkal Mining & Industrial Association met Chairman, HSL at Ranchi on the *4th April, 1966. Chairman HSL had assured the mine-owners that HSL would make sure that all mine-owners get their share in supply of ore to the Steel Plants.

L. Capacity of firms

112. HSL have stated that they had satisfied themselves before entering into contracts with the parties regarding their capacity to supply iron ore and Manganese ore ordered on them on the following basis:

- (i) They had been supplying ores to MMTC.
- (ii) They were leading mine-owners in Barajamda/Barbil sector and had been supplying both iron ore and Manganese ore to the Steel Plant through MMTC and also for export to MMTC.

*Appendix XIII minutes of meeting dt. 4-4-66.

- (iii) Shri Misrilall Jain, who was a partner and Director of M/s. Misrilall Jain (P) Ltd., was the Chairman of the Eastern Zone Iron Ore Mine-owners Convention. Shri N. Venkataraman, Secretary of M/s. B. Patnaik Mines (P) Limited, was the Secretary of the Eastern Zone Iron Ore Mine-owners Convention. Shri S. Rungta of M/s. Rungta Sons (P) Limited, was the Chairman of the Eastern Zone Mining Association. In the meeting held at Ranchi on the 4th April, 1966 between the Eastern Zone Mining Association and the Chairman, HSL, Eastern Zone Mining Association was represented by Shri S. Rungta and Shri N. Venkataraman, Secretary, M/s. B. Patnaik Mines (P) Ltd., among others.
- (iv) Before entering into 3 years contracts they were satisfied with their performance against the *ad hoc* contracts.
- (v) It was verified that these parties were holding mining leases though this fact was not formally recorded in writing. They had seen the mining leases of B. Patnaik Mines (P) Ltd. and M/s. Misrilall Jain. According to their information they had mining properties as stated below:

113. *Rungta & Sons*: About 4,000 acres of iron ore property out of which 1,800 acres in Keonjhar District in the State of Orissa and 2,200 acres in Singhbhum District in the State of Bihar. 2,800 acres of manganese ore property in the Districts of Keonjhar and Sundergarh in the State of Orissa.

114. *M/s. Mishrilall Jain*: About 1,500 acres of iron ore property in the District of Singhbhum in the State of Bihar. About 260 acres of manganese ore property in the District of Sundergarh in the State of Orissa. Besides, they had taken over the working rights of manganese ore mines of M.A. Talloch which is about 1,621 acres in the District of Keonjhar, Orissa.

115. *B. Patnaik Mines (Private) Ltd.*: About 1,515 acres in the District of Keonjhar in the State of Orissa for iron ore and about 4,240 acres in the District of Keonjhar for manganese ore.

116. M.M.T.C. have given the following information regarding the mines owned by the parties on which long term contracts had been placed by Rourkela Steel Plant:

	(Acres)	
(1) M/s. B. Patnaik Kashia Barpada Mines (P) Ltd. Raika	1119.32	Iron ore
(Keonjhar-Orissa)	286.50	„
Saremada and Bhadrasai	4240.00	Manganese ore
(Keonjhar-Orissa).		

(2) M/s. Misrilall Jain	Ghatkuri Karampada Meghate Ghatkuri	500.00 500.00 500.00	Iron ore and Manganese ore Iron ore
(3) M/s. Rungta Sons.	Nathuburu	202.343	Iron ore

117. M.M.T.C. further intimated that these mine-owners supplied iron ore and manganese ore to HSL and for export as follows during 1965-66:

M/S. B. Patnaik Mines (P) Ltd.—

Supplies of iron ore made in 1965-66 (in tonnes)	HSL Export Grade	SMS 31876	BF 8767	Export 52322	Total 142675
	44710				

Supplies of Mn. Ore (in tonnes)	HSL Exp.	38/40%	46/48%	50/52%	45/47%	Total 12757
	12757	—	—	—	—	

M/s. Misri Lall Jain & Sons.—

Supplies of Iron ore made in 1965-66 (in tonnes)	HSL Export Grade	SMS —	BF —	Export —	Total 4985
	4985				

Supplies of Manganese Ore (in tonnes)	HSL Exp.	38/40%	46/48%	50/52%	45/47%	Total 9935
	9935	—	—	—	—	

M/s. Rungta & Sons.—

Supplies of Iron ore made in 1965-66 (in tonnes)	HSL Export	SMS —	BF —	Export —	Total —
	—				

Supplies of HSL Manganese Ore (in tonnes)	HSL	Exp. 6208	46/48%	50/52%	45/47%	Total 11383
		5175	—	—	—	

118. HSL have intimated that M/s. B. Patnaik Mines (P) Ltd. informed them that they would be sharing the supply against HSL's direct contract on their responsibility with other mine-owners who were willing to join them and they gave the following few names:

- (1) Khatau Narbheram
- (2) Narbheram Vishram
- (3) M. H. Feegrade
- (4) Bonai Industrial Co. Ltd.
- (5) Aryan Mining & Trading Co. (P) Ltd.
- (6) Orissa Manganese & Minerals (P) Ltd.
- (7) T. N. Ram

119. M/s. Misrilall Jain had also intimated to HSL that the following parties would be sharing supplies of iron ore against the direct contract on their responsibility:

- (1) Rattanlall Surajmull
- (2) Khatau Liladhar Thacker
- (3) Orissa Manganese & Minerals (P) Ltd.

They had also stated that M/s. Singhbhum Mineral Company were also likely to participate.

120. M/s. Rungta Sons (P) Ltd., while they had not given in writing the names of the parties who were sharing the supplies against the direct contracts on them, had intimated to HSL that they had been sharing the supplies with a number of other mine-owners.

121. The mine-owners who had been sharing business had been supplying from the Barajamda sector in the States of Orissa and Bihar.

122. It is thus clear that the parties with whom the contracts were signed did not themselves have enough capacity to fulfil the contracts. The Committee, therefore, feel that orders could have been placed on a larger number of mine-owners of the area particularly in view of the assurances given to them by the Chairman H.S.L. in the meeting of the 4th April, 1966.

123. The argument, that HSL preferred to place contracts with two or three firms instead of a large number of firms because it was more conducive to ensuring regular supplies is also not very convincing. HSL had at every stage visualised routing the contracts through MMTC. They had also made a provision for this in the contracts negotiated by them. In fact the long term contracts placed by Rourkela Steel Plant are now being routed through MMTC with effect from 1st July, 1967 and those by Durgapur Steel Plant w.e.f. 1st November, 1967.

M. Contract with Rungta Sons (P) Ltd.

124. While Rourkela Steel Plant have stated that M/s. Rungta owned 4,000 acres of iron ore property and 2,800 acres of manganese ore property, MMTC have intimated that M/s. Rungta and Sons owned 202.343 acres of iron ore property at Nathuburu in Singhbhum (Bihar).

The Government of Bihar have intimated that they (M/s. Rungta Sons) had been granted a mining lease from 3rd September, 1965 for 500 acres of iron ore property, in that region. The firm had not, however, raised any ore from the mine from September, 1965 to September, 1967 and had not paid any royalty so far.

125. On the 5th December, 1967, the Ministry of Steel, Mines & Metals (Department of Mines & Metals) have intimated that:

“As regards M/s. Rungta Sons (P) Ltd., the Indian Bureau of Mines have reported that the firm does not own any iron or manganese ore mine, but only purchases iron and manganese ores from mine-owners and supplies to various consumers including M/s. Hindustan Steel Ltd. (Rourkela Steel Plant).”

126. HSL had not contacted any party after the *ad hoc* contracts were concluded in March, 1966 and before entering into the 3 year contracts, excepting M/s. Rungta Sons (P) Ltd. who were asked by their purchase organisation to discuss.

127. Rourkela Steel Plant explaining the reasons for placing the contracts on this firm had stated that negotiations with M/s. Rungta were carried out as they were one of the leading mine-owners in that region both for high grade iron ore and manganese ore and one of their directors, Shri S. Rungta, was the President of the Eastern Zone Mining Association. After the meeting held on the 4th April, 1966 at Ranchi between the Chairman and the Eastern Zone Mining Association, represented by Shri S. Rungta, it was clarified that while HSL could not place orders on a larger number of mine-owners and ordering had to be limited on a few mine-owners, it would be ensured by the Association that such of those mine-owners who got the orders from HSL would in turn distribute among other mine owners who would be willing to participate. It was, therefore, felt that apart from M/s. Rungta being one of the leading mine-owners in the area, the inclusion of the firm of the President of the Association as a party for supply on long term basis would be helpful for distribution amongst other mine-owners.

128. *This explanation for placing the contract on M/s. Rungta Sons does not appear to be valid for the following reasons:*

- (i) *M/s. Rungta Sons as per information received from the Indian Bureau of Mines, do not own any iron ore or manganese ore mines. According to the Government of Bihar they obtained a mining lease in September, 1965 but have not raised any quantity of iron ore from these mines since September, 1965 to September, 1967 and have not paid any royalty.*
- (ii) *They had not made any offers at the time when ad hoc contracts were being placed. The offers were made by M/s. Madan Gopal Rungta and M/s. Mangi Lal Rungta and not by M/s. Rungta Sons.*
- (iii) *The offers were subsequently withdrawn by M/s. Madan Gopal Rungta and M/s. Mangi Lal Rungta.*

IV

RELATIONS BETWEEN HSL AND MMTC

A. Role of MMTC

129. Since 1957, STC was the sole purchaser of iron ore from the mines in Orissa and Bihar, commonly known as the Barajamda sector for export through the port of Calcutta. The procurement of iron ore and manganese ore from the private sector mines in the Barajamda sector for supply to the steel mills of the Hindustan Steel Ltd. at Durgapur and Rourkela was also entrusted to STC (now MMTC), in 1958. From the 1st October, 1963 this work was taken over by the M.M.T.C. which was formed out of the S.T.C. for handling trade of mineral ores etc.

130. The monopoly for export of iron ore vested in MMTC enabled it to have control over pricing and supplies. On the basis of demands placed by HSL from time to time, MMTC negotiated prices for the iron ore with the suppliers and finalized the same with the approval of HSL. MMTC received a commission of 30 paise per tonne on the iron ore supplies made to HSL. In the case of manganese ore the contracts were entered into by HSL directly with the suppliers on the basis of offers collected from the mine owners by MMTC.

B. Reasons for canalisation through MMTC

131. Although there was no directive to HSL by the Government to purchase iron and manganese ores through MMTC, HSL considered it advantageous in the mutual interest of both HSL and MMTC to obtain supplies through MMTC. The two private sector steel plants TISCO and IISCO sometimes also obtain supplies from Barajamda sector. If MMTC and the public sector steel plants entered the market separately for iron ore and manganese ore for export and internal requirements it would have generated unnecessary competition.

132. There were operational advantages also. Owing to variations in the requirements either for export or for the steel plants, supplies could be more easily adjusted if both these were arranged by a single agency. In case of strikes, labour trouble, transport difficulties etc. It would be possible to switch over supplies from one mine to another or, if necessary, adjust against export supplies.

133. In addition MMTC had a large field staff for export purposes. The supplies for HSL through MMTC would avoid the necessity of having duplicate staff of the Steel plants. This arrangement also led

to easier co-ordination of rail movement from various loading stations in the Barajamda sector.

C. Causes of Short-Supply

134. Explaining the reasons for shortfall in supplies to Rourkela and Durgapur Steel Plants the representatives of MMTC explained during evidence and also through written information that till about the end of 1964, no particular difficulty had arisen as regards maintenance of supplies from mine-owners to meet the requirements as indented by HSL plants through MMTC from time to time. They stated that on 5th February, 1964, the Ministry of Labour announced their acceptance of the recommendations of the Central Wage Board (for the Iron Ore Mining Industry) and requested the employers and mine-owners to implement the same as early as possible. The Wage Board had recommended certain interim wage increases to be paid with effect from 1st January, 1964 in the iron ore mines. This ultimately resulted in pressures from the mine-owners on MMTC to increase the procurement prices (with retrospective effect from 1st January, 1964). Consequently, MMTC in turn had to seek from HSL plants corresponding upward revision with retrospective effect (from 1st January, 1964).

135. An announcement was made in the Lok Sabha in the Budget Speech on 28th February, 1965 that, with effect from 1st March, 1965, tax credit would be given for certain export items. Though the actual items were not announced till 18th July, 1965, anticipating that iron ore might be one of the items (as it turned out to be), the expectations of the mine-owners increased.

136. Through special efforts, including the bringing into operation of a special jetty in the port of Calcutta, MMTC were able to increase the export capacity through Calcutta port. So the need for extra ore for export purposes came to be known.

137. On their being able to achieve fuller utilisation of their installed capacity, the ore requirements of the two HSL plants also increased considerably. In MMTC's view this was more pronounced in the case of Rourkela Steel Plant. During 1965 the monthly average of their indents on MMTC for export grade iron ore were 33,000 tonnes in January—March, 51,000 tonnes in April—June, 90,000 tonnes in July—September and 70,000 tonnes in October—December.

138. In the latter half of 1965 the Indian Iron & Steel Company (Burnpore) also entered the market for large extra tonnage (about 7.5 lakh tons per annum) and, by about November, were offering distinctly higher prices so as to secure their additional requirements, which they could not meet from their own captive mines.

139. As the cumulative effect of the above factors and against the background of the unresolved issue of retrospective implementation of the Wage Board award from 1st January, 1964, the total iron ore required by several parties for various purposes from the same limited area went up-creating increasing ore demands on the mine-owners and in turn, increasing pressure from the mine-owners on MMTC for price rise.

140. During the same period, certain other unforeseen difficulties also aggravated the situation. In the months preceding the monsoon extra stocks are traditionally moved to rail heads so as to keep supplies going without interruption during the rains despite unbridged mine roads. Due to foreign exchange shortage etc. a temporary but acute shortage of diesel oil developed in many parts of India in May-June, 1965.

141. In addition, from Barajamda mining sector fairly large scale migration of trucks started in mid-1965 on account of speeding up of construction work at the Bokaro Steel Plant site. Inevitably, transport operators in such a scarce situation started demanding higher rates from the mine-owners who, in turn, found another reason for increasing pressure for price increase on MMTC, not only for relief by way of retrospective increase of price (from 1st January, 1964) on account of Wage Board Award but further relief on account of alleged rise in costs arising from other factors.

D. Dispute over price

142. It was against this changing economic background in the same procurement area, that HSL plants and MMTC attempted to arrive at an agreed judgment as to what the fluid market situation required. It was recognised by the undertakings that some increase, would have to be granted in the procurement prices that HSL could authorise MMTC to offer to the mine-owners, firstly in recognition from some date or other of the effect of the interim wage increase in the iron ore mines and, secondly, to induce, on the whole, additional supplies from the same area so that increased requirements of all concerned could be steadily met.

143. The Central Wage Board award for iron ore mines announced in late 1964, laid down the minimum wages required to be paid to various categories of workers engaged in iron ore industry with effect from 1st January, 1964. The mine-owners of Bihar and Orissa represented that by this award their costs had gone up by Rs. 3.50 per tonne and that the prices of iron ore of various grades of iron ore being supplied by them should be increased suitably. A meeting was proposed with Durgapur and Rourkela Steel Plants to discuss the matter. At the first meeting held on the 11th March, 1965 only the representatives of Durgapur Steel Plant were present; no one from Rourkela Steel Plant attended that meeting. Durgapur Steel Plant's

spokesman expressed concern at the large increase demanded and suggested that further negotiations should be carried on with the mine-owners to persuade them to limit their demands to the bare minimum. The mine-owners after considerable negotiations agreed to reduce the quantum of increase to Re. 1/- per tonne. Durgapur Steel Plant in a further meeting held at Durgapur accepted the increase of Re. 1/- per tonne with effect from the 1st January, 1964.

144. Since the representatives of Rourkela Steel Plant did not attend these meetings, a separate meeting was convened at Rourkela on the 11th May, 1965 to discuss this matter.

145. General Manager, Rourkela Steel Plant stated that he was trying manual mining and FOR cost even after accounting for interim Wage Board award, would be at least Re. 1/- per tonne less than, the then prevailing MMTC price of iron ore *i.e.* Rs. 14.75 (for Orissa Supplies) and Rs. 15.25 (for Bihar mines). Rourkela Steel Plant representatives felt that the price increase asked for was not fully substantiated by facts. Durgapur Steel Plant was a coal based plant and in its cost structure reduction could be brought about based on coal. Rourkela Steel Plant on the other hand was an ore based plant and it was necessary to exercise great care in allowing increase of Iron Ore price. MMTC did not like to comment on HSL's views before consulting their Chairman.

146. In respect of low grade manganese ore MMTC had asked for a clearance upto Rs. 25/- per tonne as against the then prevailing rate of Rs. 21.02 per tonne. Rourkela Steel Plant did not agree to the full increase. The maximum limit upto which it could go was Rs. 23/- per tonne. Even though, MMTC was not confident fully about the reaction of the mine-owners they agreed to supply manganese ore at the rate of Rs. 23/- per tonne.

147. This was followed by another meeting between Chairman HSL and Shri V. R. Antani Director MMTC on the 29th July, 1965. HSL representative felt that Iron Ore Wage Board award was not a statutory award the increase in costs resulting from which could be transformed to the purchasers. In view of the commitments reported to have been made to the mine-owners by MMTC they agreed to refixation of prices as follows:—

- (i) In respect of iron ore supplies to the Rourkela Steel Plant an increase of 50 paise per tonne from the present price (*i.e.* Rs. 14.75 for Orissa supplies and Rs. 15.25 for Bihar supplies) will be allowed *w.e.f.* 1st July, 1965 till 31st March, 1966.
- (ii) In respect of iron ore supplies to Durgapur Steel Plant it was suggested by HSL that there also the increase per tonne should be only 50 paise and not Re. 1/- per tonne as had been arranged between MMTC and

Durgapur Steel Plant. MMTC representative, however, urged that mine-owners were in the know of this arrangement and since the Wage Board award would apply to them from the 1st January, 1964, there would be lot of trouble with them in case this payment was reduced by 50 paise. They also said that a concluded contract should not be disturbed. In deference to their wishes it was agreed that Durgapur Steel Plant would pay at the increased price (increase by Re. 1/- per tonne) until 31st March, 1966. MMTC agreed that with effect from 1st April, 1966 until 31st March, 1967 both Durgapur and the Rourkela Steel Plants would have to pay the price agreed for Rourkela Steel Plant with effect from 1st July, 1965. In other words, the price payable by Durgapur Steel Plant would be reduced by 50 paise per tonne.

148. In respect of manganese ore it was agreed that the supplies to Durgapur Steel Plant would continue to be at the current contract prices. It was also agreed that the increase of Rs. 2/- accepted by Rourkela Steel Plant on the 11th May, 1965 would continue in respect of the quantities which the Rourkela Steel Plant had indented but for which contracts had not been entered into till 29th July, 1965.

149. Subsequently on the 30th August, 1965, Chairman, MMTC wrote to Secretary, Ministry of Commerce that MMTC had to agree to rather marginal relief in prices offered by HSL and also agree to their increased demands for both the ores as they had threatened to go to some private suppliers directly. The reaction from the trade had not been altogether happy. Whereas Durgapur Steel Plant had accepted the increase from 1st January, 1964 Rourkela Steel Plant had given effect to it from 1st July, 1965 only. The mine-owners would not be able to give effect to it fully with retrospective effect as required by the terms of the award. In view of the already uneasy labour situation in Barajamda sector the non implementation of the award would further aggravate the situation and jeopardise supplies not only to HSL but also for export. He requested the Secretary, Ministry of Commerce to prevail upon HSL to give effect to the price for Rourkela Steel Plant also with effect from the 1st January, 1964.

150. He further stated that the difficulties regarding manganese ore supplies had arisen solely because the price fixed by HSL was unrealistic and had no relation to costs. Further supplies of manganese ore on a satisfactory basis would depend upon HSL's willingness to pay a reasonable price based on cost. General Manager Rourkela Steel Plant on the 20th November 1965 drew the attention of Chairman MMTC to short supplies of both the ores. The Chairman MMTC 2871 (Aii) LS—4.

in reply contended that shortfalls were due to sudden increase in quantities of iron ore demanded by Rourkela Steel Plant and shortage of diesel oil. The short supplies of manganese ore were also due to sudden upward revision of monthly supplies and unattractive price offered by the Plant.

151. According to the information supplied by MMTC they had agreed to supply the enhanced quantities of iron ore and manganese ore asked for by Rourkela Steel Plant. Only the revised programme for February, 1966 to June, 1966 had not been accepted by them. *The Committee feel that MMTC should have adhered to the accepted revised programme and ensured full supplies accordingly every month. The excuses for short supplies put forward by them do not do any credit to them as a Commercial concern.*

152. MMTC had also agreed to the revised price of Rs. 23/- per tonne for manganese ore, on the 11th May, 1965. The trend of rising prices and heavy export commitments must have been taken into account by them before agreeing to that price.

153. *The Committee are of the view that after having accepted the price and a certain revised programme for supplies of manganese ore, MMTC should have honoured their commitment. They feel that the plea of "unattractive price" put forward by MMTC every time the question of short supplies was raised, besides being unfair to the indenter is also unbefitting for a large trading concern. As an efficient and reputable trading concern they should have adhered to the understanding arrived at a meeting.*

154. The problem of prices was further aggravated by the entry of IISCO in the Barajamda sector who entered into contracts for iron ore with mine-owners as follows:

		Tonnes per Month
Bird & Co.	Thakurani [†] Siding (Orissa)	25000
S. Lal and Co.	Banspani, Barbil (Orissa)	25000
B.N. Sarda	Noamundi (Bihar)	15000
Rungta	Gua (Bihar)	20000
T. P. Sao	Gua, Barajamda, (Bihar)	15000
		1,00,000

155. They offered Rs. 18 per tonne for iron ore (Basis 65/63 per cent.) and Rs. 28 per tonne for manganese ore (30/35 grade). According to MMTC it had serious repercussions on the market and it became very difficult to purchase iron ore and manganese ore at cheaper rates.

156. The question of prices was discussed in a meeting on the 31st January, 1966 at which Secretary, Iron & Steel and the Chairman HSL, and MMTC were present. Chairman MMTC desired that in respect of iron ore for Durgapur Steel Plant the 50 paise decrease agreed to from 1st April, 1966 might not be given effect to and instead an increase of 25 paise should be given. In regard to higher grade ore the price should be raised to Rs. 17 per tonne. For manganese ore the price might be fixed at Rs. 28 per tonne. No decision on prices was however taken at that meeting.

157. On the 14th February, 1966, Chairman MMTC and the General Managers of Rourkela and Durgapur Steel Plants again considered the issue of prices. The rates for various grades of ores proposed by MMTC and HSL are given below:

	M/MMTC's offer	HSL's offer
B.F. Grade Iron Ore for Durgapur .	Rs. 13.10 (per tonne)	Rs. 12.82 (per tonne)
SMS Grade Iron Ore for Durgapur .	Rs. 17.00	Rs. 16.00
Export Grade Iron Ore for Rourkela .	Rs. 17.00	Rs. 16.00
Manganese Ore	Rs. 28.00	Rs. 25.00

The decision was left to Chairman HSL who was not present at the meeting due to illness.

158. Chairman MMTC at that meeting gave the impression that MMTC, as far as HSL was concerned was only acting as HSL's purchasing agents for a service charge of 30 paise per tonne. MMTC were not acting as a trading company in that matter since they were not taking any trading risks which would have meant higher prices. As the supplies from MMTC were uncertain and the question of prices was still unsolved Rourkela Steel Plant entered into *ad hoc* contracts for iron and manganese ores.

159. On the 27th February, 1966 Chairman HSL informed Chairman MMTC that HSL would pay the following prices for ores to MMTC.

B.F. Grade iron ore for Durgapur	Rs. 13/-
Export Grade iron ore for Rourkela	Rs. 16/-
Manganese ore	Rs. 25/-

160. MMTC reacted sharply to HSL making direct purchases and stated that they would not be able to make further supplies against subsisting contracts. They characterized Rourkela Steel Plant's action in going to the market and entering into contract at higher prices as unethical.

161. Chairman MMTC informed Chairman, HSL on the 19th March, 1966 that the prices offered by them on 27th February, 1966 were not attractive to the mine-owners and asked for the following rates:

Iron Ore—

(i) Export Grade for Rourkela	} Rs. 16.50 per tonne
(ii) SMS Grade for Durgapur	
(iii) Blast furnace Grade for Durgapur	Rs. 13.10 per tonne
(iv) Manganese	Rs. 26.50 per tonne

162. On the 19th May, 1966, Chairman MMTC convened a meeting of mine-owners and the following prices were agreed upon for iron ore and manganese ore:

(i) Export Grade to Rourkela	Rs. 16/- per metric tonne
(ii) B.F. Grade to Durgapur	Rs. 13/- per metric tonne

Chairman MMTC conveyed this decision to Chairman HSL on the 23rd May, 1966.

163. *It would be seen from the above that throughout the period July, 1965 to May, 1966 MMTC and HSL entered into lengthy and repetitive correspondence with each other regarding prices. Upto May, 1966, however, no efforts were made by MMTC to convene a meeting of the mine-owners for settling the price issue. Had the meeting that they finally convened on the 19th May, 1966, been held in August/September, 1965, the entire matter could have been settled earlier. The Committee feel that MMTC except for sending complaints and counter complaints to HSL, Ministry of Commerce, Secretary, Iron and Steel and the General Managers of the Steel Plants, did not initiate any positive steps to resolve the differences.*

The fact that even this positive step on the 19th May, 1966 by MMTC was taken as a result of instructions from the Minister of Commerce and Secretary, Ministry of Commerce is clearly indicative of the uncompromising attitude of MMTC. It is regrettable that MMTC did not Suo Moto think of such a meeting much earlier.

E. Meeting with Mine Owners

164. There are certain aspects of the meeting held by Chairman, MMTC with the mine-owners of Barajamda sector on the 19th May, 1966 in MMTC's Office in Delhi that require a close examination. The meeting was presided over by the Chairman MMTC and the following officials and representatives of mine-owners were present at the meeting:

1. Shri S. K. Mukherjee, Joint Secretary, Ministry of Commerce and Director, MMTC.
2. Shri V. R. Antani, Director, MMTC.
3. Shri K. N. Channa, Director, MMTC.
4. Shri P. N. Bhalla, Financial Adviser, MMTC.
5. Shri H. P. Sharma, Dy. Financial Adviser, MMTC.
6. Shri R. J. T. De Mello., Regional Manager, Calcutta.
7. Shri V. Subramanian, Divl. Manager, Iron Ore (P).

Non-officials

The minutes of the meeting were signed by the following:

1. Shri L. P. Sao, for M/s. T. P. Sao & Co.
2. Shri S. Lal for M/s. S. Lal & Co.
3. Shri D. C. Jain of M/s. Misrilal Jain & Sons.
4. Shri H. S. Kalra for M/s. Karam Chand Thapar & Bros.
5. Shri S. R. Rungta for M/s. M. G. Rungta and also for M/s. Eastern Zone Mining Association.
6. Shri N. Venkataraman for M/s. B. Patnaik Mines (P) Ltd.
7. Shri M. N. Ghosh for M/s. M. N. Ghosh.
8. Shri S. O. Bose, President, Utkal Mining & Inds. Asson.

In addition, the following mine-owners also attended the meeting:

1. Shri Raha for Indian Trades Corporation.
2. Shri S. Sarada for B. N. Sarada.
3. Shri Mohan Rathor for M/s. Arjun Ladha.
4. Shri Serajuddin.
5. Shri Masterji, for B. D. Patnaik.
6. Shri Mangaljee for L. N. B. Deo.

165. The various outstanding problems relating to supplies of iron ore both for export and steel plants of Hindustan Steel Ltd. were discussed and the following decisions were taken:

- (i) It was decided that further supplies of iron ore to the Steel Mills of HSL would be supplied only through MMTC as before.
- (ii) The balance quantity in the present direct *ad hoc* contracts between suppliers and HSL would with the concurrence of HSL, rerouted through MMTC until completion.
- (iii) In future, the mine-owners, would desist from making any direct approach to HSL for contracts for supply. It was the unanimous recommendation of the mine-owners that any mine-owner who negotiates and/or concludes contract directly with HSL should be debarred from claiming any business through MMTC.
- (iv) The following minimum prices would be acceptable to the mine-owners for further supplies to HSL:

a) Export grade to Rourkela	}	Rs. 16/- per metric tonne basis 65% rejection below 63%, 63% Fe, FOR loading stations, unitage 74 paise per unit of Fe up or below 65% upto 63% Fe rejection 63%.
(b) BF Grade to Durgapur	}	Rs. 13/- per metric tonne basis 58% Fe rejection below 58% Fe, FOR loading stations in the Barajamda Sector unitage 49 paise per unit above 58% Fe subject to a ceiling of Rs. 14.23 per tonne.

166. The above prices were based on all Government duties, levies, cesses and wages as per first interim wage award of the Wage Board for iron ore mines, as were in force on 1st May, 1966. These prices were subject to variation on the basis of all fresh government duties, levies, cesses, etc. or any variations in the present structure of duties, levies, minimum wages etc.

- (v) In so far as SMS grade was concerned, the existing direct supplies to HSL against *ad hoc* contracts were at a price of Rs. 15.50 per tonne, basis 64 per cent. Fe. It was unanimously resolved that a price of less than Rs. 16 per tonne should not be quoted to HSL for acceptance subject to the same escalation clause as would be applicable for the other two grades.

167. The Ministry of Commerce had advised MMTC that they should first discuss the matters of mutual interest with the representatives of HSL. MMTC did not consider it practical that price negotia-

tions with the mine-owners should be made jointly by MMTC and HSL.

168. On the 17th & 18th May, Chairman HSL was in Delhi. He tried several times to contact Chairman MMTC but was told that he was not available. On the 18th evening Shri Antani, Director MMTC told Chairman HSL about the conference on the 19th May, 1966 and suggested that he might attend if he wished. This was just a couple of hours before Chairman HSL was due to fly back to Calcutta. Chairman HSL did not attend the conference since he felt that it was hardly the way HSL should have been brought into the negotiations. Chairman MMTC in reply stated that he was not informed that Chairman HSL was trying to contact him. The discussions with mine-owners on the 19th May, 1966 were primarily meant to discuss the supply position for exports and they did not think any useful purpose could be served by inviting HSL to be present.

169. *The meeting with mine-owners on the 19th May, 1966, as is clear from the minutes of the meeting, dealt with the issue of prices for HSL and for export supplies. The question of prices of ores for domestic and export consumption are so interlinked that one cannot be considered without the other. The plea put forward by Chairman MMTC that they did not consider it useful for the representatives of HSL to have attended the meeting as it considered matters relating to exports, is totally untenable. The Committee feel that the decision of MMTC to exclude HSL out of the negotiations with mine-owners was unfair and unhealthy. HSL were vitally interested in the matter and it would have been more advantageous both for MMTC and HSL to present a joint front to the mine-owners. The uncompromising attitude of MMTC in fact resulted in misunderstanding and distrust between the two undertakings.*

170. In the above mentioned meeting with mine-owners, it was decided *inter alia* that:

“In future, the mine-owners will desist from making any direct approach to HSL for contracts for supply. It is the unanimous recommendation of the mine-owners that any mine-owner who negotiates and/or concludes contract directly with HSL should be debarred from claiming any business through MMTC.”

171. *The Committee feel that this decision was highly objectionable as it sought to pressurise H.S.L. either to agree to the prices offered by MMTC or face closure of the steel plant. It is regrettable that one public undertaking i.e., MMTC permitted the mine-owners to take such a decision against a sister public undertaking i.e., HSL. It is all the more unfortunate that this decision was taken at a meeting convened by MMTC at which the Chairman, MMTC presided and a Joint Secretary of the Ministry of Commerce was also present. It*

is surprising that neither the Chairman MMTC nor the Government representative made any effort to prevent the mine-owners from adopting such a resolution which was against the interest of another public undertaking. In fact an impression is created that the mine-owners were encouraged to pass such a resolution in order to get even with another public undertaking which had not agreed to their terms.

172. *The minutes of this meeting reveal that the firms on whom ad hoc contracts for iron ore and manganese ore had been placed by Rourkela Steel Plant had been invited to the meeting and were themselves a party to this decision. These very parties as well as Shri S. R. Rungta, who was the president of the Eastern Zone Mining Association later entered into long-term contracts with Rourkela Steel Plant directly inspite of this decision. The Committee are not sure whether these parties did not take advantage of this decision to sign long-term contracts with HSL.*

F. MMTC and Direct Purchase by HSL

173. On the 11th May, 1965, at the request of MMTC, Rourkela Steel Plant had promised not to entertain any direct offers from mine-owners but urged that both MMTC and HSL should present a common front to the mine-owners in order to control and stabilize the prices of iron and manganese ores. Chairman MMTC as early as the 30th August, 1965 reported to the Secretary, Ministry of Commerce that:—

“constant threats have been held out by the HSL during these negotiations that they would go directly to some of the private suppliers.”

174. It was in December, 1965 that General Manager Rourkela Steel Plant wrote to Chairman MMTC that:—

“I think the time had come when we should come to a realistic agreement as to how much of our requirements it would be possible for MMTC to supply. We shall have to go out either to the open market or else start our own captive mines for the balance. But whatever promises are made by MMTC in regard to monthly supplies should be adhered to. Just at the moment I have two days' stock of manganese ore. I do not know if I shall get any manganese ore at Rourkela within the next two days. This means that I have to close down my 3 blast furnaces because of manganese ore and such an eventuality I do not think any body would appreciate.”

175. On the 5th January, 1966, Chairman MMTC wrote to Secretary, Iron & Steel that “the steel plants have often mentioned to us that they would like to purchase directly from the market. They apparently feel that, left to buy directly, they would be able to secure

better terms from the mine-owners than what we have been able to do. In all these years of our operations, by virtue of our monopoly for export supplies, we have been able to keep down the prices at reasonable levels and have met the requirements of HSL satisfactorily even though all we get out of these is an insignificant margin of 30 paise per tonne. If we are prepared to continue to shoulder the responsibility, it is in the expectation that the steel mills would even now take a realistic view regarding the prices. Some direct offers that may have been received by the Steel mills from interested mine-owners had led them to feel that they can hold the market at low prices. I repeat my apprehensions that the mine-owners' interest lies only in breaking our hold over them so that they can thereafter dictate their prices to the steel plants. With IISCO as precedent, there is nothing to stop them from quoting prices in parity with IISCO prices to HSL. If in spite of these apprehensions of mine, the Steel Plants still feel that their interest would be better served by entering the market directly for the requirements of iron ore, my Corporation will be quite prepared to stop supplies to HSL from 1st May, 1966 onwards. This will give sufficient time to the Steel Plants to make their own arrangements for supply from 1st May, 1966."

176. The resultant situation was therefore that while MMTC continued to find it difficult to supply ores to public sector steel plants they were required to stick to MMTC as their sole suppliers. On the other hand steel plants in the private sector were free to go to the open market and make purchases themselves.

177. Another reason for short supplies to HSL was stated to be the pressure of export commitments of MMTC. A suggestion was made by one of the General Managers of steel plants to direct supplies from export quota to HSL requirements. But Chairman MMTC considered this suggestion as extraordinary as he felt that there was foreign exchange crisis in the country and domestic economy was dependent to a large extent on foreign exchange earnings. In view of this he considered reduction of exports unthinkable.

178. The Committee feel that when there was acute shortage of supplies of ores to the steel plants the Government should have stepped in to resolve the difficulty which was within the knowledge of the highest officers of the two Ministries concerned. It should not have been left to MMTC to decide whether supplies to HSL should be curtailed in the interest of exports. The steel plants form a very important component of India's economic activity and should not have been neglected in this manner.

G. Supplies to H.S.L. and export commitments of M.M.T.C.

179. In the earlier chapter the extent of shortfalls in supplies to HSL has been indicated. The statement below shows that MMTC

increased the quantum of their export commitments and in certain cases exceeded even this revised programme.

CALCUTTA PORT

Month	Original Programme made	Revised programme	Quantity in '000' M/tonnes			
			Actual Shipments Japan	Others	Total	
1965						
January	50	50	40	7	47	
February	50	50	53	..	53	
March	45	50	51	4	55	
April	53	50	39	2	41	
May	73	50	55	..	55	
June	55	65	34	28	62	
July	60	66	68	9	77	
August	61	77	49	18	67	
September	65	67	49	22	71	
October	70	70	52	11	63	
November	65	60	82	..	82	
December	68	75	60	..	60	
1966						
January	75	80	55	..	55	
February	70	100	78	15	93	
March	75	100	78	12	90	
April	80	80	58	9	67	
May	50	50	49	9	58	
June	60	60	47	9	54	
July	70	70	80	5	85	
	1195	1270	1077	160	1235	

180. During evidence the representative of MMTC admitted that the programme of export supplies did not suffer throughout the entire period, when supplies of ores to HSL (Rourkela) were being curtailed.

181. *The Committee strongly deprecate the attitude of MMTC in increasing their export targets when HSL was in a precarious position on account of short supplies of ores by MMTC. There were firm and regular HSL contracts with MMTC for iron ore and manganese ore. As a commercial body it was incumbent upon MMTC to have honoured their home contractual obligations first. The Committee regret to note that MMTC did not attach much importance to the needs of Rourkela Steel Plant. The Committee feel that the Government should take strong measures against MMTC which failed to fulfil the contract with Rourkela Steel Plant and practically starved it.*

182. *The Committee regret to note that both MMTC and HSL (Rourkela) failed to realise that they are Public Sector organisations and they should not have done anything which would in any way act prejudicially to the interest of either of them because ultimately their failure harms the interest of public and creates a bad opinion about the public sector undertakings.*

H. Responsibility of Ministries

183. During evidence the representatives of the Ministry of Steel, Mines and Metals stated that the Ministry did not attach much importance to the statements of stocks of raw material sent by HSL to them. The Secretary Department of Iron and Steel also wrote letters to Chairman, MMTC a number of times. The matter was however not taken up by Secretary Iron & Steel with his counter-part in the Ministry of Commerce.

184. The Ministry of Commerce also remained inactive in this matter. The first positive step was taken by the Ministry of Commerce in May, 1966, after the receipt of letters from the Chief Ministers of Bihar and Orissa by the Minister of Commerce, when a directive was issued by the Minister to MMTC to convene a meeting and settle the issue with mine-owners.

185. *The Committee feel that the Ministries of Commerce and Mines and Metals (Department of Iron and Steel) should have intervened in this matter as early as August/September, 1965 and taken positive steps to prevent the deterioration of the situation.*

186. *The Committee regret to note that statements showing precarious stock position of ores in Rourkela Steel Plant received by the Ministry of Steel Mines and Metals were not taken notice of. The Committee fail to understand as to why such statements were called*

from the steel plants if they were not to serve any useful purpose in the Ministry. The Committee can only hope that such failures would not recur. The Committee regret to note that both the Ministries failed to take cognizance of the matter at the proper time and allowed matters to drift. They recommend that Government should lay down some procedure for speedy settlement of disputes between public sector undertakings.

NEW DELHI;
December 21, 1967.

SURENDRANATH DWIVEDY,
Chairman,

Agrahayana 30, 1889 (Saka).

Committee on Public Undertakings.

APPENDIX I

(See para. 1)

GOVERNMENT OF INDIA.
Ministry of Iron and Steel.

RAJYA SABHA.
Starred Question No. 506.

Answered on the 18th August, 1966.

Contracts for supply of iron ore to HSL, Rourkela

*506. SHRI BANKA BIHARI DAS: Will the Minister of Iron and Steel be pleased to state:

- (a) whether two *ad hoc* contracts for iron ore supply for Hindustan Steel Ltd., Rourkela were given to Messrs B. Patnaik and Mishrilal Jain, during 1965 and 1966;
- (b) if so, the terms of this contract;
- (c) whether enquiry and notifications were made and quotations obtained before giving the contracts; and
- (d) if not, the reasons therefor?

ANSWER

SHRI T. N. SINGH (MINISTER FOR IRON AND STEEL):
(a) and (b). Yes, Sir. In February, 1966, Hindustan Steel Limited, Rourkela entered into two *ad hoc* contracts with M/s. Patnaik and M/s. Mishrilal Jain for supply of 1,30,000 tonnes and 1,00,000 tonnes of Iron Ore and 28,000 tonnes and 22,000 tonnes of Manganese Ore respectively. The contracts stipulated supplies at the base prices of Rs. 16 per tonne of iron ore and Rs. 25 per tonne of manganese ore. The contracts also provide that Hindustan Steel Limited would have the option to route the supplies against these contracts through the Metals and Minerals Trading Corporation.

(c) and (d). Although no formal notifications were issued before entering into contracts with these firms, a number of firms in the Barajamda area were contacted. It is understood that very few mine-owners were in a position to supply high grade iron ore as well as manganese ore, and many did not show any interest. As the stocks of iron ore with Hindustan Steel Limited had come down to only two days consumption, there was no alternative but to arrange for supplies immediately to keep the plant running without necessarily completing the formalities of issuing formal notification etc.

SHRI BANKA BEHARI DAS: The general policy of the Government and the public sector undertakings is to call for tenders. In

this particular case tenders were not called for. Only secretly some quotations were obtained from a few persons. Even the Mine Owners Association objected to it and sent telegrams to the Hindustan Steel and wanted to have an interview. May I know from the Minister why in spite of these protests and telegrams the general policy was given up and this hush-hush contract was entered into with a few firms.

SHRI P. C. SETHI: Sir, on the 4th April, 1966 discussions were held at Ranchi with the Western Zone Mine Owners' Association and as the Association is not a trading body it was not possible to enter into any contract with them and therefore this contract was arrived at with these parties. As I have stated in the main body of the answer the stocks at the Plant came down to two days' consumption and we were to take stocks through the M.M.T.C. Further the price at which we got it was much lower than the price at which we would have got it through the M.M.T.C.

SHRI BANKA BEHARI DAS: Sir, the answer of the Minister is absolutely incorrect. I have got the copy of the letter and the telegram sent by the Utkal Mining and Industrial Association and they have said that tenders should be called for and this hush-hush contract should not be made. May I know from the Minister whether it was only to benefit Mr. Biju Patnaik, who was then the Congress leader of Orissa?

AN HON. MEMBER: Read out the telegram.

SHRI BANKA BEHARI DAS: The telegram reads:—

"A. N. BANERJEE

GENERAL MANAGER

ROURKELA STEEL PLANT ROURKELA

IN SPITE OF OUR TELEGRAM DATED 26TH FEBRUARY 1966 ROURKELA STEEL PLANT AD HOC CONTRACT FOR IRON AND MANGANESE SUPPLY TO THEIR CHOICEST PARTY AGAINST GOVERNMENT PURCHASE PROCEDURE. WE UNDERSTAND THAT THIS CONTRACT IS BEING FURTHER INCREASED IN QUANTITY FAVOURING THESE CONTRACT HOLDERS AGAINST THE CONSTITUTIONAL RIGHTS AND PRIVILEGES OF ALL MINE OWNERS IN THIS SECTOR. THIS ASSOCIATION STRONGLY OBJECT THIS DISCRIMINATION AND UNCONSTITUTIONAL PURCHASE BY ROURKELA STEEL PLANT AND HAVE NO OTHER ALTERNATIVE BUT TO SEEK JUDICIAL REMEDY TO PROTECT RIGHTS AND PRIVILEGES OF ITS MEMBERS".

Then subsequently a letter was sent seeking an interview to discuss the matter. Subsequently, letters were also sent to the headquarters. May I know from the Minister whether only to benefit certain political

persons like Mr. Biju Patnaik and his business associates this tender procedure was rejected and *ad hoc* contracts were entered into?

SHRI P. C. SETHI: May I say that the MMTC has an agreement by which it supplies high grade iron ore as well as manganese ores to the Steel Plant. Now, the price quoted by MMTC was Rs. 17 per tonne, besides Re. 0.31 per tonne as commission. The price which we paid to the parties concerned was Rs. 16 which clearly goes to show that no favour was shown, nor any high price was paid.

SHRI A. D. MANI: Sir, on a point of order

MR. CHAIRMAN: He wants to put another question.

SHRI BANKA BEHARI DAS: The Minister is giving incorrect information. The MMTC was purchasing it from the small mine-owners at the rate of Rs. 15/50 and supplying at the rate of Rs. 16/50 and if the Hindustan Steel wanted it directly they could have got it at Rs. 15/50. Instead of that they wanted to enter into contracts with two persons. May I know from the Minister, if the MMTC was not prepared to supply it, they could have accepted this tender and on the basis of this tender I am sure they would have got it cheaply and the cost of production of Hindustan Steel would have gone down? May I say again that it is not the correct position and if they had called for tenders as is the usual procedure, the correct position would have been known. May I know from the Minister whether it is correct or not?

SHRI T. N. SINGH: As he already explained, the stocks had gone down to two days' requirements and, therefore, the management took the decision to arrange for supplies through them. I will get the dates, etc. and certainly I shall look into the details to see whether it was justifiable. Again, I might say that only recently some mine-owners saw me and I assured that if the small mine-owners could come together for joint supply, we could look into the question of getting supplies from them. It is rather difficult for the steel plants to carry on with two days' supplies. They want a steady supply. On the other hand, I am thinking whether we should go back to the old arrangement and we have instructed our officers to see if they can go through the MMTC. Any way, there is provision already in the agreement to route it through MMTC.

SHRI MULKA GOVINDA REDDY: The Minister just now said that they had only two days' stock of iron ore. How was it that the Hindustan Steel did not take proper precautions to acquire the necessary raw materials for the factory before? That is No. 1. No. 2 is, when Mr. Biju Patnaik was politically blacklisted by no less a person than the Leader of the House, how was it that Hindustan Steel entered into transactions of this kind?

SHRI T. N. SINGH: I would only say that in regard to this we have been in constant correspondence with MMTC. With regard to depletion of stocks, somehow or other because of the pressure of export obligations I am told they had their own difficulties. We had been hoping up to the last minute, but that is how it happened. There was great reluctance to go to any other private party when the MMTC was there. But in the circumstances mentioned that arrangement was made by them. There is provision in the agreement for re-routing it again through the MMTC.

SHRI A. D. MANI: Sir, on a point of order, the hon. Deputy Minister denied certain statements made by the hon. Members, who put the question. The Minister says he will find out whether the telegram was received. The matter is so important that I would request you to give a direction to the Minister that he must make a statement on the subject after getting all the details, because if this contract had been given without a tender, it is a serious matter, particularly in view of the fact that Mr. Biju Patnaik and his firms are involved. A statement should be made by the Minister, so that we may have an opportunity to study it.

SHRI T. N. SINGH: I have already said that they had arranged it without a tender. That has been stated already. There is no dispute about it I only said this. The hon. Member was referring to certain details. I said I would get the particulars and I shall certainly look into them. So far as the tender is concerned, it has been already said that no tender was invited.

SHRI BHUPESH GUPTA: Mr. Biju Patnaik's firm has been featured again. Is it not a fact that on the 27th December, 1965, a search was conducted at 3, Lord Sinha Road, Calcutta, premises of Mr. S. L. Kapur, and in the course of their search certain incriminating papers were found involving Mr. Biju Patnaik's firm and these included bogus hundis worth Rs. 6,25,000? That is No. 1. No. 2, may I know whether it is not a fact that promissory notes dated 29th March, 1954 were issued by Mr. Biju Patnaik to Shri S. L. Kapur worth Rs. 3 lakhs at 6 per cent interest and a promissory note dated 18th March, 1960, signed by Mr. Biju Patnaik, for Rs. 45,000 for Mr. M. V. Subramaniam, Hindustan Buildings? Also, there was an agreement signed in 1954 between Mr. Biju Patnaik and Mr. S. L. Kapur

SHRI AKBAR ALI KHAN: Is it a question?

SHRI BHUPESH GUPTA: The question comes out of this. Why do you get up when I am on this? I am coming to the firm I would like to know whether papers were found showing an agreement in 1954 between Mr. Biju Patnaik and Mr. S. L. Kapur for manganese and iron ore business for 20 years. Now, these materials are in the possession of the Government as a result of the search. Revelations came and they know this thing. Now, I should like to know why

after all these disclosures of bogus hundis held by Mr. Biju Patnaik, bogus promissory notes, etc. why the Government is still maintaining this particular firm on the Government list. Why is not a general order being issued by the Government that no department of the Government or no Ministry should have anything to do with this particular firm or firms under the control of the great Mr. Patnaik? I should like to know it. It is called the Utkal Corporation or whatever it is. I should like to know why this particular firm is not being treated in the same way as certain other firms are being treated.

SHRI T. N. SINGH: About the long list of things which the hon. friend has read out, I would like to get the details. We can certainly look into them.

SHRI LOKANATH MISRA: Let me put a question. Now, it is abundantly clear that the situation was arranged to make it appear that there were only two days' stocks, because the authority in the Rourkela Steel Plant wanted to give this monopoly to Mr. Biju Patnaik and company and one of his partners, Mr. Mishrilal Jain. May I know in the socialist pattern of society as envisaged and as is being shouted by the ruling party, how could this monopoly be given to a private individual? They did not own any mines of iron ore, which was necessary for them. Why should you neglect the Mineral Corporation, which is a public sector undertaking?

SHRI T. N. SINGH: I have already stated that the agreement itself stipulates arrangements for temporary supplies, but the old position can be reverted to, by re-routing it through the MMTC. That is already provided for. As regards the question whether this was deliberately done or not, I have provided you with whatever information was made available. But it is not proper to make insinuations against people who are in charge of public sector undertakings, whether the public sector projects succeed or not. Against people who are in charge of these, we should not level charges. I can certainly look into whatever hon. Members have said, but I would suggest that the management of the public sector undertakings should receive some consideration by this House, because this House has declared that the public sector must succeed. Therefore, I am saying that whatever complaints there are Government are prepared to look into. If there is a case, we will certainly look into it. But I suggest that unless things are really proved, insinuations should not be made.

SHRI LOKANATH MISRA: Sir, on a point of order. The Minister has himself conceded in this House that there were two days' stocks only. He said that allegations were being levelled against particular officers. He has conceded and he is also in the know of the fact that there was only two days' stock in the godown of the

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Rourkela Steel Plant. How does he allege that the Members of the opposition are only making fictitious charges against the officers? It is a fact which he has himself said. He had the information which he had been supplied from the Rourkela Steel Plant, and all the same he says that.

MR. CHAIRMAN: The Question Hour is over.

APPENDIX II

(See para 5)

Extracts from Rajya Sabha Debates Part II for the 29th August, 1966 re: Half-an-hour Discussion on the reply given to S.Q. No. 506 on 18th August, 1966 on contracts by Hindustan Steel Limited, Rourkela

SHRI LOKANATH MISRA (Orissa): Madam Deputy Chairman, the hon. Minister in charge of the Steel Ministry, Shri T. N. Singh, in reply to my starred question No. 506 on the 18th August as to why an *ad hoc* arrangement was made with Messrs. B. Patnaik and Mishrilal Jain said that it was done because they had only two days' stock of iron ore for the Rourkela Steel Plant and unless immediately steps were taken the production would have suffered.

The point to be emphasised here, Madam Deputy Chairman, is that for a project of the magnitude of the Rourkela Steel Plant, how can the officers afford to come down to a stock of just two days? That is surprise number one. Surprise number two is this. How could they get in touch with Shri Biju Patnaik and Shri Mishrilal Jain for this purpose all of a sudden?

* * * * *

SHRI LOKANATH MISRA: The next point of surprise is how the great Rourkela Steel Plant could find out Shri Biju Patnaik and Mr. Jain for this *ad hoc* contract.

SHRI BHUPESH GUPTA: Who is Mr. Jain?

SHRI LOKANATH MISRA: Shri Mishrilal Jain is a business partner of Shri Biju Patnaik. Madam, the normal procedure in Rourkela Plant, I am told, is to have sixty days' stock intact.

THE MINISTER OF IRON AND STEEL (SHRI T. N. SINGH): No, no.

SHRI LOKANATH MISRA: How was it that the appropriate authorities were not informed about this running out of stocks? Who were responsible for this? Who was the Minister concerned? Who ordered this *ad hoc* contract? That is what I would like to know. I would like to know if Mr. Banerjee, the present General Manager of Rourkela, who is already . . .

THE DEPUTY CHAIRMAN: No names, please. Don't mention names.

SHRI LOKANATH MISRA: I will not give the name then. Was it the present General Manager of Rourkela Steel Plant who is responsible? Don't shout please. Kindly sit down and let me continue. Was it the present General Manager who is already charge-sheeted because of his actions as the Iron and Steel Controller?

SHRI M. N. GOVINDAN NAIR (Kerala): Was it the same man?

SHRI LOKANATH MISRA: The much-reputed Public Accounts Committee Report has already given their comments on this person and if he is the person, if it is the same person then there is a plausible reason for his coming into contact with Shri Biju Patnaik because Mr. Biju Patnaik is another blacklisted person politically and commercially also. That is the Cabinet sub-committee's finding. It is not my finding. It is the finding of the Cabinet sub-committee of this particular Government. The Central Government. That Committee blacklisted Shri Biju Patnaik both commercial and politically also.

Now, this *ad hoc* contract came to an end in July. If the hon. Minister takes the plea that there were only two days' stock then existing and therefore he was compelled to go in for this kind of an *ad hoc* contract, then I would ask him what stood in the way of his asking for tenders, inviting tenders. They got into this subsequent permanent contract four months later. The permanent contract was entered into some time in July. So in between they had four months. What is the justification for not inviting tenders during these four months? There were many people in Orissa who wanted to come forward into this supply contract work. Mr. Biju Patnaik does not own any big mine. Of course, surreptitiously he got a mine because when the Orissa Government was contesting a case in the High Court he as Chief Minister got that case withdrawn. That means he got this mine surreptitiously since as Chief Minister he got that case withdrawn which was being contested by the Government of Orissa in the High Court. So he was collecting high-grade ore from other miners. He did not own any high-grade mine and the contract was at the rate of Rs. 16 per tonne. But the MMTC which is a public sector project or enterprise was supplying ore to the Rourkela Steel Plant at a rate lower than Rs. 16 per tonne. Madam, this Government talks of socialism and a socialistic pattern of society. God alone knows what is in their mind. Sometimes they call it also democratic socialism. I wonder this is socialism at all where they keep away national concerns or public sector enterprises? Does this mean socialistic pattern of society or socialism?

Madam, there is a definite cause for this. The elections were coming and the Minister in charge—I don't know whether it was Mr. T. N. Singh or somebody else was presiding over this Ministry—whatever it was, wanted money for the elections.

SHRI B. K. MAHANTI (Orissa): What is your information?

SHRI LOKANATH MISRA: I am telling you my information. If that is your information then I shall be only too happy because then you would be corroborating whatever I say.

Madam, the point is that they wanted money for the elections and Mr. Biju Patnaik is fond of collecting money from all sources, whether it is legal or illegal it does not matter.

* * * * *

THE DEPUTY CHAIRMAN: Order, order. I am asking Members on either side to be very careful before they make allegations against individuals.

Mr. Misra, go on. You are losing time.

SHRI LOKANATH MISRA: I will give the points.

(1) If his plea is that there were only two day's stocks and that was why this *ad hoc* contract was entered into, why is it, when they knew four months in advance that there will be only two days' stocks, they got into a permanent contract with Mr. Biju Patnaik and Mr. Mishrilal Jain? Those names are here in the Order Paper and I can definitely name them.

(2) I want to know whether it was decided at the General Manager's level or whether it came to the Minister's level and if it came to the Minister's level whether Mr. T. N. Singh was the Minister or whether it was somebody else.

(3) I also want to know whether any enquiry was made as to whether Messrs. Biju Patnaik and Mishrilal Jain could supply the iron ore as per the contract, whether any security deposit was taken from them and if so, what the amount of the security deposit is so that in case they fail it could be forfeited.

These are the three points which I would like him to reply.

THE DEPUTY CHAIRMAN: I have eight names before me; therefore eight members can ask questions. I hope they will all be brief.

SHRI BANKA BEHARY DAS: Madam, I gave separate notice and it arose out of my question.

THE DEPUTY CHAIRMAN: Anyway you can ask questions.

SHRI BANKA BEHARY DAS: The Minister said certain incorrect things. I am happy that he has corrected it and corrected it to his own disadvantage. He misled the Informal Consultative

Committee by saying that the supply that these firms are going to make may be routed through the MMTC and he repeated that here also but he has corrected it now.

Now, Madam Deputy Chairman, I want to ask a few questions. In February when they say there were only two days' stocks they went into an *ad hoc* contract in spite of the fact that other mine owners objected to it. In spite of this the Hindustan Steel went into a long-term contract for three years with this adventurist multi-millionaire businessman, Mr. Biju Patnaik and his two associates Messrs. Mishri Lal Jain and Rungta for supply of iron ore at the rate of Rs. 16·00 per tonne. And I want to point out here that again this long-term contract was entered into without any tenders being called for. On the 19th the Chairman of the MMTC which is a public sector undertaking, sent a wire to Hindustan Steel stating that the MMTC is prepared to supply at Rs. 16·00 per tonne. I want to know whether it is a fact or not. Then on the 4th July before this long-term contract was entered into the MMTC wrote a letter to Hindustan Steel again that the MMTC is prepared to supply ore at Rs. 16·00 per tonne, and on the 5th July the Chairman of the MMTC personally met the Chairman of the Hindustan Steel, Mr. Rao, and told him that they were prepared to supply the ore at Rs. 16·00. In spite of all these things the House was kept in dark and this contract was entered into, without any tenders being called for three long years.

THE DEPUTY CHAIRMAN: Please be brief.

SHRI BANKA BEHARY DAS: Now they are that it won't have any adverse effect on the MMTC. I want to know from the Minister whether the MMTC has again written to the Hindustan Steel that there is no contract subsisting with them and so they are not going to supply any goods from the 1st August. So I want to know whether in spite of all these things the Hindustan Steel, either with the collusion of the Iron & Steel Ministry or with their connivance, has entered into this contract with Mr. Biju Patnaik, Mishrilal Jain and Rungta for 2 lakhs and 75,000 tonnes annually subject to a maximum of one lakh tonnes each for three years. I also want to know whether the MMTC under the pressure of Mr. Biju Patnaik and others, wanted to raise the price to Rs. 17/- though the MMTC had never supplied at that price to the Hindustan Steel. They had actually been supplying at the rate of Rs. 15·80 which is lower than Rs. 16·00 and their bills have been paid in June and July. I want to know whether there is any clause in the agreements this gives rise to a suspicion that there is an unwritten agreement between Mr. Patnaik and these firms and the Hindustan Steel—that from time to time there will be variation of the price which may be raised. I also want to know whether there is no political and personal aggrandisement in this. Is not the Minister satisfied that there has been no tenders called which is the prime basis of public sector units and if so may

I know whether he is going to sack the officers who have been responsible for this, whether he will end this agreement and whether he will again call for tenders so that we can have a fair deal?

THE DEPUTY CHAIRMAN: Mr. Bhupesh Gupta. Be very brief.

SHRI BHUPESH GUPTA: Madam, I am glad you have called me. I take note that the entire Utkal Congress *vahini* is present in the house. May I know before entering into this permanent contract with Mr. Biju Patnaik and others in the manner in which it has been entered into as suggested by my friend and the previous speaker if the authorities took into account the serious disclosures and revelations that were made in the CBI report in connection with the Kalinga Industries and the Kalinga Tubes. May I know from the Government whether in the light of this Report—it should be known to all of them because it had been debated in Parliament last year and the contract was signed this year—the matter was referred to the Central Government especially when this person was involved for its opinion as to whether it would be proper for them to deal with such a firm when these people had been so much criticised in Parliament and to show these people special favour compared to the public sector, namely, the MMTC? Is it not a fact that not only the MMTC wrote letters to the authorities who gave this contract but the Chairman of the MMTC saw them personally and said that the MMTC would be in a position to supply the ore at Rs. 16·00 per tonne and if it is so, why this business was not transacted as between the two public sector units instead of dealing with a private party. All gains to the MMTC would have been gains to the Exchequer while all gain to Mr. Biju Patnaik may be gains to the Congress Party but certainly not to the exchequer. Why was the MMTC which was supplying this thing and which was ready to supply their requirements at the price of Rs. 16·00 was ignored in this manner? The Government has to give a proper explanation. Is it not a fact—I put it to the Government and let it be denied—that one of the reasons that weighed with the authorities who distributed the contract in this manner to this particular firm of Mr. Biju Patnaik was political consideration? I would like to know if it is not a political consideration. Did the Government think that in the light of what had happened in regard to this gentleman, especially after the CBI report, the country will take it to be a politically motivated deal for political reasons? Well, what steps did the Government take in this matter to remove such kind of suspicion in the public mind? And finally is it not a fact that at the time of giving this contract a contract which they have not annulled—serious disclosures were made also to the Government through the search, as I pointed out, at Lord Sinha Road, Calcutta, on the 27th December, 1965, in the premises of Mr. S. L. Kapur and other places where a number of incriminating documents about Mr. Biju Patnaik were seized by

the income-tax and customs authorities? The Government are in possession of these documents. Let the Government deny it. The documents, as I said and I again mention it, relate to Messrs. B. Patnaik Mines (Private) Ltd. There were certain *hundis* worth Rs. 6,25,000·00 i.e. bogus *hundis* in the name of Messrs. B. Patnaik Mines (Private) Ltd., promissory notes dated 29th March, 1954 issued by Mr. Biju Patnaik to Shri S. L. Kapur worth Rs. 3 lakhs at 6 per cent interest and promissory notes dated 18th March, 1960, signed by Mr. Biju Patnaik, for Rs. 45,000·00 for Mr. M. V. Subramaniam, Hindustan Buildings.

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THE MINISTER OF STATE IN THE DEPARTMENTS OF PARLIAMENTARY AFFAIRS AND COMMUNICATIONS (SHRI JAGANNATH RAO): Not Mr. Biju Patnaik's house that was searched in Calcutta. There is something wrong somewhere.

SHRI BHUPESH GUPTA: I, therefore, put it to the Government that it is a deliberate collusion between Mr. Biju Patnaik and the authorities. The Government has not yet cancelled that unholy agreement and given the contract to MMTC. Why is not a proper investigation being started as to the manner in which that deal was signed and effected? The Government should explain this....

THE DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA:....because the thing should be known to the country.

SHRI S. SUPAKAR (Orissa): Madam, only two questions. Is it a fact that the mineral supply of Rourkela reached a dangerously low level on account of the MMTC not willing to supply iron ore at less than Rs. 17·00 and manganese ore at less than Rs. 28·00 and is it also a fact that at the same time the MMTC called a meeting of the mine-owners of the Eastern Zone Mine-owners' Association on 19th May, 1966, which it was held that parties dealing directly with HSL would be blacklisted with MMTC thus trying to put the steel plants in a very tight position? Is it a fact that after the telegram, referred to in the question Mr. Rungta met the Chairman personally and admitted therein that he could not supply iron ore at less than Rs. 16·00 although it is now represented that he was prepared to sell at less than Rs. 16·00? All other firms and all the mine-owners offered rates higher than what was offered by Messrs. Patnaik and Messrs. Mishrilal Jain. To these two questions I want specific answers.

SHRI B. K. MAHANTI (Orissa): Madam, may I know whether it is a fact that in February 1966 HSL had a meeting with the mine-

owners of Orissa and in that meeting Rs. 16·00 per tonne was the lowest, whether it is not a fact that on 14th April the mine-owners represented to the Chairman, HSL, they could not supply through MMTC because their conditions were not favourable to mine-owners, whether it is not a fact that MMTC went on protracted negotiations with HSL and ultimately they could not agree to less than Rs. 17·00 and, therefore, there was this forced contract with Messrs. Patnaik and Messrs. Mishrilal Jain, whether it is not a fact that Messrs. B. Patnaik Mines (Private) Ltd. and Messrs. Mishrilal Jain and Sons (Private) Ltd. came to the rescue of HSL when it had only two days' stock, whether it is not a fact that on 19th May, 1966 at a meeting convened by MMTC with the mine-owners, it was a unanimous decision of both mine-owners and MMTC that those mine-owners who had direct negotiations and contracts with HSL would be debarred from business with MMTC and, if so, may I know whether all these allegations which have been made are political, mischievous and calculated to bring harassment to Mr. Biju Patnaik and bring him down?

(Interruptions)

SHRI N. PATRA (Orissa): I want to know from the Minister whether Durgapur have also concluded a five-year contract with one Mr. S. Lall for SMS grade ore, whereas Rourkela have concluded a three-year contract with three parties. Is it not a fact that Messrs. B. Patnaik Mines Ltd. and Mishrilal Jain Ltd. came to the rescue of Rourkela by agreeing to supply iron ore, particularly manganese ore, at a much cheaper price when Rourkela was threatened with closure.

SHRI BHUPESH GUPTA: On a point of order. My submission is if Mr. Biju Patnaik's case is not being put well, why not Mr. Biju Patnaik be summoned before the house to state his case?

THE DEPUTY CHAIRMAN: Please go on.

SHRI N. PATRA: Is it not a fact that MMTC did not supply to Rourkela properly? So Rourkela had to place an *ad hoc* contract. MMTC were also supplying for export. Were not export despatches so bad as supplies to Rourkela? (Interruption). Is the Minister aware that for orders placed on Messrs. B. Patnaik Mines and Mishrilal Jain in March 1966, nearly 25 mine-owners belonging to the Eastern Zone Mining Association of Chaibasa, supplied through these two parties to Rourkela?

THE DEPUTY CHAIRMAN: How many questions have you got?

SHRI N. PATRA: How is the stock position at Rourkela and Durgapur now after direct orders, compared to days when MMTC

were suppliers? Do MMTC place orders on mine-owners by calling for tenders or negotiate as Rourkela and Durgapur did? Is it correct that MMTC, which had fixed their price for exporting iron ore at Rs. 14.50 per tonne....

SHRI SYED AHMAD: I propose that a copy of this be handed over to the hon. Minister.

SHRI N. PATRA: I am ready to give it. (*Interruptions.*)

THE DEPUTY CHAIRMAN: That will do. Mr. Pattanayak. (*Interruptions.*)

THE DEPUTY CHAIRMAN: Order, order.

SHRI B. C. PATTANAYAK (Orissa): I want to know what is the Rourkela stock position. After this contract what is the profit or loss of Rourkela? I want to know it. I want to know if it is a fact that the Durgapur Steel Plant has also entered into a similar contract and why.

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SHRI B. C. PATTANAYAK: I want to know whether it is a fact that the prices at which this firm made supplies were less than the prices demanded by the MMTC.

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SHRI B. C. PATTANAYAK: Did the MMTC purchase from the mine-owners by direct negotiation and not by inviting tenders? How is it, lastly, that everybody is taking. Mr. Biju Patnaik's name frequently? Is it because Mr. Patnaik is a powerful man and is reducing the number of the Swatantra Party and the Communist Party in the State Assembly and Parliament? (*Interruptions.*)

SHRI NIREN GHOSH (West Bengal): Madam, Mr. Biju Patnaik has briefed them. They have not spoken on their own. Is it a fact that for the MMTC it has become a bit difficult to supply iron ore at Rs. 15.00? Upon that, without consulting the MMTC, without inviting any tender they made *ad hoc* contract with this firm of Mr. Biju Patnaik, without even asking the public sector undertaking at what price they can give, without any reference to them. I want to know whether this is a fact or not. The second thing is whether security deposit was called for. Our information is that no security deposit was called for. I want to know whether this is not an unusual commercial practice on the part of the Rourkela Steel Plant. Who is responsible for this unusual commercial practice. The Chairman of the HSL or who? Would they be called to book? The third thing is, will the Government blacklist these two firms, Messrs. Patnaik and Messrs. Mishrilal Jain? The question arises how they

can deal with such firms. If they are blacklisted all dealings with them should be stopped. If they are not blacklisted, they should be blacklisted. The antecedents of the HSL Chairman should be gone into. Whether he has control over the Iron and Steel Control Office, why he behaved in this fashion—all these things should be probed into immediately. Otherwise suspicion would be renewed that because Mr. Patnaik is on the Congress Working Committee that is why the special favour was shown to him.

SHRI M. N. GOVINDAN NAIR (Kerala): I have only two simple questions. Now the MMTC and the HSL are public undertakings. It is quite natural that when the Government is running public undertakings, with regard to prices disputes may arise.

THE DEPUTY CHAIRMAN: Only questions.

SHRI M. N. GOVINDAN NAIR: In the case of other public undertakings when such dispute arises, it is settled by the concerned Ministries. Why is it that that procedure was not followed here when they raised the question of a higher price? That is number one. Secondly, even though they raised the question of a higher price, they did not say that they would not be supplying at Rs. 16 00 as has been stipulated earlier. Thirdly, when you found that another party was necessary, why is it that you did not call for a tender and why it is that you accepted a contractor who, according to the CBI report, has failed to fulfil his contract and caused great loss to the Government? When you chose contractor, why did you choose such a contractor who according to the CBI report had failed to supply, had failed to fulfil his contract and caused loss to the Government? Why did you choose such a contractor? That is my question.

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THE MINISTER OF IRON AND STEEL (SHRI T. N. SINGH): Madam, I would beg of the House to hear me patiently because my desire is to place before you whatever I can in the short time at my disposal, to clear the position to whatever extent I can. I think I should start by saying, whatever I have been able to study from the various papers and documents in the short time at my disposal after I got this notice, that somehow or other in 1965 there developed certain differences, towards the end of 1965, I believe, if I am not very inaccurate. There was some difference of opinion between the MMTC and the HSL in regard to the prices of the iron ore and manganese to be supplied to the steel Plants. Formally the price was Rs. 15·50 or Rs. 15·75 but somehow or other the MMTC wanted a higher price. There was a demand for a higher price even up to Rs. 17·00 for iron ore. Thereafter the difficulty started so far as I know.

I think it is our policy and I have no hesitation saying that it should be the endeavour of the public sector to procure its raw

materials at the cheapest price possible, to produce the goods at the cheapest price possible and sell it to the consumers at the cheapest price possible. I think that is an unexceptionable policy. That is the policy. That is my policy and I do not hesitate to repeat it as many times as Members would like me to. But in that regard we feel, whether it is public sector or private sector, that nobody should charge a high price if it is possible for them to do so and nobody can claim any special privilege simply because it is public sector in the matter of charging higher prices. Steel is a basic commodity, and Members must be knowing that despite devaluation I am making my best effort to see that the steel prices remain stable. That is very necessary to meet the after-effects of devaluation. In that I think the whole House is with me. That has been our policy. I stand by that policy. I will repeat that policy as many times as desired. But in regard to this I have gone through the whole story as to how the differences grew between the HSL and the MMTC. I feel I am not at all happy at the way the relations between the two developed in the discussions. People stand on their own right probably in their enthusiasm, but it did develop into a certain way of discussion etc. which I would not call happy. That is a fact according to whatever papers I have seen. And that is my (Interruptions). Please let me continue. I think you know that it is not possible for me, within the short time at my disposal, to answer the spate of questions that have been levelled in this short discussion. It is not humanly possible for me to go into all these. You will excuse me. You will hear the story that I have to give and you will find an explanation for all the queries. That is my attempt. If I do not attempt to answer each and every question, thirty or forty of them, it is because I cannot possibly do it within the short time at my disposal. This is the manner in which I am trying to reply to all the points raised.

I concede that the relations between the two were not happy. The MMTC started by demanding a higher price and the HSL tried to resist it. And it is also true I have looked into the papers that the supply did dwindle down towards the end of 1965 or early in 1966 to a very alarming extent. I do not agree that there should be 60 days' supply. Our attempt has been, and I will endeavour in that attempt, to keep down our inventories as low as possible, so as to keep their plants running properly with efficiency. But we should not overstock. I think that is also a principle with which everyone will agree and I do not think that is also the decision of any of our Advisory Committees or groups which went into this that we should have 60 days' stock. And I also have seen. I went through the letters during those days of the Rourkela management or the HSL Chairman. They wrote to the MMTC about the alarming state of the stock position about iron and manganese ore. That is also a fact that they issued a number of letters. But in all those letters, what I find is that there is a current of not very good relationship between them. That I can say very frankly, I have no hesitation. And I do not want this House to blame either party.

I intend, as a matter of fact to take it up at higher levels as to how this happened. That I will look into, That is my responsibility; I will do it. My colleague and myself will sit down and see how that has happened. That is a fact that I want to bring to your notice.

Then, after this position, they did go in for an *ad hoc* arrangement to remedy the stock position. And I have already tried to answer it in reply to a question put in the other House the other day that *ad hoc* arrangements were made by the two firms, Messrs. Patnaik and Messrs. Mishrilal Jain.

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SHRI T. N. SINGH: It is true that at one stage in these negotiations it did happen that the MMTC, after the high prices which they wanted to charge them, came down to Rs. 16. In the negotiations that were going on, Durgapur was insisting that they would get at Rs. 15.50 and Rs. 16 here. Rourkela accepted for Rs. 16 at both places. And also there was no arrangement regarding price as well as supply position of the manganese ore. Now, the contention of the HSL was that they wanted both things to be supplied because they did not want to be left at the mercy of some other party or be linked up with it in regard to iron ore and manganese ore. That was their stand and they held it, and I think there is a good deal of force that they must link up the two supplies because without that a proper functioning of the steel plant was not possible. That is the view. And there is no reason, at least unless I can find something contrary to that, to think that that link-up is wrong. This way, the whole thing broke down.

Then, it is quite right, as the hon. Member was referring that there was a meeting on the 19th here in which the mine-owners a number of mine-owners, were present and also the MMTC people and they discussed. I have been shown a copy of the proceedings of that meeting. It appears that there was an agreement that if anybody supplies independently then he will be sort of boycotted. That thing is there. And I generally agree with the Members' apprehension and I think it is healthy practice that we should get our supplies after competitive tenders. That is a good and sound principle. I agree with it. Now, the point is whether in this case there was any agreement for making an exception or not. Arguments have been advanced. Suppose they invite tenders then the price at which they were getting will be raised because there may be other consequential actions taken as a result of that meeting. That was the apprehension. I have seen those proceedings and I think there is some basis for that apprehension in the minds of the HSL and the Rourkela and Durgapur authorities. So, that is one point which we should take into consideration.

SHRI BANKA BEHARI DAS: But you agree also . . .

SHRI T. N. SINGH: Please, I am not agreeing to anything. After all, let us remember this. I think the House has times without number here has rightly stressed that we must give autonomy to public sector undertakings. I think that is a sound principle that in the matter of day-to-day purchases, etc. and in keeping of the supplies and all these things, they must be squarely responsible to themselves and we should not from here, from Delhi, try to interfere as to whether they will make purchases and so on. I personally feel that is a healthy principle, we should not try to interfere with the autonomy of the public sector undertakings and it should be recognised and conceded. But to what extent they will use it or have used it properly is the question. But their right to get the supplies in any manner that they think best in the circumstances, that should not be questioned. The only question is whether this was properly done or not. That is the limiting thing which we should take into account. As I said, I personally feel that tenders should ordinarily be invited before accepting them. Here is the position, the historical background, of the main supplier and our HSL have not had happy relations with them. At one time the stock position had dwindled down to two days or even less. (*Interruptions*). Please, I have not disturbed you. I am trying to give the facts, I am not trying to comment or say anything in explanation or in extenuation of anything. I am only telling the merits according to what I have learnt from the papers before me. This is what happened.

And then they decided on this issue of getting the supplies on the fear that they would not get them at prices which they had been able to get from these people. Even the MMTC after negotiations could not go down beyond Rs. 16 and taking together both Durgapur and Roukela as a whole, for the HSL it is an advantageous proposition, whatever they got by negotiation. This is the main point. Now 30 paise is the commission that they have to charge. Anyway leave aside that point . . . (*Interruptions*). I am talking of the subsequent prices, after the initial breakdown, the subsequent price offered by the MMTC was Rs. 16. That is what I am saying. It is not in any way more or less than the price at which this agreement . . . (*Interruptions*) Please. I have told you at the very beginning when I started about the proposition and I find that the House seemed to agree with it that it is the duty of the public sector to get supplies at the most competitive prices. That is the first principle that is conceded; that is in fact a business principle and we should stick to it. Therefore they went into this. Giving a little history as to how things developed, it was just a position where they developed one by one. (*In erruption*). As I said, I will have no objection to giving a second look to these things. I will do that. May I in all humility suggest that we should not rush to conclusions? After all each one of us may have our prejudices and predilections. One may not like to have a look at some face. But as a Minister my duty is to look at it objectively and not be guided by mere predilections and prejudices.

SHRI T. N. SINGH: I have not yet concluded. There are two agreements. Durgapur is for 5 years and the other is for 3 years. (*Interruptions*) That is what I said. Durgapur got a lower price by 50 paise as against the MMTC quotation. That is why they want in for 5 years' agreement. (*Interruptions*).

THE DEPUTY CHAIRMAN: I have requested hon. Members that no question can arise now.

SHRI LOKA NATH MISRA: I would like to point out here one thing. The contractor at Durgapur is somebody else but he is mixing up the facts.

SHRI T. N. SINGH: I am quoting the prices only. I am not talking of the parties concerned. I am talking of the price at which iron ore and manganese ore may be made available or are being made available. I am concerned with that only. I am not concerned with anything else. I am not look at the face of anybody.

SHRI T. N. SINGH: I am trying, Madam, to discuss the whole thing as objectively as possible. Let anybody point out in what way I have deviated from the principle. It is very unfair and painful. I would beg of Mr. Bhupesh Gupta to be a little considerate in such matters. Anyway, that is his lookout, I cannot say anything about it.

Having said this I do feel, as I said in the very beginning, that I will look into it—the question regarding tenders. But there is one thing which I must point out. On the 28th February they had called about 9 or 10 parties to discuss things. I have seen the quotations offered by many of them. They are Rs. 17, Rs. 19, Rs. 19.25 for manganese ore and Rs. 17 again for iron ore but no offer for manganese ore. Rs. 16, Rs. 15 well known firm, Karamchand Thapar, Rs. 16.50 for iron ore and Rs. 16 if the supply was more than one lakh tonnes. These are the quotations we received from private parties. Tenders were not officially invited; that is conceded and that is a correct position. This is the background I have given. In the light of that let us judge the position I do not want to comment at this stage beyond saying that I do intend to look into the whole question at the tender point but beyond that I would beg of the Members not to bring in extraneous issues. I am concerned with the price offered, the quality of supply, the regularity of supply, the advantage or disadvantage to the steel plant. I am not concerned with anything else (*Interruptions*).

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SHRI T. N. SINGH: Madam, in our language in many religions books which I have read—the religion to which I have the honour to belong—there is a book called Mahabharata in which the story does not seem to end at all. Therefore I would beg of Members not to prolong the whole thing. There is no end to questions.

SHRI BHUPESH GUPTA: I would beg of you not to protect Mr. Biju Patnaik.

SHRI T. N. SINGH: There is no question of protecting him. But justice has to be done. There is no question of protecting him.

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SHRI T. N. SINGH: Madam, in conclusion I would like to make one point before I sit down. I hope it will be taken in a spirit of humour which it contains. Madam, there is a novel written by Charles Dickens. I think it is a 'David Copperfield'. In that novel there is a person who writes enormously, all the time he is writing, all the twenty-four hours. Everytime he turns back the page because every time King Charles' head is appearing. So elections are there on the horizon and so whatever is done by the Government, like King Charles' head that comes. So, I cannot really help it, and that is a complex from which many people suffer.

THE DEPUTY CHAIRMAN: Nothing more.

The House stands adjourned till 11 A.M. on Wednesday, the 31st August, 1966.

The House then adjourned at Fiftyeight minutes past Five of the Clock till Eleven of the Clock on Wednesday, the 31st August, 1966.

APPENDIX III

(See para 6)

LOK SABHA

Unstarred Question No. 2662

Answered on the 16th June 1967

Supply of Iron Ore to Hindustan Steel Ltd., Rourkela.

2662. Shri Chintamani Panigrahi:

Shri Baburao Patel:

Will the Minister of **Steel, Mines & Metals** be pleased to state—

(a) whether it is a fact that the Hindustan Steel Ltd., Rourkela is buying iron ore since 1966 at a high rate exclusively from three firms namely, (1) M/s. B. Patnaik Mines Private Ltd., (2) M/s. Mishrilal Dharamchand Private Ltd., and (3) M/s. Rungta Sons Private Ltd., without calling for tenders;

(b) the quantity of iron ore purchased from these firms and their value in rupees during the year ending the 31st March, 1967; and

(c) the price Hindustan Steel Ltd. pays per tonne to these companies as against the prevailing price in the market per tonne?

ANSWER

The Minister of State in the Ministry of Steel, Mines & Metals (Shri P. C. Sethi): (a), (b) and (c). Hindustan Steel Ltd., Rourkela is buying iron ore since 1966 from three firms namely, Messrs. B. Patnaik Mines Private Ltd., Messrs. Mishrilal Jain and Messrs. Rungta Sons. The quantity of iron ore purchased from these firms and their value during the year ending March 31, 1967 is as follows:

Name of the party	Quantity (in tonnes)	Value (Rs. in lakhs)
1. M/s. Mishrilal Jain	2,13,945	34.92
2. M/s. B. Patnaik	2,81,236	45.90
3. M/s. Rungta Sons	1,92,294	31.39

2. Although no formal tenders were called before entering into contracts with these firms, a number of firms in the Barajamda area, and public sector organisations like Messrs. National Minerals Development Corporation, Kiriburu and Industrial Development Corporation of Orissa (Kandadhar) were contacted. It is understood that very few mine owners were in a position to supply high grade iron ore as well as manganese ore, and many did not show any interest. As the stocks of high grade iron ore with HSL, Rourkela had come down to only 2 days' consumption, there was no alternative but to arrange for supplies immediately to keep the Plant running without further formalities. The contracts with these firms were finalised at the rate of Rs. 16 per tonne. As against this, the prices demanded by the firms contacted by HSL ranged between Rs. 16 and Rs. 19 per tonne.

3. It may be mentioned that the question is being examined by the Committee on Public Undertakings.

APPENDIX IV

(See para. 6)

LOK SABHA

Unstarred Question No. 2663.

Answered on the 16th June, 1967

Supply of Iron Ore to Hindustan Steel Ltd., Rourkela

**2663. Shri Baburao Patel:
Shri Chintamani Panigrahi:**

Will the Minister of Steel, Mines and Metals be pleased to state:

(a) the reasons why the Hindustan Steel Ltd., Rourkela has stopped purchasing iron ore through M/s. Minerals and Metals Trading Corporation of India Ltd., a Government of India Undertaking, which was specially formed to develop the iron ore mining industry;

(b) whether Government are aware of the fact that three firms, namely (1) M/s. B. Patnaik Mines Private Ltd., (2) M/s. Misrilal Dharmchand Private Ltd. and (3) M/s. Rungta Sons Private Ltd., because of their monopoly dealings with Hindustan Steel Ltd., are blackmailing small mine-owners to undersell their iron ore to them at lower rates, which iron ore is in turn supplied by them to Hindustan Steel Ltd.;

(c) if so, the steps Government intend to take to stop this nefarious practice, and

(d) if not, the reasons therefor?

ANSWER

The Minister of State in the Ministry of Steel, Mines & Metals (Shri P. C. Sethi): (a) Hindustan Steel Ltd., Rourkela, used to purchase high grade iron ore through Minerals and Metals Trading Corporation, mainly because the supplies from its captive mines were not sufficient to meet their requirements. In February, 1966, however, the stocks of high grade iron ore with the Plant had come down to only 2 days' consumption. In the absence of any satisfactory settlement regarding assured supplies at agreed prices, there was no alternative but to arrange for supplies immediately from wherever they were available to keep the Plant running. Accordingly, the Plant entered into

contract with three private parties for supply of Iron Ore. It is understood that an agreement has since been reached between MMTC and HSL under which MMTC will take over in accordance with the terms of the contracts themselves, the operations of these contracts for the supply of high grade iron ore and manganese ore with effect from July 1, 1967. Orders for additional quantities are also being placed on MMTC by Hindustan Steel Ltd., Rourkela.

It may be mentioned that the contracts placed on private parties are being examined by the Committee on Public Undertakings.

(b) No, Sir.

(c) & (d): Do not arise.

APPENDIX V*(See Para 58)**Statement showing supplies effected by the suppliers to HSL (Rourkela)
from 1-3-1965 to 28-2-1966*

Sl. No.	Name of the Supplier	Rourkela Exp. grade
		<i>Tonnes</i>
1	M/s. S. Lal & Co.	87,345
2	M/s. K. C. Thapar	83,642
3	M/s. M. G. Rungta	67,858
4	M/s. Baijnath Sarda	48,141
5	M/s. B. Patnaik Mines (P) Ltd.	46,216
6	M/s. B. D. Patnaik	28,847
7	M/s. K. N. Ram.	26,516
8	M/s. Orissa Mining Corpn.	24,879
9	M/s. L. N. Bhanjdev	22,275
10	M/s. M. H. Feegrade	20,623
11	M/s. I. T. Corpn.	19,538
12	M/s. T. P. Sao	18,722
13	M/s. Narbhey Ram Vish Ram	14,668
14	M/s. Hargovind & Other Pandey	13,890
15	M/s. R. S. Bhanjdeo	13,477
16	M/s. Serajuddin & Co.	12,241
17	M/s. M. S. Dev	8,548
18	M/s. S. C. Padhee	8,523

Sl. No.	Name of the Supplier	Rourkela Exp. grade
		Tonnes
19	M/s. M.N. Ghosh	7,658
20	M/s. Rattan Lal Suraj Mal	7,110
21	M/s. M. H. Rahman	9,567
22	M/s. Shree Narayan Co.	4,963
23	M/s. Ramsingh Fauja Singh	4,608
24	M/s. G. S. Sarda	4,206
25	M/s. M. K. Chawda	4,762
26	M/s. M. L. Jain	4,795
27	M/s. Bonai Industries	3,760
28	M/s. P. Raghu	3,906
29	M/s. Dr. Mrs. S. Pradhan	3,558
30	M/s. D. D. R. G. Shah	2,661
31	M/s. G. M. Industries	2,612
32	M/s. Laxman Kanji	2,457
33	M/s. Manalal Varjang	2,190
34	M/s. Md. Serajuddin	1,930
35	M/s. H. D. Mangilal.	1,403
36	M/s. C. S. Mull	1,140
37	M/s. A. Ladha	898
38	M/s. Orissa Mineral Development	840
39	M/s. M. Aikath	360
40	M/s. S. Minerals	1,695
41	M/s. K. M. Corpn.	15,388
42	M/s. V. Umarshi	240
43	M/s. R. McDill	6,813

APPENDIX VI

(See para 58)

MANGANESE ORE

*Statement showing supplies effected by the suppliers to HSL (Rourkela)
from 1st March, 1965 to 28th February, 1966*

Total tonnage delivered from the supplies
of the following mine-owners:

1. M/s. Orissa Minerals Development.
 2. M/s. Serajuddin & Co.
 3. M/s. B. Patnaik.
 4. M/s. M. L. Rungta.
 5. M/s. Orissa Minerals & Metals.
 6. M/s. S. Lal & Co.
 7. M/s. Arjun Ladha.
 8. M/s. M. L. Jain.
 9. M/s. K. L. Takher.
 10. M/s. M. N. Ghosh.
 11. M/s. T. N. Ram.
 12. Arjan Mining Trading Co.
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APPENDIX VII

(See Para 84)

Meeting between the General Manager and the Executive Director, MMTC held on 11th May, 1965 at 11 A.M. to discuss the request of MMTC to enhance the prices of High Grade Iron Ore and Low Grade Manganese Ore

The meeting was held in the room of the General Manager, Rourkela Steel Plant at Rourkela at 11 A.M. on 11.5.1965.

Between the Rourkela Steel Plant and M.M.T.C., the following were present representing Rourkela Steel Plant.

1. Shri A. N. Banerji, General Manager,	Rourkela Steel Plant
2. Shri C. R. Krishnamurthi, FA & CAO	„ „
3. Shri R. B. Patnaik, COS & P.	„ „
4. Shri I. S. Grewal, Supdt. OMQ	„ „
5. Shri S. P. Sareen, Accounts Officer (OMQ)	„ „
6. Shri B. K. Sanyal, Geologist, (OMQ)	„ „
7. Shri K. Balachandran, Asstt. Purchase Officer.	„ „

From M.M.T.C. the following officials attended the meeting:—

1. Shri Antani, Executive Director,	MMTC, Delhi
2. Shri Subramanyam, Div. Manager (Ores),	„ „
3. Shri Kaul, FA&CAO	„ „
4. Shri R. J. T. De Mello, Regional Manager,	„ Calcutta
5. Shri U.N. Bhattacharjee, D.R.N.	„ „

(I) The first point discussed was the request of M.M.T.C. for a price increase in the case of High Grade 1/Ore by Rs. 3 per Tonne. Shri Subramanyam explained the background of the demand for price increase. The claim actually was due to the Interim Wage Board Award. Durgapur Steel Plant had agreed to a price increase of Re. 1/- per ton, and Shri Subramanyam wanted to know what was going to be

the reaction of Rourkela. Further, M.M.T.C. were interested in knowing what Rourkela was going to do with the direct offers they had received for both I/Ore and M/Ore.

G. M. Rourkela stated that Rourkela was trying manual mining and the F.O.R. cost will be at least Re. 1 per tonne less than the present M.M.T.C. price even after accounting for Interim Wage Board Award. G. M. further stated that we should have the advantage on procedure cost with regard to supplies from M.M.T.C. *i.e.* Rourkela should get ore from mines which are near Rail Heads. Over and above this selective despatch based on nearness of mines to Rail Heads selective despatch with regard to quality from a limited number of mine owners also was traced. To this M.M.T.C. agreed to avoid such supplies, the analysis of which did not suit us.

The FA&CAO, Rourkela then stated that even though the price increase asked for by M.M.T.C. was Re. 1/- per tonne which worked out and the incidence of the Wage Board Award was 0.30 p. per tonne maximum if the basis is 1 Ton and 0.15 p. if the basis is 2 Tonnes. As such the price increase asked for was not fully substantiated by facts.

G. M. Rourkela then intervened and stated that if M.M.T.C. and Rourkela Steel Plant could take firm and united stand on the demand of the mine owners the price can be controlled and kept at a stable level. Regarding Durgapur, the G. M. stated that it was a coal based plant and in their cost structure, reduction can be brought about based on coal. But Rourkela was an Ore based Plant and great care is to be exercised in increasing the price of Iron Ore. G. M. further reiterated that at least for the given 6 months M.M.T.C. and Rourkela should take a firm stand in this regard and should not relent to the demand for price increase of Iron Ore on the part of the mine owners.

At this stage, it was decided that a second session of the meeting can be held in the room of FA & CAO, Rourkela at 4 P.M.

(II) As above the second session (final session) of the meeting was held in the room of FA & CAO at 4 P.M. when all the Officials mentioned above except G. M. Rourkela were present. The Members at the outset set down to analysis the incidence of the Wage Board Award, FA & CAO of MMTC explained the various factors that contributed to the quantum of increase in price. Such factors, as out turn of labour and the wage level prevailing before the Wage Board Award and the proposed wage level thereafter were analysed. Rourkela however, was of the view that the incidence was not as was maintained by MMTC and were not agreeable to any price increase as far as Iron Ore is concerned.

MMTC however, could not comment anything on that before consulting their Chairman. But they requested that Rourkela should not

take any notice of the direct offers for supplies received and that was agreed to. On this MMTC suggested that Rourkela may reply to the various direct offerers that they should contact MMTC and not Rourkela. But FA & CAO, Rourkela thought that this was not necessary.

Then the issue of price increase for Low Grade Manganese Ore was discussed. Even though MMTC had asked for a clearance upto Rs. 25/- per Ton as against the existing rate of Rs. 21.02 P. per Ton, Rourkela did not agree to the full increase. The maximum limit upto which Rourkela could go was Rs. 23/- per ton. Even though, MMTC was not confident fully about the reaction of the mine owners they agreed to supply at this rate of Rs. 23/- per ton.

Officially, the issue of additional Sales Tax per ton on account of non-implementing the A/T system for Iron Ore was discussed. COS & P, Rourkela made it very clear that the action taken by MMTC in having abruptly conclude Sales Tax with the mine owners for a period up to March, 1966 did not meet with the approval of Rourkela specially because the procedure of placing A/Ts. was still under negotiation between Rourkela and MMTC. He further stated that Rourkela shall under no circumstances be liable to pay the additional Sales Tax on account of not having placed A/Ts. for Iron Ore. On this Shri Subramanyam of MMTC assured that he was confident of winning the case on burden of additional Sales Tax.

The points of agreements were intimated to the G. M. thereafter.

N.B.: The issue of enhancing the service Commission of MMTC for Manganese Ore supplies from 0.19 P. per Tonne to 0.30 P. per tonne was raised by Shri Antani and the G.M. replied that the 'status quo' should continue.

APPENDIX VIII

(See Para 87)

Minutes of the meeting between Chairman, HSL and Director, MMTC regarding the fixation of price of Iron Ore and Low Manganese Ore for DSP and RSP held in HSL conference room at 2, Fairlie Place, Calcutta-1, on July 29, 1965.

PRESENT

HSL

1. Shri M. S. Rao, Chairman.
2. Shri C. R. Krishnamurthi.
3. Shri R. B. Patnaik.
4. Shri P. C. Sood.
5. Shri P. K. Lahiri.
6. Dr. P. Prasad.

MMTC

1. Shri V. R. Antani, Director.
2. Shri R. Bhandari.
3. Shri V. Subramaniam.
4. Shri R. DeMello.

The question regarding the increase in the price of iron ore on account of Iron Ore Mines Wage Board award was discussed. It was pointed out by HSL representative that this was not a statutory award, the increase in costs resulting from which could be transferred to the purchaser. But in view of the commitments which MMTC were reported to have made with the mine-owners, it was mutually agreed that prices should be refixed as follows:—

So far as the supply of iron ore by MMTC to Rourkela Steel Plant is concerned, an increase of 50 paise per tonne from the present price will be allowed with effect from 1st July, 1965 till 31st March, 1966. So far as Durgapur is concerned, a suggestion was made that there also the increase per tonne should be only 50 paise and not Re. 1 per tonne as had been recently arranged mutually between MMTC and DSP. But MMTC representatives urged that the mine-owners were in the knowledge of this later arrangement and since the Wage Board award would apply to them from 1st January, 1964 there would be a lot of trouble with them in case this payment was reduced to 50 paise. They also said that a concluded contract should not be disturbed. In deference to their wishes, it was agreed that Durgapur would pay at the increased price (increase by Re. 1 per tonne) until 31st March, 1966. MMTC agreed with effect from 1st April, 1966, until 31st March, 1967 both Durgapur and Rourkela would have to pay the price agreed for Rourkela with effect from 1st July, 1965, i.e., to say the price payable by Durgapur would be reduced by

50 paise per tonne. In good time *i.e.*, to say by December, 1965, MMTC will be given clear intimation of the long-term requirements of iron ore by both the Steel Plants and they for their part will make a review of their ability to make these long-term supplies and give HSL a definite indication of the further economies in price that would be possible.

MMTC strongly pressed the point that since the Wage Board award had been given effect from 1st January, 1964, the proposed increase of 50 paise per tonne in the case of RSP should apply from that date. Chairman, HSL said that he was not agreeable to this. However, the matter could be considered on the basis of further facts to be produced by MMTC.

MANGANESE ORE

After hearing the MMTC delegates as to the causes for their default both to DSP and RSP in supplying manganese ore according to the terms of the contracts with the two Steel Plants, Chairman, HSL expressed the view that (a) MMTC who were to export 1.2 million tonnes of manganese ore in 1964-65 actually exported 1.7 million tonnes taking away all the available ore which had been raised (b) while doing this, they seem to have overlooked the obligatory contracts with Durgapur and Rourkela and (c) while doing this also, they seem to have overlooked the necessity of quick development of manganese ore mines in order to augment the supplies. Chairman, HSL expressed his unhappiness at this state of affairs.

Director, MMTC, Shri Antani categorically assured HSL that the commitments in the contracts would be honoured and quick supplies would be assured. It was agreed that the supplies to DSP would continue to be at the current contract prices. As for RSP, it was agreed that the increase of Rs. 2 accepted by RSP during the discussions held with the representatives of the MMTC in Rourkela in May, 1965 would continue in respect of the quantities which RSP had indented but for which contracts had not been entered into at the time of above discussions.

Sd/- V. R. ANTANI, 29-7-65.

Director, MMTC.

Sd/- M. S. Rao, 29-7-1965.

Chairman, HSL.

APPENDIX IX

(See para 92)

*Note appended to letter No. RR-12(9)/65, dated 31st January, 1966
from Secretary, Iron and Steel to the Chairman, HSL*

This case was discussed this afternoon at a meeting at which the Chairman of HSL, the Chairman of the MMTC and I were present, along with certain other representatives of the MMTC. It was felt that it would help matters very greatly and would keep prices of iron ore in the Barajamda area at a reasonable level as well as assure supplies if the NMDC were to start mining ore in the Barajamda area themselves. We should recommend this to the Ministry of Mines & Metals and enquire from them whether any progress has been made in the matter. As regards manganese, the Chairman, HSL said that for similar reasons HSL should be allowed to mine manganese themselves. They had asked for mining leases from the Orissa Government, but that Government were being difficult about the grant of such leases. I believe we have previous papers in this connection, which should be looked up quickly and, if necessary, another approach to the Mines & Metals Ministry made asking for their support with the Orissa Government for getting mining leases for HSL for mining of lower grade manganese ore.

2. The question of supplies for Rourkela and Durgapur was then discussed. Shri Govind Narain said that there were two difficulties in supplies—(i) the question of prices and (ii) the question of early enough notices so as to enable MMTC to make adequate arrangements. So far as the latter was concerned, Rourkela had given to the MMTC an advance programme of supplies which will be needed in the next 3 or 4 years. No such programme had been, however, given by Durgapur. I said that, having regard to the delay in the expansion of Bolani Ores, it was almost certain that Durgapur will be asking for higher quantities of ore from the MMTC.

(Incidentally, in this connection, Shri Rao mentioned that there was a proposal to put Shri Nakra on the Bolani Board instead of Shri Ramachandran. This should be progressed separately on the appropriate file). Shri Rao said that there was some difficulty in fixing up a programme of market purchases by Durgapur over the next 3 or 4 years owing to uncertainties relating to Bolani development. My recollection, however, is that we took up this matter some time ago with the Chairman and had suggested to him that considerable increased market purchases would be necessary for Durgapur for some time to come. These papers should be immediately looked up

with a view to seeing whether we could not ask HSL to give advance warning to MMTC regarding Durgapur's requirements of iron ore from the market for the next 3 or 4 years.

3. On the actual question of prices, Shri Govind Narain said that so far as iron ore was concerned, for the blast furnace grade which is being supplied to Durgapur, he was not asking for very much increased price. All that he was asking for was that the 50 paise decrease which had been agreed upon from 1st April, 1966 should not be given effect to and that besides that an increase of 25 paise should also be given. In regard to higher grade ore, he said that the present price at which supplies were being made varied from Rs. 15.25 to Rs. 15.75 per tonne. He would want this price to be raised to Rs. 17 per tonne. As explained already, according to Shri Govind Narain, Indian Iron were in the market and were paying much higher prices and, therefore, these increases had become necessary to ensure sufficiency of supplies.

4. As regards the manganese ore, Shri Govind Narain said that the present price of Rs. 23 was inadequate and although MMTC was suffering a loss and was paying Rs. 25 in the market, even that was not adequate to ensure supplies. Other buyers were paying Rs. 30 for 30—33 per cent grade manganese ore, but so far as MMTC was concerned, it would be satisfied if the price could be raised to Rs. 28. Shri Rao said that he would discuss these matters further with MMTC representative at Calcutta or at Ranchi and Shri Govind Narain pressed that these discussions should be held early so that a final settlement may be reached.

APPENDIX X

(See para 101)

SAVINGRAM EXPRESS

RAO
ISPAT
RANCHI

Your TPM 15 dated 2nd June, 1966 to Channa. Channa's telegram dated 30th May, 1966 should not have surprised you as decision contained therein has been forced on MMTC by HSL actions. On 5th January, 1966 I wrote to Shri Wanchoo copy to you giving you our ideas of the prices at which further supplies would be forthcoming satisfactorily. We had to take this matter with Secretary Steel in the first instance as our earlier experience of negotiations with HSL regarding minimum wage increase has been extremely unhappy. HSL was reluctant to concede even reasonable increases based on wage award though they had given similar increases to others. Anticipating similar difficulties in present case had made it clear in my letter dated 5th January, 1966 that if HSL was not prepared to consider reasonable price increase HSL should make own arrangements for direct procurement of iron ore from 1st May, 1966. This was also because we had repeatedly been threatened by HSL itself that they would procure directly from the market. Thereafter meetings were had with the General Managers steel plants from time to time and while impression given to MMTC throughout this period was that (A) its price proposals were under consideration and (B) HSL desired to continue to procure iron ore only through the MMTC at the same time all along HSL (A) carried out direct negotiations with some mine-owners (B) placed some *ad hoc* contracts at higher prices than the prevalent prices in MMTC's contract, on two suppliers. MMTC was neither consulted nor informed about these activities although bulk responsibility for supply to HSL still remained with us. This was improper and unethical. Consequently MMTC's position in the market was considerably embarrassed and the mine-owners were emboldened to threaten MMTC by strike notices both in regard to export and steel mill supplies. Except the beneficiaries of the direct contracts at higher prices placed by HSL the rest of the mine-owners were full of resentment and apprehensive as to the future. Even at that stage it was made clear to HSL that as a result of these direct contracts at higher prices if MMTC's contract with their mine-owners at lower prices become ineffective and if therefore supplies dwindled MMTC cannot be held responsible and HSL alone will be answerable. In the meeting held with GMS steel plants at Delhi on 13th May, 1966 HSL.

sought our acceptance to prices based on their direct negotiations with one or two individual mine-owners as the basis for long term contracts with MMTC. As we considered these prices unrealistic we again told GMS to make their own arrangements for direct supplies if they were satisfied that these prices were workable. GMS also wanted to know whether there would be difficulty in securing plots and other facilities for direct contract supplies. They were told that there should be no serious difficulty. It appeared from that meeting that the steel plants had by then more or less decided to make their own direct purchases in future though they did not disclose this intention to us in so many words. We were told that they were referring the matter to you for final decision which would be made available by 17th or so. Unfortunately your decision was not forthcoming even then. In the meeting with the mine-owners on 19th at Delhi our main concern was export and there was no need for calling HSL representative. Never before have we called HSL representative in our negotiations with suppliers. The suppliers unanimously desired MMTC to look after supplies to HSL also and then our efforts were directed towards making them accept your price ideas. They were told that if some of them had offered these prices to HSL the rest of the trade should also accept them without demur. Fortunately our efforts to make them agree to your prices for export and BF succeeded but for SMS they urged sixteen rupees as against fifteen fifty. On the basis of this we sent to you our telegram dated 19th May, 1966. There was no question either of making a common front with the mine-owners or of pressurising, HSL as alleged by you in your message. That these allegations are baseless would be obvious to any one from the fact as a result of the meeting with the mine-owners. We had intimated our acceptance of the prices which you yourself had negotiated directly with one or two individuals for export grade and offered to us for BF grade. For SMS grade Channa wished to have details of terms obtained by Durgapur directly so that we could take advantage thereof.

It is obvious that HSL has been misled by the offer of low rates made for SMS grade by a few individuals who are merely trying to monopolise the HSL's orders by offering low rates in the first instance so that later on they can dictate their own terms. The other consequence of uneconomic rates is that there are bound to be repercussions on the mining industry which may lead to drying up of supplies in due course. It was to forestall either eventuality that MMTC has been pleading with HSL all along to fix reasonable prices. Instead of cooperating with us or helping us in resolving matters HSL continuously created difficulties for us by contacting some suppliers direct and giving them better terms which earlier were denied to us. Emboldened by HSL's hobnobbing with them some suppliers boycotted supplies to us.

Having accepted your views in the matter of price I do not see that objection you have in reverting to the earlier system of canalising

all your requirements through MMTC. We were all along given the impression that you only were making Gap-arrangements pending settlement with MMTC. What you say now is quite different, namely, that even as far back as on 28th March, 1966 you had negotiated long term contracts with some suppliers. It is, therefore, clear that HSL had no intention of coming to terms with MMTC. We are unable to accept your unrealistic proposal that we should supply to Rourkela only and leave Durgapur free to deal directly as this is unworkable. We have all along told you that this dual system will be most disadvantageous and unmanageable. We cannot be called inflexible on this account if anyone is inflexible it is HSL. We have already given you sufficient notice of four months. If you require a further period of time to enable you to finalise your direct arrangements for Rourkela also we are quite willing to give you a further time upto 30th June, 1966. I can assure you that if you have finally decided to deal directly with the mine-owners there will be no discouragement from the MMTC. I should make it clear since your message mentions export orders that HSL cannot seek to interfere in the arrangements that we make to ensure supplies for export. As regards the other consequences that may follow from your decision namely to buy direct from the market, such as fall in steel production etc. I would like to make it clear that HSL and HSL alone will be responsible and threats such as Government intervention etc. would appear to be out of context. Actually we would welcome intervention by Government as then with documentary and other evidence that we possess we can prove how unfair, unreasonable and uncooperative HSL have been to us and how they have spoilt the market position to their own detriment and caused difficulties and embarrassment to us. Please let us have your final decision in the matter. Alternatives briefly are:—(A) That if HSL wishes to continue to deal with MMTC it should be on the previous basis of entrusting the entire supplies to MMTC subject to the condition that HSL does not negotiate directly or interfere in the market during the pendency of the agreement, or (B) that subject to further time, namely, upto 30th June, 1966 being available, HSL should make its own final arrangements.

It goes without saying that for all supplies that we have effected in the interim period prices will be the same which HSL has paid to certain mine-owners against *ad hoc* contracts, exclusive of MMTC's margin of thirty paise per tonne.

NEW DELHI;
8th June, 1966.

Sd/- GOVIND NARAIN,

Chairman,
Minerals & Metals Trading
Corporation of India, Ltd.,
New Delhi.

APPENDIX XI

(Para 101)

CHAIRMAN

THE MINERALS & METALS TRADING
CORPORATION OF INDIA LIMITED

D.O. No. MD(M)/51/W/Indent/64/D-128/Vol./III 1842, dated July, 16/18, 1966.

My dear Rao,

This is regarding supplies of iron ore and manganese ore to Rourkela and Durgapur through MMTC. Following our discussions at Ranchi on the 5th July, you had assured me that these supplies in future would be obtained only through MMTC. I had also gathered the impression that the commitments earlier entered into by HSL directly with some suppliers, as a stop-gap arrangement, were not very substantial and that HSL would route the balance in these direct contracts through MMTC only. I had asked for details of these outstanding contracts. I have since received a teleprinter message No. 28 dated the 12th July, 1966 from Mr. Bhaya, Secretary, HSL, giving details of the contracts that have been concluded with the suppliers directly by the Steel Plants. With the exception of one contract said to have been signed by M/s. S. Lal & Co. on 4th June, 1966 I find that the remaining contracts, mentioned in this teleprinter message, were concluded by Rourkela and Durgapur on 8th July, 1966. This means that subsequent to my meeting with you at Ranchi, and in spite of the understanding reached between us, the Steel Plants have gone ahead on the 8th, with further purchases directly from some of the mine-owners and suppliers. From the tonnages for which these contracts have been placed, it is abundantly clear that these contracts will meet, if not the entire requirements, at least the major portion of the requirements of the Steel Plants for the different grades of ore. It is, therefore, obvious that Rourkela and Durgapur have already made their own complete arrangements for obtaining supplies of iron ore directly from a few selected mine-owners in the sector. I see from my files that as far back as on 5th January, 1966, we had given HSL ample notice upto 30th May, 1966 to make its own arrangements for direct procurements of supplies. Subsequently, we extended the notice period from time to time, as our differences appeared to centre around the rates to be paid for different grades of ore. We were repeatedly told that if your price ideas were accepted by us, your plants would continue to obtain supplies through MMTC only. In spite of having ultimately got the mine-owners to accept the prices offered by HSL to MMTC, the plants have preferred to obtain supplies directly from the mine-owners. Supplies from MMTC are not required any longer. I, therefore, propose to discontinue despatch of iron and manganese ores to both the Steel Plants with effect from 1st August, 1966.

For supplies that have been effected from March, 1966 onwards to the Steel Plants, I shall be obliged if you could instruct the General Managers to settle our accounts at the same rates as have been paid directly by the Steel Plants against *ad hoc* contracts entered into directly with the suppliers (these rates being exclusive of MMTC's margin of 30 paise per tonne).

In the concluding portion of the teleprinter message, Shri Bhaya has stated that a provision has been made in the contracts that have been signed by the Steel Plants with the suppliers that they will not have any objection to route supplies through MMTC, if so, desired by HSL, Routing supplies through MMTC would imply that MMTC should take responsibility for implementation of the contracts. I am afraid MMTC cannot assume responsibility for satisfactory performance of such large contracts for the entire requirement of the Steel Plants in the awarding of which MMTC has had no say. These contracts were awarded by HSL directly and HSL should take full responsibility for the satisfactory performance of these contracts. Contracts concluded prior to 5th July, 1966 were only for a fraction of the requirement of the Steel Plants, and if MMTC got full responsibility for the remaining supplies, it might have been possible to fit this into the MMTC's operations and work the arrangement, even if the supplier with whom HSL had earlier concluded a contract, failed to keep to the agreed schedule. Accepting responsibility for the full supply to the Steel Plants from contractors whom the Plant General Managers have chosen directly is a very different matter. Canalisation of these contracts through MMTC would be pointless, and the MMTC is not in a position to take on responsibility for an arrangement made by the HSL Plants without any reference to it.

In conclusion I would like to observe that in taking the decision to procure supplies directly from Barajamda sector, the Durgapur and Rourkela Plants would no doubt have fully taken into consideration the apprehensions which my predecessor had expressed in regard to these direct purchases in some of his letters addressed to you and to Shri Wanchoo, Secretary, Ministry of Iron & Steel, copies endorsed to you and the General Managers of the Plants. The MMTC will now be able to devote its attention to iron ore export from this sector, without its being responsible in addition, for HSL supplies. It may be hoped that the full iron ore and manganese ore requirements of the Plants, as contracted for by them will be supplied by their contractors.

I am endorsing a copy of this letter to Shri Wanchoo, Secretary, Ministry of Iron & Steel, for his information.

SHRI M. S. RAO, ICS,
Chairman,
Hindustan Steel Ltd.,
Ranchi.

Yours sincerely,
 Sd/- T. P. SINGH.

APPENDIX XII

(See para 106)

Minutes of meeting held with the mine-owners of the Barajamda sector in the office of the Minerals & Metals Trading Corporation of India Ltd., New Delhi on 19th May, 1966.

Meeting was held with the mine-owners of Barajamda sector on 19th May, 1966 in the MMTC's office in New Delhi. The meeting was presided over by the Chairman, MMTC and was attended by the Directors and other officials of the MMTC. The various outstanding problems relating to supplies of iron ore both for export and steel mills of Hindustan Steel Ltd., were discussed in great detail and the following decisions were taken:—

I. Supplies of iron ore to the Steel Mills of HSL:

- (a) It was decided that further supplies of iron ore to the Steel Mills of HSL will be supplied only through the MMTC as before.
- (b) The balance quantity in the present direct *ad hoc* contracts between suppliers and the HSL will with the concurrence of HSL routed through the MMTC until completion.
- (c) In future, the mine-owners, will desist from making any direct approach to HSL for contracts for supply. It is the unanimous recommendation of the mine-owners that any mine-owners who negotiates and/or concludes contract directly with HSL should be debarred from claiming any business through MMTC.

II. The following minimum prices will be acceptable to the mine-owners for further supplies to HSL—:

- | | |
|------------------------------|---|
| (i) Export grade to Rourkela | Rs. 16 per metric tonne basis 65% rejection below 63% Fe FOB loading stations, unitage 74 paise per unit of Fe up or below 65% upto 63% Fe, rejection 63% |
| (ii) BF Grade to Durgapur | Rs. 13/- per metric tonne basis 58% Fe rejection below 58% Fe, FOB loading stations in the Barajamda sector unitage 49 paise per unit above 58% Fe subject to a ceiling of Rs. 14.23 per tonne. |

The above prices are based on all Government duties, levies, cesses and wages as per first interim wage award of the wage board for iron ore mines, as are in force on 1st May, 1966. These prices are subject to variation on the basis of all fresh government duties, levies, cesses, etc. or any variations in the present structure of duties, levies, minimum wages etc.

- (iii) In so far as SMS grade is concerned, the present direct supplies to HSL against *ad hoc* contracts are at a price of Rs. 15.50 per tonne, basis 64 per cent Fe. It was unanimously resolved that a price of less than Rs. 16 per tonne should not be quoted to HSL for acceptance subject to the same escalation clause as would be applicable for the other two grades.

III. Export Supplies:

- (a) Price for supplies of iron ore for export has been fixed at Rs. 15.50 per dry metric tonne, basis 65 per cent Fe, rejection below 63 per cent Fe f.o.r. loading stations on the Barajamda sector, unitage 50 paise up or below 65 per cent Fe fraction *pro rata*, rejection below 63 per cent Fe. In addition to the above price, lead charged at 40 paise per tonne mill will be paid for mines situated beyond 8 miles from the nearest loading station subject to ceiling of Rs. 16 per tonne inclusive of load charges. This price will be effected for all supplies deliverable from 1st May, 1966 against both contracts in existence as well as fresh contracts to be entered into hereafter, except against *ad hoc* contracts for export.
- (b) The above price will be in force for a period of three year ending 31st March, 1969.
- (c) The contracts will be issued on MMTC's standard contract from in force which *inter alia* will provide for an escalation clause covering Government duties, levies, etc. and any significant variations in the minimum wages payable under relevant Awards accepted by Government.

IV. Allocations:

Following the unanimous feeling of the mine-owners that emphasis should be given to productive capacity as distinguished from shares based on acreage, it has been decided that fresh allocations will be equal to the average of the quantities supplied during 1st January, 1963 to 31st December, 1965 for export. This will be the actual quantity for export for the next three years. The allocations for Steel Mills supply will, taking into account the present pattern of offtake for the Steel Mills and export be 1.5 times the quantity for export.

- (a) Though the contract will mention the above quantities by year for the next three years, the quantity for supply during the second year of the contract will be based on the actual quantity delivered for export in the preceding year. Similarly, the quantity for delivery in the third year for export will be equal to the quantity actually delivered during the second year. This will represent the minimum quantity that the Corporation will take year to year within the frame work of its overall purchase programme and does not preclude the mine-owners from supplying more according to their capacity and the circumstances of the year. The Steel Mills supply in the second and third years will be regulated on the basis of the quantity for export in the second and third years according to the above rule.
- (b) The above principle will be duly enunciated in the clause to be provided in the expert contract.
- (c) The contracts already entered into with a number of mine-owners, which are in existence, will be honoured fully. Their fresh allocations will be made after taking into account the purchase commitment of the Corporation under the existing contracts.
- (d) In case of those parties whose past performance is lower than the share in the present method of allocation, namely acreage plus bonus etc. they will be allowed the option of either basis.
- (e) In the case of new mine-owners/fresh applicants, initial allocation will be made on the basis of acreage formula which has been in force so far. They will also be permitted to supply such quantity as they produce and as much as the Corporation can take consistently with its overall purchase obligation on the sector.

V. Mines producing lower grade ore:

A section of mine-owners represented that either their mines do not produce export grade ore or if produced are in negligible quantities. Such mine-owners will be permitted to offer their supplies in the B.F. Grade to HSL without corresponding obligations to supply for export, such quantities as they have to offer in the export grade will be taken entirely for export upto the accepted limited of 1.1.5. They will be permitted to supply the high grade ore to the Steel Plant only within this ration.

The allocation of quantity to the lower grade ore producer for supply to H.S.L. will be 1 share on the basis of acreage formula presently in force.

The above decision have been taken in a spirit of mutual goodwill and cooperation. The Regional Manager, Calcutta, will convene a meeting of the mine-owners quarterly to review the implementation of contracts placed on them for supplies and also to review the condition of supplies from time to time. Following the above settlement, the mine-owners who had temporarily suspended their movement had agreed to resume movement forthwith.

In a subsequent meeting with the mine-owners held on 20th May, 1966 it was clarified that the basis of allocation of contracts mentioned in these minutes is in place of earlier methods of allocation of contracts on acreage basis. This method of allocation does not preclude mine-owners from coming forward with long term proposals for development of mines and for supply of bulk quantities on the basis of mechanisation to transport, mines etc. Such proposals will be welcomed for the proper development of the industry in the sector.

Sd/- S. R. Rungta,
President, Eastern Zone
Mining Association,
M. G. Rungta Sons (P)
Ltd.

Sd/- S. C. Bose,
President, Utkal Mining
Association.

Sd/- L. P. Sao,
T. P. Sao & Co.

Sd/- H. S. Kalra,
Karam Chand Thapar &
Bros.

Sd/- S. Lal,
S. Lal & Co.

Sd/- N. Venkataraman,
B. Patnaik Mines (P) Ltd.

Sd/- V. Subramanian,
Divisional Manager,
(Iron Ore Purchase)
MMTC.

Sd/- M. N. Ghose,
for M. N. Ghose.

Sd/- R. J. T. De Mello,
Regional Manager,
MMTC, Calcutta.

APPENDIX XIII

(See para-111)

Record Notes of discussions with the Representatives of Eastern Zone Mining Association and Utkal Mining & Industrial Association at Ranchi on Fourth April, 1966

PRESENT

Hindustan Steel Ltd.

Shri M. S. Rao.

Shri D. S. Nakra

Shri H. Bhava

Shri Rajendra Singh

Durgapur Steel Plant

Shri R. K. Chatterjee

Rourkela Steel Plant

Shri A. N. Banerjee

Shri R. Kanugo

Eastern Zone Mining Association

Shri S. R. Rungta (President).

Rattan Lal Suraj Mull

Rai Bahadur H. C. Jain

M/s. B. Patnaik & Mines

Shri R. Venkataraman

M/s. Narbheram & Vishram

Shri M. N. Atha

M/s. B. Patnaik

Shri K. D. Patnaik

M/s. Arjun Ladha

Shri M. A. Rathor

M/s. L. N. Bhanjdeo

Shri Narbheram

On behalf of the Association, Shri Rungta thanked the Chairman for affording an opportunity to them for meeting him. He stated that this Association is the oldest Association of its kind in the Eastern

Zone with a standing of 10—15 years and above 90—95% of the Mine Owners are its Members. Shri Rungta read out the names of some of the Members firms of the Association. On a query by Chairman as to whether the suppliers themselves own and operate the Mines or they merely finance the producers, Shri Rungta stated that majority of the Mine Owners themselves own and operate the mines. He stated that the production of all the Members firms together would be about 2½ lakh tonnes of iron ore per month.

Shri Rungta submitted a Memorandum to the Chairman on behalf of the Association and put forward the following points:—

- (i) They have no differences with the MMTC but the annual requirements of iron ore and manganese ore by the Steel Plants are not fully released by the MMTC and are given to the mine-owners bit by bit which affects production. He clarified that the distribution is made by the MMTC in relation to the acreage owned by each producer. If the long-term requirements of Steel Plants could be made known to the Mine Producers it would help them to plan their production.
- (ii) MMTC do not pay the same or nearly the same price to Mine Owners that they receive from HSL. The increase of 50 paise given by Rourkela recently based on recommendations of Iron Ore Wage Board has been held back by MMTC.
- (iii) There is uneven distribution of quantities by MMTC who allot larger quantities to those who sign for higher export quantities.
- (iv) The price of Iron Ore was fixed in 1959. Since then there has been a general increase in the price of all commodities, machineries, wages etc. The price of iron ore however, remains the same except for increases on account of 50 paise per tonne for royalty, 25 paise for welfare cess and one rupee for Wage Board interim increase. The Mine Owners should therefore get a suitable increase in the price. He complained that MMTC have not listened to them in the past.

Chairman stated that HSL would represent to the Government and ask them if Public Sector Steel Industry has to subsidise the export of iron ore. He emphasised that in the interest of all concerned MMTC should remain in the market for the purpose of exports and for meeting the internal requirements and the ore producers should also prosper along with them. He therefore, stated that the matter would be taken up with the MMTC and the Mine Owners will also be brought into the picture and in case no settlement is arrived at with MMTC, HSL would then consider entering into long term contracts with the ore producers. Chairman suggested that to avoid a critical situation from

arising, the Mine Owners should continue the supply of iron ore and manganese ore on an *ad hoc* basis till the end of May, 1966. In the meantime the demands put forth by the Iron Ore producers would be considered and the reaction of MMTC to the representation made by the ore producers obtained. Shri Rungta agreed that till the end of May they would continue to make the supplies of Iron Ore and Manganese Ore under the existing terms and conditions and at the existing prices. Shri Rungta stated that in case MMTC fails to supply the requirements of Steel Plants they should undertake to supply the entire quantity. On a query from Shri Banerji, Shri Rungta assured that in case of any failure on the part of small mine-owners the bigger producers would give a guarantee of making all the supplies themselves. Chairman told Shri Rungta that HSL would make sure that all mine-owners get their due share in supply ore to the Steel Plants.

Shri Rungta made repeated requests that some quantity of Blast Furnace Grade Iron Ore for Durgapur should also be purchased from the Eastern Zone Mine Owners. Shri Chatterjee stated that the current years' requirements of Blast Furnace Grade Iron Ore for Durgapur were fully covered by the suppliers from Bolani and the Orissa Mining Development Corporation. Therefore, Durgapur do not need any Blast Furnace Grade Iron Ore for the present. Chairman stated that this request would be considered in course of time.

Chairman emphasised that since purchase of ore is not centrally done, the suppliers must sell ore to DSP at the same price at which they supply to RSP.

Meeting with Utkal Mining & Industrial Association

Shri A. C. Bose, General Secretary of the Association submitted a Memorandum to the Chairman containing the capabilities of the Member firms of the Association and other terms on which they would like to supply ore to the Steel Plants. Shri Bose stated that MMTC were exporting ore at the cost of the Steel Plants and the Association was prepared to enter into long-term contracts to supply ore at economic prices which may be determined by HSL.

Shri Bose was not in a position to give details about the Member Firms as also about the prices which they considered as reasonable. Chairman stated that HSL cannot afford to take risks in such a vital area of ore supplies and therefore asked Shri Bose to send us all details about the Association, and its Members including the Articles of Association, List of Members, the Mines and acreage owned by the individual firms, actual raisings in the last one year and the break-up of supplies made by the individual firms to the MMTC, Shri Bose agreed that on his return to Calcutta he would send the necessary information to HSL.

From rather uncertain and sketchy answers given by Shri Bose it appears that Utkal Mining & Industrial Association is not quite a representative body of the ore producers.

APPENDIX XIV

Summary of Conclusions/Recommendations contained in the Report.

Serial No.	Reference to para No. of the Report	Summary of Conclusions/Recommendations
1	30	The Committee are surprised to notice that with a total shortfall of 44,922 tonnes of iron ore and 19279.9 tonnes of manganese ore during the period January to April 1965 the Rourkela Steel Plant were prepared to treat the matter as a case of temporary imbalance.
2	31-32	<p>Even after April 1965, upto July there was a shortfall of 74,623 tonnes of iron ore and 28,640.9 tonnes of manganese ore. On the 16th August 1965, Chairman HSL sent a letter to Secretary, Ministry of Iron & Steel apprising him of the differences between HSL and MMTC on prices of two ores and shortfall in supplies of manganese ore by MMTC to Durgapur and Rourkela Steel Plants. Meanwhile the position of supplies went on deteriorating.</p> <p>The Committee feel that active steps should have been taken by HSL to resolve the differences between HSL and MMTC and arrest the deterioration of stock position.</p>
3	36-37	<p>The Committee regret to note that the Ministry of Iron and Steel did not pay due attention to the precarious stock position at the Rourkela Steel Plant and treated raw materials stock reports as mere routine statements. They feel that if Government had taken effective action in the matter, the crisis at the Steel Plant could have been avoided.</p> <p>The Committee are unable to understand why the Ministry issued instructions to the Steel Plant to discontinue the submission of statements to them with effect from the week ending the 12th February, 1966 especially at a juncture when the stock position at the steel plant was desperate.</p>

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4 39-40-41	<p>The matter was also put beyond the pale of any doubt by the letter from Chairman, MMTC to the Secretary, Ministry of Commerce (copy endorsed to Secretary, Steel and Mines) on the 30th August, 1965 wherein he had stated that the reaction of mine-owners to marginal relief in the price (of iron ore) offered by H. S. L. had not been altogether happy and that future supplies of manganese ore on a satisfactory basis would depend on H. S. L.'s willingness to pay a reasonable price based on costs.</p>	

It is surprising that even inspite of knowing the attitude of MMTC, the Rourkela Steel Plant authorities did not take any action to arrange to supplement their requirements of iron and manganese ores by October/November, 1965 but waited till March 1966 to place the *ad hoc* contracts. The head office of H. S. L. also appears to have acted in a routine manner instead of resolving the dispute ensuring adequate supplies of ores to the Steel Plant.

It has been admitted both by the Ministry and the Rourkela Steel Plant authorities that there was no ban or directive on the steel plants against making purchases from open market. The Committee feel that the failure of the Rourkela authorities to make purchases from open market earlier was a gross neglect and disservice to the cause of public sector.

- 5 42-43 During the course of evidence the Committee gained the impression that the Department of Iron and Steel of the Ministry of Steel Mines and Metals were not in full possession of facts relating to the Steel Plants. The Committee do not know whether to ascribe it to lack of proper co-ordination of information in the Ministry itself or to proper exchange of information between the Ministry and the Steel Plants.

During the course of examination of the Head Office of HSL during 1965 the first Committee on Public Undertakings had felt that the Ministry of Iron & Steel had not been able to exercise enough control on the working of HSL and the steel plants. In para 168 of their 28th Report (Third Lok Sabha) they had made the following observations :—

“ The Committee have a feeling that during the period the Ministry of Iron & Steel have

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also not been able to exercise enough control on the working of Hindustan Steel Ltd., and the Steel Plants. They could and should have exercised greater vigilance over the working of the Steel Plants, *e.g.*, in regard to manpower position, high stocks of inventories, production costs, wastages etc. ”.

The Committee would like to reiterate the above recommendation as they feel that as the Ministry is responsible to Parliament for the general economical and efficient functioning of HSL, they should have periodical reports from the HSL regarding all important aspects of their work or functioning. They hope that they are calling for such reports and getting them duly scrutinised in the Ministry. While suggesting this the Committee is of the opinion that such exchange of information is in no way to be considered as interference in the day to day administration of the steel plants. No attempt should, however, be made to encroach upon the autonomous powers of the Corporation. The Committee hope that by cooperative efforts better co-ordination would result.

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In order to produce approximately 18,000 tonnes of pig iron every week, the Plant required, 12,000 tonnes of high grade iron ore. According to the average weekly “programme accepted” *i.e.*, 20543 tonnes of pig iron, the monthly requirement would be 60,000 tonnes. Against the average monthly requirements of 60,000 tonnes of high grade iron ore, HSL according to their statement indented 75,000 tonnes in June, 1965, 90,000 tonnes for July—September, 1965, 80,000 tonnes for October to December 1965, 50,000 tonnes in January 1966, 45,000 tonnes in February 1966, 50,000 tonnes in March 1966 and more than 81,000 tonnes in April, May and June, 1966. These quantities were later increased by H. S. L. (Rourkela).

These figures of indented iron ore during the 13 months when compared with the requirements as per rated capacity and ‘Programme accepted’ appear to be far in excess of the actual requirements of Rourkela Steel Plant.

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7 49—50	<p>The Committee are surprised to see that there is such a wide divergence between the figures* submitted by the Rourkela steel Plant and MMTC in respect of original monthly programmes and Revised Programmes. It is curious that two major public undertakings—one concerned with the supply and the other with the indenting and receipt of iron ore and manganese ore are not able to agree on the quantities indented and the quantities supplied.</p> <p>The Committee feel that suitable procedure should be evolved to ensure that there is no disparity and discrepancy in the records maintained by the two undertakings in respect of quantities indented and the quantities supplied.</p>	
8 56	<p>In the light of these** figures the Committee are not fully convinced of the frantic urgency that prompted the Rourkela Steel Plant to rush into <i>ad hoc</i> contracts and long term contracts without inviting tenders.</p>	
9 59	<p>The Committee fail to understand the reasons which prompted the Rourkela Steel Plant to contact only 10 parties all of whom were not the largest suppliers of ores out of the 43 parties who had supplied ores to them during 1965-66. Calling for offers appears to have been done in an unplanned and arbitrary manner. Had the plant authorities contacted a larger number of suppliers who had supplied bigger quantities of these ores in the past, a more definite trend of market prices would have become apparent and the contracts or ores could have been placed on a more rational basis.</p>	
10 61	<p>The Committee are surprised to note that at a time when manganese ore was being quoted at the maximum price of Rs. 28/- per tonne in Barajamda area, MOIL another public undertaking under the Ministry of Steel, Mines and Metals was quoting an exorbitant rate of Rs. 46/- per tonne. The Committee feel that the Government should undertake a cost analysis of the working of the Manganese ore (India) Ltd. to assess the reasons for the high prices for manganese ore being demanded</p>	

* See Statement A and B at p. 19-20.

** See Statement at p. 22.

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by them and to ascertain whether any subsidy hidden or otherwise is being paid by Government to this Company.

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The representative of the Rourkela Steel Plant informed the Committee that no approved list of suppliers was being maintained by the plant, but that such a list was being prepared now.

The Committee regret that even after so many years of the setting up of the plant, a list of approved suppliers of important items like raw materials is not being maintained by the Plant authorities. The Committee hope that a list of approved suppliers in respect of various raw materials required by the plant would be prepared without any further delay.

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Another argument advanced for not calling for tenders was that HSL was discussing the question of price with MMTC at that time and MMTC would not have liked such a move on the part of the Rourkela Steel Plant. It is felt that from the point of view of MMTC calling for open advertised tenders would have had the same effect on the market as calling for offers informally and this argument is therefore not quite valid.

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The conditions prevailing at the time when the Rourkela Steel Plant made enquiries from the ten parties mentioned at para 57 were to a great extent those which were stated by HSL to be the prerequisites for calling open tenders. The market and capacity of various suppliers was not fully known to HSL. They knew about the potentialities and capabilities of those firms only which had supplied the two ores to HSL through MMTC. About others they did not have full information. According to their own admission they did not have a list of approved suppliers. It was in the interest of HSL to have encouraged new parties and located all sources of supplies.

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Besides other factors like shortage of diesel oil, shortage of trucks and entry of IISCO in the market the main reasons for dwindling supplies of iron ore and manganese ore to the Plant was the price factor. The Committee are therefore,

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of the view that calling of open advertised tenders would have resulted in the cheapest rates for the two ores being offered to the HSL.

- 15 70—71 It was explained to the Committee that tenders were usually not invited in the case of purchase of raw materials. One had to be sure about the quality of the raw materials, the reliability of the party and the timely delivery.

While the Committee agree that all these factors should be taken into account they do feel that the principle of inviting tenders for such large scale purchases is a fundamental one. It is, therefore, necessary that proper policy and procedure should be laid down for purchase of raw material by the HSL Plants. The absence of such a procedure leads to allegations of favouritism and discrimination which should be avoided by a public undertaking at all costs.

- 16 77—78—79 M/s. B. Patnaik Mines (P) Ltd. originally offered iron ore at Rs. 16.50 per tonne and Manganese ore at Rs. 26/- per tonne. M/s. Misrilal Jain had originally offered iron ore at Rs. 17/- per tonne and manganese ore at Rs. 27/- per tonne. On the other hand M/s. K. C. Thaper & Sons had offered iron ore at Rs. 16.50 per tonne and had indicated that if an order for one lakh tonnes of iron ore was placed, they would be able to bring down the price to Rs. 16/- per tonne. Similarly M/s. Serajuddin & Co. had offered manganese ore at Rs. 25/- per tonne although they could not make any definite commitment due to prior arrangement with MMTC. M/s. Baijnath Sarada had offered to supply iron ore at Rs. 17/- per tonne.

The Committee are unable to understand why the Rourkela Steel Plant did not consider the offer for 1,00,000 tonnes of iron ore by M/s. K. C. Thaper at Rs. 16/- per tonne. Similarly the matter could have been pursued further with other firms who had quoted low prices.

Instead of following this straight forward line of action the plant authorities preferred the procedure of negotiating with parties who had quoted higher prices for these raw materials. If negotiations with M/s. B. Patnaik Mines & M/s. Misrilal Jain

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could bring down the rates quoted by them for these ores there is every reason to believe that similar negotiations with others would have brought down their rates. Thus the likelihood of further lowering of prices was ruled out by negotiating with certain chosen parties.

17 80 In view of these reasons the Committee are not fully convinced that Rourkela Steel Plant were not unreasonably inclined to favour some mine-owners. It is difficult to believe that the Management of the Rourkela Plant and other concerned offices were not aware of the C. B. I. report on B. Patnaik etc. It is still more surprising that the contracts were given to this firm when it was not in a position to raise the required quantities of ores from its own mines as is indicated by its associating other mine-owners for supplies against the long term contracts.

18 82-83 Manganese ore was much more difficult to get than iron ore. The export market for manganese ore was extremely good at that time. The economics of the Plan were that if iron ore and manganese ore were linked up only then could they expect manganese ore at a reasonable price. Otherwise they would have had to pay Rs. 26.50 to Rs. 27 or even Rs. 28/- per tonne of manganese ore.

This plea of HSL does not appear to have a sound basis as even in February, 1966, when HSL contacted ten parties informally two firms had offered manganese ore at Rs. 25/- per tonne. This is also borne out by the fact that M/s. B. Patnaik and M/s. Mishrilal Jain subsequently offered this ore at Rs. 25/- per tonne. These mine owners shared the supplies to be made to Rourkela Steel Plant with a number of other mine-owners. It would, therefore, appear that the linking of two ores was artificial and commercially unsound.

19 102 The Committee feel that the insistence of the MMTC on a package deal for both the Rourkela and Durgapur Steel Plants was unreasonable and largely responsible for further deterioration of relations between the two undertakings.

20 104 The *ad hoc* contracts placed on M/s. Mishrilal Jain & Sons and M/s. B. Patnaik Mines on 2-3-1966 were to have run upto June, 1966. From March, 1966 to June 1966 there was ample time for the Rourkela Steel Plant to have called for open or limited tenders.

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- 21 106-107 In June 1966 it was well known among the mine-
-108 owners that MMTC had finally refused to supply to HSL and that made the position even worse. So, issue of limited tender enquiries was not considered advisable by HSL since it was intended to ensure regular supplies at reasonable price.

This argument of HSL does not appear to be convincing as M/s. Mishrilal Jain & Sons, M/s. B. Patnaik Mines (P) Ltd. and M/s. Rungta & Sons who had signed the minutes of the meeting of the 19th May, 1966 agreed to enter into long term contracts with the Rourkela Steel Plant in spite of a self-imposed ban. In fact a number of mine-owners belonging to the Association of mine-owners are now sharing the supplies with M/s. B. Patnaik Mines and M/s. Mishrilal Jain & Sons against the direct contracts. These arguments of Rourkela Steel Plant therefore are not convincing.

Considering all the circumstances the Committee feel that after entering into *ad hoc* arrangements for three months in March, 1966 there was sufficient time for HSL to invite open tenders for their long term supplies. In view of the known attitude of MMTC there seems to be no justification for HSL to wait till July, 66 for making firm arrangements for the supply of these vital ores.

- 22 122 It is thus clear that the parties with whom the contracts were signed did not themselves have enough capacity to fulfil the contracts. The Committee therefore, feel that orders could have been placed on a larger number of mine-owners of the area particularly in view of the assurance given to them by the Chairman H. S. L. in the meeting of the 4th April, 1966.
- 23 123 The argument, that HSL preferred to place contracts with two or three firms instead of a large number of firms because it was more conducive to ensuring regular supplies is also not very convincing. HSL had at every stage visualised routing the contracts through MMTC. They had also made a provision for this in the contracts negotiated by them. In fact the long term contracts placed by Rourkela Steel Plant are now being routed through MMTC with effect from 1-7-1967 and those by Durgapur Steel Plant *w.e.f.* 1-11-1967.

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128 The explanation for placing the contract on M/s. Rungta Sons does not appear to be valid for the following reasons :

(i) M/s. Rungta Sons as per information received from the Indian Bureau of Mines, do not own any iron ore or manganese ore mines. According to the Government of Bihar they obtained a mining lease in September, 1965 but have not raised any quantity of iron ore from these mines since September, 1965 to September, 1967 and have not paid any royalty.

(ii) They had not made any offers at the time when *ad hoc* contracts were being placed. The offers were made by Madan Gopal Rungta and M/s. Mangi Lal Rungta and not by M/s. Rungta Sons.

(iii) The offers were subsequently withdrawn by M/s. Madan Gopal Rungta and M/s. Mangi Lal Rungta.

25 151 According to the information supplied by MMTC they had agreed to supply the enhanced quantities of iron ore and manganese ore asked for by the Rourkela Steel Plant. Only the revised programme for February, 1966 to June, 1966 had not been accepted by them. The Committee feel that MMTC should have adhered to the accepted revised programme and ensured full supplies accordingly every month. The excuses for short supplies put forward by them do not do any credit to them as a Commercial concern.

26 152-153 MMTC had also agreed to the revised price of Rs. 23/- per tonne for manganese ore, on the 11th May, 1965. The trend of rising prices, heavy export commitments must have been taken into account by them before agreeing to that price.

The Committee are of the view that after having accepted the price and a certain revised programme for supplies of manganese ore, MMTC should have honoured their commitment. They feel that the plea of "unattractive price" put forward by MMTC every time the question of short supplies was raised, besides being unfair to the

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indentor is also unbefitting for a large trading concern. As an efficient and reputable trading concern they should have adhered to the understanding arrived at a meeting.

- 27 163 Throughout the period July, 1965 to May, 1966 MMTC and HSL entered into lengthy and repetitive correspondence with each other regarding prices. Upto May, 1966, however, no efforts were made by MMTC to convene a meeting of the mine-owners for settling the price issue. Had the meeting that they finally convened on the 19th May, 1966, been held in August/September 1965, the entire matter could have been settled earlier. The Committee feel that MMTC except for sending complaints and counter complaints to HSL, Ministry of Commerce, Secretary Iron and Steel and the General Managers of the Steel Plants, did not initiate any positive steps to resolve the differences. The fact that even this positive step on the 19th May, 1966 by MMTC was taken as a result of instructions from the Minister of Commerce and Secretary, Ministry of Commerce is clearly indicative of the uncompromising attitude of MMTC. It is regrettable that MMTC did not *Suo Moto* think of such a meeting much earlier.
- 28 169 The meeting with mine-owners on the 19th May 1966, as is clear from the minutes of the meeting, dealt with the issue of prices for HSL and for export supplies. The question of prices of ores for domestic and export consumption are so interlinked that one cannot be considered without the other. The plea put forward by Chairman MMTC that they did not consider it useful for the representatives of HSL to have attended the meeting as it considered matters relating to exports, is totally untenable. The Committee feel that the decision of MMTC to exclude HSL out of the negotiations with mine-owners was unfair and unhealthy. HSL were vitally interested in the matter and it would have been more advantageous both for MMTC and HSL to present a joint front to the mine-owners. The uncompromising attitude of MMTC in fact resulted in misunderstanding and distrust between the two undertakings.
- 29 170-171 In the above mentioned meeting with mine-owners, it was decided *inter alia* that :
 "In future, the mine-owners will desist from making any direct approach to HSL for

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contracts for supply. It is the unanimous recommendation of the mine-owners that any mine-owner who negotiates and/or concludes contract directly with HSL should be debarred from claiming any business through MMTC."

The Committee feel that this decision was highly objectionable as it sought to pressurise HSL either to agree to the prices offered by MMTC or face closure of the Steel Plant. It is regrettable that one public undertaking *i.e.*, MMTC permitted the mine-owners to take such a decision against a sister public undertaking *i.e.*, HSL. It is all the more unfortunate that this decision was taken at a meeting convened by MMTC at which the Chairman, MMTC presided and a Joint Secretary of the Ministry of Commerce was also present. It is surprising that neither the Chairman MMTC nor the Government representative made any effort to prevent the mine-owners from adopting such a resolution which was against the interests of another public undertaking. In fact an impression is created that the mine-owners were encouraged to pass such a resolution in order to get even with another public undertaking which had not agreed to their terms.

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The minutes of this meeting reveal that the firms on whom *ad hoc* contracts for iron ore and manganese ore had been placed by the Rourkela Steel Plant had been invited to the meeting and were themselves a party to this decision. These very parties as well as Shri S. R. Rungta, who was the President of the Eastern Zone Mining Association later entered into long term contracts with the Rourkela Steel Plant directly in spite of this decision. The Committee are not sure whether these parties did not take advantage of this decision so as to sign long-term contracts with HSL.

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The Committee feel that when there was acute shortage of supplies of ores to the steel plants the Government should have stepped in to resolve the difficulty which was within the knowledge of the highest officers of the two Ministries concerned. It should not have been left to MMTC to decide whether supplies to HSL should be curtailed in the interest of exports. The steel plants form a very important component of India's economic

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activity and should not have been neglected in this manner.

- 32 180—181 During evidence the representative of MMTC admitted that the programme of export supplies did not suffer throughout the entire period, when supplies of ores to HSL (Rourkela) were being curtailed

The Committee strongly deprecate the attitude of MMTC in increasing their export targets when HSL was in a precarious position on account of short supplies of ores by MMTC. There were firm and regular HSL contracts with MMTC for iron ore and manganese ore. As a commercial body it was incumbent upon MMTC to have honoured their home contractual obligations first. The Committee regret to note that MMTC did not attach much importance to the needs of Rourkela. The Committee feel that the Government should take strong measures against MMTC which failed to fulfil the contract with the Rourkela Steel Plant and practically starved it.

- 33 182 The Committee regret to note that both MMTC and HSL (Rourkela) failed to realise that they are Public Sector organisations and they should not have done anything which would in any way act prejudicially to the interest of either of them because ultimately their failure harms the interest of public and creates a bad opinion about the public sector undertakings.

- 34 185 The Committee feel that the Ministries of Commerce and Steel, Mines and Metals (Department of Iron and Steel) should have intervened in this matter as early as August/September, 1965 and taken positive steps to prevent the deterioration of the situation.

- 35 186 The Committee regret to note that statements showing precarious stock position of ores in the Rourkela Steel Plant received by the Ministry of Steel, Mines and Metals were not taken notice of. The Committee fail to understand as to why such statements were called from the Steel Plants if they were not to serve any useful purpose in the Ministry. The Committee can only hope that such failure would not recur. The Committee regret to note that both

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the Ministries failed to take cognizance of the matter at the proper time and allowed matters to drift. They recommend that Government should lay down some procedure for speedy settlement of disputes between public sector undertakings.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Saut Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Iayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66	MANIPUR		
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	[77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76	AGENTS IN FOREIGN COUNTRIES		
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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