

SHRI Y. B. CHAVAN : I have not considered the question of the market price of a bomb.

SHRI BISHWANATH ROY : May I know whether bombs recovered in West Bengal have got some sort of similarity regarding the explosive materials used for their manufacture? Also, may I know whether bombs are manufactured by one person or by a group of persons?

SHRI Y. B. CHAVAN : As far as similarity is concerned, basically there is some similarity. That does not mean that these are manufactured at one place. It looks as though they have possibly the same technique in making them.

As far as the party and persons are concerned, these are matters of investigation. At the present moment I have no information on the basis of which I can label any particular party as such.

SHORT NOTICE QUESTION

Contract with Japan for Ore Export

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S.N.Q. No. 20 SHRI S. R. DAMANI :

SHRI S. M. KRISHNA :

SHRI YAMUNA PRASAD
MANDAL :

Will the Minister of FOREIGN TRADE be pleased to state :

(a) whether it is a fact that a bulk contract for ore export to Japan has been signed recently ;

(b) if so, the details thereof ;

(c) whether Government have ascertained about the contracts signed by Japan with Australia ; and

(d) if so, the details thereof ?

THE MINISTER OF FOREIGN TRADE
(SHRI B. R. BHAGAT) : (a) Yes, Sir.

(b) A statement is laid on the Table of the House.

(c) and (d). Yes, Sir. A large number of long-term bulk contracts for supply of iron ore have been concluded by Japan with Australia. The terms of these contracts, including prices vary from contract to contract. On the whole the average annual supply from Australia to Japan will amount to 40 million tonnes of iron ore and the delivery periods vary from 7 years to 15 years.

Statement

The M. M. T. C. delegation led by its Chairman SHRI R. R. Bahl concluded with the Japanese Steel Mills at Tokyo on the 3rd April, 1970 new iron ore contracts covering a total quantity of 71.7 million tonnes. The following are the details of the contracts :—

(a) Bailadilla contract :		
Exports through Vizag Inner Harbour for the years 1971—74 . . .	14.7 million tonnes.	
Exports through Vizag Outer Harbour for the years 1974—80 . . .	46.6 million tonnes.	
	61.3 million tonnes.	
		Valued Rs. 46.7 crores.
(b) Basic grade contract involving Barajamda/ Bellary-Hospet Ore to be shipped via Para- deep, Madras, Cal- cutta-cum-Kakinada :		
1970—71 . . .	3.5 million tonnes.	
1971—72	3.5 million tonnes.	
	7.0 million tonnes.	
		Valued Rs. 49 crores..
(c) Bellary-Hospet high-grade Ore contract via Madras and minor ports :		
1970—74	3.4 million tonnes.	
		Valued Rs. 26.2 crores.

In addition, another contract for export of 3,00,000 tonnes of manganese ore for the year 1970, valued Rs. 2.4 crores has also been concluded.

SHRI S. R. DAMANI: This is the first time that the M.M.T.C. has entered into a contract for such a large quantity and for a long period. From the details given it is apparent that the Japanese Steel Mills are going to be benefited because they are going to get the supplies of iron-ore for nine years at this price.

I would like to know from the hon. Minister whether, before entering into a contract for such a long period, any survey has been carried out as to the price trends in the next ten years. If so, what are the conclusions?

Is it a fact that the price of Bailadilla ore is increased by 10% in the last two years? May I know from the hon. Minister to what extent in the nine years will there be an increase in the cost of ore? Has any calculation been made about the increase in the cost of ore? Iron-ore is imported by the private party. May I know from the hon. Minister whether the private parties were also consulted and asked to participate for entering into such a long-term contract? If so, what were the reactions of Government?

Our export of manganese-ore is going to be nil by entering into such a long-term contract. Were any efforts made or were any negotiations made with Japan who are also buyers of a large quantity of Manganese ore to enter into such a long-term contract for the export of Manganese ore?

Lastly I would like to know from the hon. Minister whether our export to Japan will increase due to this long-term contract? If so to what extent will it be?

SHRI B. R. BHAGAT: The hon. Member has asked 5 questions. First he asked whether this is the first time that a long-term contract has been entered into. Although this particular bulk long-term contract is the first of its kind, this is not the first time that iron ore contracts have been entered into by this

country or any other. Even earlier, there was a stipulation when the Kiriburu mine was developed for a contract of 20 million tonnes, and when the Bailadilla mines were developed for a contract of 60 million tonnes. Part of the contract during the earlier years has been fulfilled. So far as Bailadilla is concerned, it will be seen from the statement that of the total contracted for, 61.3 million tonnes will be supplied during the nine-year period upto 1980. So this is not a new contract. This is a continuation of the earlier contract, of course with new details and other things.

Then he asked about a survey of price trends in the world. This matter was considered fully in inter-ministerial committee meetings, the whole matter about the long-term contract, the *pros* and *cons*, the balance of advantages and disadvantages. It was fully considered by the Cabinet. The balance of advantage lay in a contract like this. As the House knows, there are very heavy and large investments involved in iron mines and unless you are assured of a market, the difficulty would be that all your investments may prove infructuous. Survey of the prices in the coming years, the prices that have been paid to other suppliers—there are equally large suppliers to Japan—the question of long and large investments and the need for guarding against their proving infructuous—all these have been considered.

I may remind the House that at the time the Daitari mines were being taken up for mining, concern was expressed by hon. Members whether the Paradeep port where so much money had been spent would be utilised or not, whether the Daitari mines where so much was invested would be used or not, and the House demanded a long-term contract on that basis.

So what we have done here is to protect our investments and interests. We have taken into account all the factors including the long-term price trends and other things.

SHRI JYOTIRMOY BASU: Let him not frighten us with his baseless stories.

SHRI B. R. BHAGAT: I am not used to

frightening anybody nor making any baseless remarks. My remarks are based on facts.

SHRI JYOTIRMOY BASU : He has no ideas. He is guided by the bureaucracy.

SHRI B. R. BHAGAT : Then he asked about the increase in the cost. This was also gone into. Future trends in the light of large bulk carriers, long investments and higher turnover and the reflection on costs and prices—all this has been gone into and a decision taken based on the balance of advantage with us.

As regards private parties, there is no question of consulting them in this contract. But I can assure the hon. Member that the only private parties allowed to operate and handle iron ore in Goa, and that is for historical reasons. Some of them have also entered into long-term contracts with Japan.

Then he asked about increase in exports. Actually it will be so: 4.7 million tonnes this year and 7.8 million tonnes in 1979 from Bailadilla. So there will be increase in exports.

He asked why a similar contract has not been entered into in respect of manganese ore.

I have answered in the statement that we have entered into contract for 3,00,000 tonnes of manganese ore of the value of Rs.2.4 crores, whereas the long term contract value is in hundreds of crores. For Bailadilla alone it is Rs.467 crores. So, one of the advantages of a long-term contract is this big amount. There is no such advantage for a smaller value, and nobody in this country enters into a contract on a long-term basis for manganese ore.

SHRI S. R. DAMANI : The hon. Minister has said that for manganese ore a contract of three lakh tonnes of the value of Rs. 2.4 crores has been entered into, while we have entered into a contract of the value of Rs. 467 crores in respect of iron ore. Since our export of manganese ore is going down and mines are closing down, why did not the Government insist on Japan entering into such a long-term contract in respect of manganese ore also, as that would help our country?

Secondly, in the statement no price has been

indicated. Were the negotiations initiated by our side or by Japan, what were the ruling prices when the negotiations were initiated and what is the price at which the contract was concluded, and what is the difference? Has any provision been made for Yen credit and for carrying the ore in Indian ships?

SHRI B. R. BHAGAT : I have explained the reasons why there is no need for a long term contract in respect of manganese ore. It is the high grade manganese ore which is in great demand outside, because there is a boom in the ferro-manganese industry, and most of the high-grade ore is consumed by the ferro-manganese factories and its export is going up.

As for the low-grade ore, every year our exports have been going up but prices have fallen, but with increased exports we are maintaining the total foreign exchange earnings.

We have been able to conclude an agreement with Japan at last year's price which is a big advantage because the world prices of manganese ore, particularly of this quality, are going down.

SHRI S. M. KRISHNA : A massive contract has been entered into between the Japanese firm and the NMDC, and the price has been virtually dictated by Japan because of the economic advantages that it enjoys. The officers who were involved in bringing about this contract were so native that they were not able to make a good contract of it. It is generally conceded in all economic circles that the prices which we are getting for the ore which we are exporting to Japan is far less than what has been negotiated by other countries with the same firm in Japan. Were any efforts made by India to arrive at a world pact on iron ore prices. I know that India, Brazil, Chile, Peru and some European countries also met in Geneva and wanted to fix some sort of iron ore price which would be advantageous to countries which have iron ore and which send them to other countries. What consensus was arrived at? Recently, Marcona corporation of the United States

and the Mann group of industries from Japan came to India and went to Kudiraimukh iron ore deposits in Mysore State, sixty miles from Mangalore port. For several years now the Mysore Government have been urging on the Government of India the need to exploit the iron ore potential available there. What steps have been taken by the Government of India to get the iron ore potential exploited in Mysore State ?

SHRI B. R. BHAGAT : The latter is a different question but I can assure the hon. Member that the project is going ahead. A pilot plant has been tested successfully and there is now a feasibility report for a larger size plant for export purposes....(*Interruptions*). There is a way of doing things in these matters and one cannot jump to the ultimate stage. The basic question is : because our bargaining capacity is weak, have we not been able to get a good price ? He said that we were getting a lower price than other countries. I can tell him that the price we got is more favourable than any other country. This is a fact....(*Interruptions*).

SHRI JYOTIRMOY BASU : How can he prevent me from laughing when he says that the price is more favourable to us.

SHRI B. R. BHAGAT : It is true that our bargaining capacity is weak as compared to the new mines, new ports developed ; purely because of the fact that technologically we are behind in this respect, we have certain disadvantages. Besides, Japan is no longer dependent on us although at one time it was. It has other sources of supply in Australia, Peru, Brazil, etc. where they have made very good arrangements and now they are looking to the Siberian mines and their big reserves ; they are going ahead. In spite of this I should take the House into confidence and say that our officers have done well and the price they have got is better than any other price.

SHRI S. KUNDU : I welcome a long-term contract. Is it a fact that the contract with Australia is on an yearly basis and prices are revised on an yearly basis whereas for us

the price is stipulated for a period of 8-9 years. Are our prices lower compared to Australia's because of the haulage charges and some other conditions ? Secondly, in the statement it is stated that Rs. 467 crores will be exported through Vizag and Rs. 49 crores through Paradeep, Madras, Calcutta and Kakinada and that too only for 1971-72. I would like to know why there is this sort of discrimination between Vizag and all these ports, and would the Minister give us the break-up of export through all these ports—Paradeep, Madras, Calcutta and Kakinada,—and take the House into confidence and tell us whether a long term export plan through all these ports will also be drawn up ?

MR. SPEAKER : To this general question, you have added new things.

SHRI B. R. BHAGAT : This is a long term contract both in respect of quantity and the price. Both are long-term. We could not get a long-term contract only for quantity, and leave the price to be negotiated every year. The Japanese would not have agreed to that. We have to take an overall consideration. Again, I will say that to take the corresponding unit price for the corresponding ferrous content is the best comparison. We have got a more favourable price for our ferrous content in our ore, unitwise, than any other country has got, particularly, Australia which the hon. Member has mentioned.

Then, about the question as to why we have not entered into a long term contract in regard to others, as I said, each case was to be negotiated. The Madras port caters to the other market. There are other contracts also with other countries. It is also true this is for two years ; but it does not mean that we will not enter into it any further. The Bellary-Hospet contract is for four years ; it is not for two years. The Bellary-Hospet high-grade ore is for 1970-1971.

श्री अ० सि० सहगल : मैं मंत्री जी से जानना चाहता हूँ कि जापान के साथ बालाडिला आयरन ओर का जो आपका समझौता हुआ है,

और जो दूसरे देशों के साथ हुआ है उसमें कितना परसेंटेज आप मध्य प्रदेश को देते हैं ?

MR. SPEAKER : It does not arise out of this.

SHRI UMANATH : I understand the commitment of the Japanese to take our iron ore is based on their assessment about their ability to expand their steel production from the present 80 million tonnes to 150 million tonnes. But I see from the press reports in the Japanese press that many leading industrialists in Japan feel that this is not going to be fulfilled so far as the capacity of the steel industry is concerned. They have put it at 120 million tonnes. If that is true, then, our agreement for taking out the ore for which the Japanese have signed on the basis of their anticipation of 150 million tonnes will not have any meaning, for, if their target is not reached, definitely our export will suffer, and then the long-term agreement will also suffer. It will create all sorts of difficulties leading to the renouncing or weakening of this agreement itself. Therefore, I would like to know from the Minister whether this aspect, this eventuality, was taken into consideration at the time of negotiation and signing the contract, and if it was taken into consideration, what was the guarantee in the agreement itself which will prevent such things, if they happen ?

SHRI B. R. BHAGAT : Import of iron ore into Japan, in 1969, exceeded 80 million tonnes. The projection for imports of iron ore from various other countries is to reach 150 million tonnes. India was at one time the main source and later on the major source of supply. India, in this picture, is a significant supplier. But there are other countries like Australia ; for example, they will reach the figure of 40 million tonnes of ore every year. Only in regard to Australia by 1972, India will get a receding position. India, at one time, was No. 1, the main supplier. So, we have taken all the factors into consideration including their requirements. I do not think there is any fear that there will be a very significant drop in this progression of

requirements of iron ore. They are looking to further new markets all over the world,— wherever they can get it for the import of iron ore.

SHRI C. M. POONACHA : In any long-term basic iron ore contract, the grade of the ore is the main consideration. All our basic iron ore contract have been entered into on the basis of 63-65 grade. But the present agreement reportedly is said to be for an iron content of 65-67 grade, thereby even on the basis of the unitage value, the advantage that we might have earned on the basis of 63-65 contract is lost to us. In matters of iron ore long-term export, there are other advantages as regards the loading rate, unitage and such other things which go into the net value that we realise. I want to know what would be the loading rate on which we could perhaps have earned despatch money, whether we would be incurring demurrages, etc. All that has not been made clear. Unless and until these factors are gone into, my own fear is that the way this contract has been entered into would only earn us foreign exchange for the cost that we have incurred for raising the ore at the pit-heads, for transport, and port charges. We would only realise foreign exchange for the expenditure we have incurred and not the value of the ores that we export.

SHRI B. R. BHAGAT : What is the question he has asked ? He has given some information.

MR. SPEAKER : May I request the hon. Members not to turn the short notice question into a regular debate ? They should ask a straight and precise supplementary question.

SHRIMATI SHARDA MUKERJEE : What is the answer to Mr. Poonacha's question ?

SHRI RAJASEKHARAN : We are all interested in this.

MR. SPEAKER : Mr. Poonacha seems to have the largest number of lady supporters!

DR. SUSHILA NAYAR : We are all members; no question of ladies or gentlemen.

MR. SPEAKER : Mr. Poonacha, your question was in the form of suggestions. May I ask you to put a precise question ?

SHRI C. M. POONACHA : In view of all these things, in regard to this long-term contract for a total value of Rs. 470 crores which has been entered into on a firm basis, I want to know whether it is not to our disadvantage in having entered into such a long-term commitment both in matters of earning valuable foreign exchange and also in respect of conserving valuable natural resources ?

SHRI B. R. BHAGAT : No, Sir. If the hon. Member suggests that we had invested so much on port facilities, transport, etc. and if they had worked to an optimum level, our realisation would be more, I agree. In the given situation where we have provided for the investment in mines, in transport, port facilities etc, it is true that if it is taken by bulk carrier our realisation is more and we get more price for that. All that we have provided. But I do not agree that if we had not entered into this contract, it would have been better for the country. If we did not enter into this contract, all this heavy investment would have been infructuous. For example, a port like Vizag is purely an iron ore port. It will be an iron ore port after 1973 when the outer harbour comes in. If there is no iron ore export, investment on that port will go infructuous. So, it is not a waste and it is not correct to say that the foreign exchange realisation would have been better because we have tried to secure the best price we could get; nor is it against the national interest.

SHRI CHINTAMANI PANIGRAHI : I am putting a very straight question, as you have directed me. Though the prices which we are receiving have been kept a secret, we have managed to get that information. We are getting ten dollars a tonne whereas Australia is getting fifteen dollars. Then, where-

as Australian iron ore is 63-65, ours is 65-67. Secondly, if we are not able to supply the iron ore within the stipulated period then we have to pay very heavily for non-delivery. May I know whether this is not a fact ?

SHRI B. R. BHAGAT : For obvious reasons, in commercial transactions we do not disclose the price. Anyway, I may say that the price quoted by the hon. Member is not correct. In relative terms we will be getting more than what Australians are receiving.

SHRI JYOTIRMOY BASU : Our finished steel cannot compete in the world market with Japan and many other advanced countries because we have been freely exporting iron ore at Rs. 10 below the FOB value. In this export business, so far as the private sector is concerned, there is widespread malpractice of under-invoicing in ferrous content as well as in weight. May I ask the hon. Minister what steps he is going to take to check under-invoicing of metal content as well as weight when we export ?

SHRI B. R. BHAGAT : The bulk of our export is through MMTTC. So, the question asked by the hon. Member does not arise.

SHRI JYOTIRMOY BASU : What about exports through Goa ?

SHRI B. R. BHAGAT : Even in the case of export by private parties through Goa there is no under-invoicing of the content and the price charged is a fair price. I have also not come across any complaint regarding the weight. But, if the hon. Member makes a complaint that there is under-weighting by the private parties, I will certainly look into it.

SHRI K. LAKKAPPA : This Ministry has not found out the reasons for the decline in the export of iron ore to Japan. So far as competition from Australia is concerned, I would like to make a charge.

MR. SPEAKER : Let him ask a question and not make a charge.

SHRI K. LAKKAPPA: My charge is that the MMTC is working under the shadow of several foreign agents who are working as officers in MMTC. Two years back they entered into a contract with Japan. Top officers of MMTC went to Japan... (*Interruptions*). They failed to get a correct price, so far as Indian iron ore is concerned. Australian iron ore is inferior and our is superior. Japan wants to take ore from us....

MR. SPEAKER: Will you please ask the question.

SHRI K. LAKKAPPA: Some officers who are working in the MMTC have taken bribes from Australia. So, they have not quoted the correct price and thereby deprived us of what is our due. Is this not a fact? Why can't Government investigate whether these officers have acted as Australian agents? I want to know whether any inquiry will be made in this respect?

SHRI B. R. BHAGAT: The major premise on which the hon. Member based his question is wrong. He said that there is a decline in iron ore exports. There is no decline. In fact, the iron ore export has touched the record figure of Rs. 102 crores. In the next year, there will be 10 to 15 per cent growth. So, there is no decline of export to Japan or any other country. Therefore, the insinuation that we have succumbed to Australia or others is absolutely unfounded and wrong.

SOME HON. MEMBERS *rose*—

MR. SPEAKER: We have already spent nearly forty minutes on this question. If I continue like this, I am sure they will keep on asking questions till the evening. There must be a sense of proportion. After all there are other items to be considered. So, I will pass on to the next item.

WRITTEN ANSWERS TO QUESTIONS

Weeding out of Political Elements from West Bengal Administration

*1055. SHRI D.N. PATODIA: Will the Minister of HOME AFFAIRS be pleased to state:

(a) whether it is a fact that Government have taken a decision to weed out political elements from the administration of the West Bengal Government;

(b) whether the West Bengal Police Association has openly shown their allegiance with the Marxist elements of the State;

(c) if so, whether any step has been taken to outlaw the Association of the West Bengal Police; and

(d) the particulars of steps taken to prune the political elements from other departments of the administration of the State Government?

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI VIDYA CHARAN SHUKLA): (a) and (d). Government servants are precluded, under the relevant Government Servants' Conduct Rules, from taking part in politics. If any Government servant is found to have committed any infringement of the relevant provisions in the Conduct Rules, suitable action will require to be taken.

(b) There is no such information about the West Bengal Police Association.

(c) Does not arise.

Measures to root out Corruption

*1056. SHRI HIMATSINGKA: Will the Minister of HOME AFFAIRS be pleased to state:

(a) whether it is a fact that all the measures taken so far to root out corruption including the setting up of the Vigilance Commission have failed in their purpose to a large extent; and

(b) if so, whether Government have chalked out any special measures in that direction and, if so, the details thereof?

THE MINISTER OF HOME AFFAIRS (SHRI Y. B. CHAVAN): (a) No, Sir.