E. C. No. 716

ESTIMATES COMMITTEE
(1971-72)

FIFTH LOK SABHA

TWENTIETH REPORT

MINISTRY OF STEEL AND MINES
(DEPARTMENT OF STEEL)

PLANNING, DEVELOPMENT, PRODUCTION DISTRIBUTION ETC. OF IRON & STEEL AND FERRO-ALLOYS

LOK SABHA SECRETARIAT
NEW DELHI

April, 1972/Vaisakha, 1893 (Saka)

Price: Rs. 4·10

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Agency No.
	ANDHRA PRADESH	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8
2.	G.R. Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94
	ASSAM	
3.	Western Book Depot, Pan Bazar, Gauhati.	9
	BIHAR	
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road Jamshedpur.	37
	GUJARAT	
5.	Vijay Stores, Station Road, Anand.	35
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63
	HARYANA	
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14
	MADHYA PRADESH	
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13
	MAHARASHTRA	
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2	6
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22
11.	The International Book Service, Deccan Gymkhana Poona 4.	26
12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 B.R.	5
	MYSORE	
16.	M/s. Peoples Book House, Opp. Jaganmohan Palace Mysore-1.	16
	RAJASTHAN	
17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
	UTTAR PRADESH	
18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	
19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
	WEST BENGAL	
20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
22.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	82
23.	M/s. Mukherji Book House 8-B, Buff Lane Calcutta—6	4

CONTENTS

PAGE

APPENDICES :

ESTIMATES COMMITTEE

(1971-72)

CHAIRMAN

Shri Kamal Nath Tewari

MEMBERS

2. Shri Maganti Ankineedu
*3. Shri Asghar Husain
4. Shri Aziz Imam
5. Shri Hemendra Singh Banera
6. Shri Narendra Singh Bisht
7. Shri A. Durairasu
8. Shri Krishna Chandra Halder
9. Shri A. K. M. Ishaque
10. Shri Tha Kiruttinan
11. Shri L. D. Kotoki
12. Shri K. Lakkappa
13. Shri G. S. Mishra
14. Shri Piloo Mody
15. Shri Mohan Swarup
16. Shri D. K. Panda
17. Shri S. B. Patil
18. Shri T. A. Patil
19. Shri Shibban Lal Saksena
20. Dr. H. P. Sharma
21. Shri R. R. Sharma
22. Shri Shiv Kumar Shastri
23. Shri Somchand Solanki
24. Shri C. M. Stephen
25. Shri K. Suryanarayana
26. Shri Venkatrao Babarao Tarodekar

---

*Died on the 27th January, 1972.

27. Shri Krishnarao Thakur
28. Shri N. Tombi Singh
29. Shri Nanjibhai Ravjibhai Vekaria
30. Shri N. P. Yadav

SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*
Shri M. S. Sundaresan—*Deputy Secretary.*
Shri T. N. Dhar—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Twentieth Report on the Ministry of Steel & Mines (Department of Steel)—Planning, Development, Production, Distribution etc. of Iron and Steel & Ferro-Alloys.

2. The Committee took evidence of the representatives of the Ministries of Steel & Mines (Department of Steel) and Railways, Chairman, Hindustan Steel Ltd. and Iron and Steel Controller on the 24th, 25th and 29th January, 1972. The Committee wish to express their thanks to these officers for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to All India Manufacturers' Organisation, Indian Engineering Association, Engineering Association of India, Federation of Asociations of Small Industries of India, All India Iron and Steel Stockholders Federation and the Federation of Indian Chambers of Commerce and Industry for furnishing Memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all the Associations and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on the 21st April, 1972.

6. A statement giving the analysis of recommendations/conclusions contained in the Report is appended to the Report (Appendix V).

NEW DELHI;
April 24, 1972.
Vaisakha 4, 1894 (*S*).

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

CHAPTER 1

INTRODUCTORY

A. Introduction

1.1. Steel occupies a pivotal position in peace as well as war. It is essential for development as well as defence. A country has to stand on the double pillars of agriculture and industry for its economic development. Development of iron and steel production is, therefore, indispensable for India's development programme both in agriculture and in industry.

1.2. The production of steel is an index of a country's economic prosperity and it can rightly be regarded as the barometer of a nation's level of industrialisation and economic growth because it forms the basic material in all developmental efforts of a nation. Whether it is for the manufacture of ploughs or tractors or pumps needed for agriculture or for the generation and transmission of electric power or for the construction of railways, automobiles, ships, aircrafts, arms and ammunitions for the nation's defence, or for putting up vast industrial complexes, machine building plants, the steel is the essential material. It is universal and versatile. Steel industry thus forms the core around which develop the various inter-dependent sectors of an expanding economy—agriculture, power, basic and consumer goods industry, transport and communications etc.

1.3. Indeed, the iron and steel industry truly forms the basis not only of the industrial structure but of the very way of life in the modern world. The rate of steel production and consumption in a country has a direct relation to its general economic position, the strength and greatness of a nation is often measured by the amount of steel it produces and utilises.

B. Historical Development of Steel Industry in India till independence

1.4. The art of smelting iron was known in India in ancient times. Reference to iron has been made in the Rig Veda (2000 B. C.) and it is said that India is the first producer of carbon steel (Wootz). According to V. Ball "The manufacture of steel and wrought iron had reached a high perfection at least 2000 years ago." It is the proof of the high value set on Indian Steel in ancient times that,

despite inadequate transport facilities, it found its way to Europe and other parts of the world. In testimony to the skill of Indian technicians stands the famous Iron Pillar standing near Kutabminar at Delhi, a pillar made of malleable iron without any alloy over 23 feet high, weighing over six tons and as marvellously free from rust today as when it was forged 1,700 years ago. From India came the famous Damascus steel from which the swords and armour of the Crusaders were fashioned. In the wake, however, of political disintegration followed by foreign conquests, India lagged behind and the fame of her steel was eclipsed in the 18th Century when the countries of the West sped ahead on the creative impetus of the Industrial Revolution.

1.5. The earliest attempt to make iron by Western process was made about 1830 by Joshia Heath in Madras but it proved a failure after some time. In 1875 attempts were made to smelt iron by means of coal insetad of charcoal and a company was started for this purpose in the Raniganj coal-field by the Bengal Iron Company. This company closed down after four years and the Government acquired the plant in 1881, working it till 1889, with two blast furnaces. The plant was then sold to a new Bengal Iron and Steel Company. In 1900 the production of iron amounted to 35,000 tons. In establishing the steel industry enormous difficulties had to be overcome to find the required raw materials, iron ore and coal and a suitable site near a plentiful water-supply. When these difficulties had been overcome, the problem of finding the required finance remained. This was supplied by the public.

1.6. The construction of the Tata Steel works at Jamshedpur was commenced in 1907 near the confluence of the Subarnarekha and Khorkai rivers in Bihar. Pig iron was first produced in 1911 and steel in 1913. By 1913-14, the First World War gave a great impetus to the industry and by 1916-17 the industry was able to attain full production of its capacity. It produced 147,497 tons of pig iron and 98,726 tons of steel. An expansion of the works planned in 1913 resulted in the production rising by 1921-22 to about 270,270 tons of pig iron, 182,107 tons of steel ingots and 125,872 tons of finished steel. During this war the Tata Company were able to supply to the Government nearly 300,000 tons of steel in the shape of rails, structural steel, and shell steel, much of which was shipped to the theatres of war in Mesopotamia, Egypt and Africa.

1.7. Shortly after the First World War, two new iron works were established in the country. The Indian Iron and Steel Company (floated in 1918) set up blast furnaces at Hirapur with a capacity

of 360,000 tons of pig iron, a substantial part of which was exported. In 1923 the Mysore Government completed at Bhadrawati a blast furnace using charcoal as fuel, with a capacity of 86,000 tons of pig iron per year. Steel, however, continued to be produced only at Jamshedpur.

1.8. During the slump of the twenties, there was a great drop in steel prices aggravated by the dumping in the Indian market of the foreign steel from surplus war stocks and Belgian Steel made from the scrap from battlefields. The price of the Tata steel rails dropped from Rs. 141 per ton in 1924 to Rs. 107 in 1925. The Tata Company was brought to the verge of ruin by the world-wide slump. By 1924 when the expansion scheme was completed, the new plant came into operation and this raised the output to about 436,000 tons of steel ingots and 327,000 tons of finished steel and 1.8 m. tons of pig iron.

1.9. In 1924 the Government passed the Steel Industry (Protection) Act and introduced import duties on certain categories of imported and bounties on certain items of domestic steel and production. Protection was given in the first instance for three years. Since the Tariff Board inquiry was instituted in 1923, there have been two statutory enquiries in 1926 and 1933 three supplementary enquiries in 1924, 1925 and 1930 and a final summary enquiry in 1947. At the last enquiry (held in 1947), it did not press for the continuance of protection and on the recommendation of the Board, protection to it was withdrawn in 1947. The industry enjoyed protection for a period of 23 years.

1.10. With the advent of depression in 1929, the decline in consumption started and the demand for steel in India was more than halved in 1932-33. From a total consumption of 14 lakhs tons in 1927-28, it declined to 5.7 lakh tons in 1932-33. The industry made steady progress under protection. The production of pig iron rose from 160,000 tons in 1914 to 13.7 lakh tons in 1929-30 and to 15.7 lakh tons in 1938-39. Steel production increased from 140,000 tons in 1916-17 to nearly 600,000 tons in 1927-28 and to 977,000 tons in 1938-39. The effect had been that whereas before 1914—18, India imported an annual average of 820,000 tons of iron and steel goods, she imported only 360,000 tons in 1936-37. At the same time, exports rose steeply from 42,000 tons (pre-war) to 6,83,000 tons in 1936-37.

1.11. In 1936, a second steel plant was established in India when the Mysore State Government installed at their Bhadrawati works

electric furnaces with an annual capacity of 30,000 tons. In 1939, a third steel works came into being at Burnpur with the establishment of the Steel Corporation of Bengal, following a merger of the Bengal Iron Company with the Indian Iron and Steel Company. By 1942, Burnpur plant was producing to its capacity of 240,000 tons of ingot steel. Thus by the outbreak of the Second World War, the total production of India in steel had risen to over a million tons of steel ingots or 480,000 tons of finished steel. Intensive operation of all the steel plants during the war raised the output to a peak of 1,151,000 tons in 1943.

1.12. The war was responsible not only for an increase in overall production but it also led to the manufacture for the first time of new products and steel of new specifications. Jamshedpur began to produce railway wheels, tyres and axels and alloy and special tool steel. Grown to full maturity the Tata works were able to produce as wide a range of special steels as any corresponding works elsewhere in the world. India was thus able to meet the entire war demands of the Middle East by the supplies from Jamshedpur of special bullet-proof armour plates nickel chrome steel for armour piercing shells, deep drawing steel for machine-gun and rifle magazines and cartridge cases, special steel sheets for high explosive aircraft bombs, nickel chrome-molybdenum steel bars for parachute equipment and other special steel for defence requirements.

1.13. This highlighted tempo of war years was not sustained and there was a temporary recession. The production of steel ingots on the eve of the country's independence was about 1.3 million tons and 1.5 million tons of pig iron.

1.14. The two main tasks facing the steel industry at the end of the war were the renewal and rehabilitation of plant and machinery and expansion. The heavy wear and tear of the difficult years, during World War II necessitated immediate replacements and expansion was felt necessary by both the Government and the steel industry because the volume of demand was rapidly rising in step with the country's industrial development which the war had accelerated. The Government's steel policy originated in 1952. In accordance with its avowed purpose of creating a socialistic pattern of society it was decided to encourage the existing private steel producing units to expand and improve, at the same time setting up new steel units to be controlled and run by the State.

C. Development of Steel Industry after Independence

1.15. The First Five Year Plan (1951—56) gave high priority to the development of agriculture which also necessitated the development of irrigation and power projects. The targets for steel production did not, therefore, occupy a high place in the First Plan Period. The First Plan set a capacity target of 1.55 million tons of saleable steel and a production target of 1.28 million tonnes of saleable steel. The additional production was to come mainly from the expansion of Tata Co., and the Indian Iron and Steel Co., Tata's expansion from 0.75 million tonnes to 0.93 million tonnes and Indian Iron's expansion from 0.4 million tonnes to 0.7 million tonnes were put through. Though the expansion did not yield full results by 1955, actual production of steel touched 1.26 million tonnes. Towards the last years of the first Plan, acute scarcities in steel were felt. In 1955 imports, therefore, touched 0.9 million tonnes.

1.16. In the Second Five Year Plan (1956-61) therefore there was greater emphasis on the rapid expansion of the steel industry. A target of 6 million tonnes of steel (4.5 million tonnes of saleable steel) and 0.7 million tonnes of free iron for sale was set. This was to be achieved by the expansion of Tatas to 2 million ingot tonnes and the expansion of Indian Iron to 1 million ingot tonnes and Mysore Iron to 1 million tonne and by setting up three new steel plants in the public sector at Rourkela, Bhilai and Durgapur—each with a capacity of one million tonne. The expansion of the TISCO and IISCO and the construction of the three new steel plants were by and large, completed in 1960-61. Actual production in 1960-61 was 3.36 million ingot tonnes. The total installed capacity of steel production was of about 8 million tonnes.

1.17. The expansion programme of the Mysore Iron could not be fulfilled, as it was decided to switch over from mild alloy to special steel production. The management of the Mysore Iron works was taken over from April 1962 by a new company Mysore Iron and Steel Ltd. registered in 1961.

1.18. During the Second Plan period, three integrated iron and steel plants in the public sector with initial capacity of 10 lakh tons each were set up at Rourkela, Bhilai and Durgapur. These are managed by the Hindustan Steel Ltd.

1.19. Rourkela plant specialises in the production of more expensive flat products like heavy plate for ship-building, locomotive con-

struction, boiler making track building, as well as light plates, sheets and strips and tin plates. The first blast furnace was inaugurated on 3rd February 1959 and all the units went into production by 1960. Financed with credits from West Germany, it is the only plant in India using LD process of steel making.

1.20. Bhilai plant was completed in March, 1961 with the Soviet aid. The first blast furnace was inaugurated on 4th February, 1959 and production commenced in 1962. It produces rails, heavy structurals, railway sleepers and bars.

1.21. Durgapur plant, built with British assistance, was completed in 1962 and commenced producing 72 per cent of its rated capacity of steel ingots by the close of 1962. A special feature of the plant is that there is a special plant to hammer blooms to make wheels and axels for the railways. It produces medium structurals, wheels, tyres, axels, railway sleepers, billets (or steel in the form which is supplied to other industries for further processing), blooms, forgings, and merchant bar sections.

1.22. In the Third Five Year Plan (1961-66) the expansion of iron and steel capacity was proposed mainly in the Public Sector. The Plan envisaged a steel production capacity of 10.2 million ingot tonnes to be achieved by the end of the Plant; the share of Private Sector was placed at 3.2 million tonnes. There was already installed capacity with TISCO and IISCO of the order of 3.0 million tonnes and the expansion of capacity in the Private Sector was expected to come from the installation of scrap based electric furnaces. As regards the Public Sector, the Third Plan Development Programme included expansions of Bhilai, Rourkela and Durgapur Steel Plants of HSL and the Mysore Iron and Steel Works and the establishment of a new steel plant at Bokaro of one million tonne capacity. Besides, a pig iron project based on the use of char from Neyveli Lignite was included. On the completion of this development programmes, the capacity for mild steel in the Public Sector steel works was expected to go up from 3 million tonnes to 7 million tonnes. However, the expansion schemes of HSL plants got delayed and were completed only by 1968-69. Construction of Bokaro was also not taken up in full swing.

1.23. Since the formulation of the Industrial Policy Resolution in 1948 which was further elaborated in 1956, the Steel Policy continues to be governed by the Industrial Policy Resolution. The Industrial Policy Resolution of 1956 stipuates that the future development of iron and steel which is included in the Schedule 'A' of industries, will be exclusively the responsibility of the State. This,

however, does not preclude the expansion of the existing privately owned units, or the possibility of the State securing cooperation of the private enterprise in the establishment of new units when the national interest so require. In the case of pig iron the policy was relaxed to allow the establishment of plants in the Private Sector with a maximum capacity of 100,000 tonnes in 1960 and 300,000 tonnes in October, 1963.

1.24. After the Third Plan, there were three Annual Plans upto the year 1968-69. The major achievement during these three years was that the expansion schemes of H.S.L. plants were completed by and large by 1968-69. During this period, as a result of drought conditions in two consecutive years and hostilities with Pakistan in 1965, the country faced an economic recession. The apparent steel consumption which stood at 5.36 million tonnes in 1964-65 dropped to 4.3 million tonnes in, 1967-68 before it picked up again in 1968-69. There was a proposal to expand the Durgapur Steel Plant from 1.6 to 3.4 million tonnes, but it was dropped because of a reassessment of demand.

1.25. In pursuance to the recommendation of the Steering Group on Iron and Steel set up at the instance of the Planning Commission, a larger Steel Development Programme has been included in the Fourth Five Year Plan, with 1968-69 as the base year when the consumption of steel in the country was 4.5 million tonnes and taking an average growth rate of 10 per cent in the demand of steel during the Fourth Plan and 9 per cent in the Fifth Plan and in order to cater to the export market, the Steering Group estimated a total demand of 8.42 million tonnes (export—1.3 million tonnes) by 1973-74 and 12.77 million tonnes (export 1.8 million tonnes) by 1978-79. More recently, the N.C.A.E.R. were entrusted in July, 1970 with the work of updating earlier Report of 1968 on Projections of Steel Demand. According to their study the domestic steel requirement is estimated at 7.6 million tonnes in 1975 and 12.9 million tonnes by 1980.

Present Position

1.26. India's iron and Steel industry consists of 6 main producers—four in the public sector, (three integrated steel plants of Bhilai, Rourkela and Durgapur and Mysore and Iron and Steel Ltd.) and two in the private sector (Tata Iron and Steel Co., and Indian Iron and Steel Co.) In addition there are a number of secondary producers including re-rollers. The re-rolling industry, which is a complement to the main steel producers, roll steel into bars, rein-

forcement rods, wire rods, flats, hoops and strips, light structurals, window bars, railway equipment etc. The re-rollers in the country have been broadly classified as "billet based" and "scrap based". The Technical Committee appointed by Government in its report in 1966 had assessed the annual capacity of billet re-rollers at 2.78 million tonnes, scrap re-rollers 0.73 million tonnes and other mills 1.20 million tonnes. Taking over all capacity in the country, this Technical Committee recommended that there was no scope for creation of new re-rolling capacity. Government accepted this recommendation. According to Department of Steel's Annual Report (1970-71), the average monthly despatches of billets to the re-rollers was around 45,000 tonnes against their one shift capacity of about 1,25,000 tonnes. The following tables give an idea of the production of steel ingots, saleable pig iron and finished steel by main and secondary producers in India since 1961-62:

Production of Steel Ingots

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	MISL	Others	Total
1961-62	789·0	462·0	354·0	1643·0	934·0	49·0	54·0	4285·0
1962-63	1060·0	731·0	700·0	1799·0	1002·0	46·0	57·0	5395·0
1963-64	1142·7	972·4	800·1	1891·5	1026·7	47·8	63·4	5944·6
1964-65	1130·6	1006·2	979·4	1955·6	949·8	46·5	69·3	6137·4
1965-66	1371·3	1000·7	1064·5	1978·6	970·0	69·2	71·8	6526·2
1966-67	1851·9	754·2	942·8	2001·0	896·9	75·4	74·7	6596·9
1967-68	1785·0	738·0	924·1	1932·7	790·7	81·3	69·6	6331·4
1968-69	1735·0	823·1	1161·7	1815·6	776·6	119·7	73·4	6505·1
1969-70	1875·7	818·3	1103·6	1708·1	699·6	136·3	91·6	6433·2
1970-71	1939·8	633·9	1038·1	1701·4	621·8	78·0	*97·8	6110·8

*Provisional

Production of Saleable Pig Iron

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	MISL	Others	Total
1963-64	406·7	418·4	98·4	6·2	203·1		31·1	1163·9
1964-65	349·1	385·4	78·7	23·2	207·4		42·0	1085·8
1965-66	508·6	336·2	68·3	17·6	218·5		26·4	1175·6
1966-67	550·4	201·1	58·7	2·7	172·2		28·4	1013·5
1967-68	655·8	277·8	63·7	1·2	196·5		21·6	1216·6
1968-69	591·2	375·1	146·6	1·7	345·5	12·6	31·2	1503·9
1969-70	648·6	375·8	113·1	0·5	322·0	4·4	74·2	1538·6
1970-71	541·1	325·8	88·1	1·3	242·3	18·1	*55·9	1272·0

*Provisional.

Production of finished Steel—Producer-wise

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	MISL	Other than main producers	Total
1961-62	354·0	81·0	178·0	886·0	557·0	39·0	844·0	2939·0
1962-63	355·0	234·0	427·0	977·0	632·0	39·0	1000·0	3864·0
1963-64	657·8	374·2	526·6	1035·3	651·9	41·1	1009·2	4296·1
1964-65	653·7	493·4	625·9	1108·1	636·7	39·1	876·1	4433·0
1965-66	725·6	510·5	717·3	1084·2	622·9	48·9	799·9	4509·3
1966-67	721·8	390·5	637·5	1061·7	575·9	59·9	1041·7	4489·0
1967-68	689·7	342·1	602·2	1001·8	451·1	69·7	895·6	4052·2
1968-69	902·7	383·0	737·6	1048·3	512·4	76·6	1241·1	4901·7
1969-70	1133·7	395·2	757·6	1001·7	459·7	40·3	1259·3	5047·5
1970-71	1278·2	367·3	593·9	971·1	465·7	18·1	1030·7	4725·0

*Provisional.

Ferro-alloys

1.27. In the case of alloy steels and ferro-alloy industry, these are included in Schedule 'B' of the Industrial Policy Resolution; both the public and private sector are to contribute to the production capacity, to secure an increasing share for the public sector, the Mysore Iron & Steel Limited (a Government of Mysore Undertaking) was converted from mild steel to alloy steel production with a capacity of 77,000 tonnes finished alloy steel. This project has recently been completed. Another alloy steel project, viz. Alloy Steel Plant, Durgapur was set up with a capacity of 60,000 tonnes of finished steel per annum. It is proposed to expand the present capacity of this plant to about 150,000 tonnes during the Fourth|Fifth Plan and also to put up a plant at Salem with a capacity of 250,000 tonnes for producing special and alloy steels. The Salem Plant is expected to be completed during the Fifth Plan. At the same time, capacity in private sector has also come up, which would be progressively increased, but not at the same rate as in the public sector. It is expected that the demand of alloy steels estimated at 371,200 tonnes by 1975 and 777, 600 tonnes by 1980 will be largely met.

1.28. In the case of ferro-alloy industry, the main ferro alloys produced from raw materials available in the country are ferro manganese (Fe Mn), ferro silicon (Fe Si) and ferro chrome (Fe Cr). Capacity for Fe Mn is almost entirely in the private sector, roughly of the order of 200,000 tonnes. HSL is expected to consider the feasibility of setting up a Fe Mn Plant, with an approximate capacity of 120,000 tonnes. Country's capacity in Fe Mn is aimed to be increased progressively to about 400,000 tonnes by the Fifth Plan.

1.29. In the ase of Fe Si, the main producer is MISL, Bhadravati and their capacity is 20,00 tonnes. There is another unit in the private sector with a capacity of 7,500 tonnes, under expansion to 12,500 tonnes. MISL proposes to double its capacity. Further capacity in the private sector is also being permitted. With the schemes approved or under consideration the capacity for Ferro Silicon is targetted to be increased to about 90,000 tonnes by the end of the Fifth Plan to meet the increasing domestic demand and to take advantage of export market.

1.30. The capacity for ferro chrome is of the order of about 20,000 tonnes, 10,000 tonnes with Orissa Industrial Development Corporation, a Government of Orissa Undertaking, and the other 10,000 tonnes in the private sector. Orissa Industrial Development Corporation has been permitted to augment its capacity. This would add

to about 35,000 tonnes. A project for the production of ferro vanadium with a capacity of 480 tonnes has also been sanctioned, to be taken up by the OIDC. A private party also holds a letter of intent for setting up a 350 tonnes per annum ferro vanadium plant.

D. **Rise in World Steel Production and in India's share in it**

1.31. The world production of Crude Steel (which may be taken as equivalent to Ingot Steel) in 1960 amounted to 327.6 million tonnes, and this has increased to 588.5 million tonnes in 1970, that is an increase by 79.6 per cent. India's share, which amounted to 3.3 million tonnes in 1960 increased to 6.3 million tonnes in 1970 that is an increase by 92.2 per cent. India's share in world steel production which formed 1 per cent in 1960 increased only to 1.1 per cent in 1970, and that India's production forms only about 1|100th of the global production.

1.32. The leading producers of steel in 1970 were the USA (122 million tonnes) USSR (115 million tonnes) Japan (93 million tonnes) and Germany (45 million tonnes). In 1960, USA produced 90 million tonnes, USSR produced 65 million tonnes, Japan produced 22 million tonnes, and West Germany produced 34 million tonnes. The increase in production in Japan from 22 million tonnes in 1960 to 93 million tonnes in 1970 is a spectacular growth unmatched by any other country in the world. The table at Appendix I gives data regarding steel production of crude steel in the various countries of the world.

1.33. The Committee note that the India has maintained its share at about 1 per cent in the world production of steel. The Committee are constrained to observe that while nature has been abundantly generous in endowing India with all the necessary inputs for a flourishing steel industry, like iron ore, coal, lime stone, manganese and other ingredients and above all plentiful labour, our steel production forms only a hundredth part of the world production. On the other hand, Japan, which suffers from disadvantage of having no basic raw material for its steel inudustry and has to depend upon iron ore imports from other countries has converted this disadvantage into a visible advantage and is today producing nearly 93 million tonnes of steel against 1.7 million tonnes it produced in 1948. On the other hand India's manufacture of iron and steel has risen from 1.3 million tonnes in 1948 to 6.3 million tonnes only.

1.34. As the rapid growth of iron and steel Industry is indispensable for the country's developmental, industrialisation and export

programme, the Committee urge that Government should take necessary measures to step up production of steel in order to achieve the targetted capacity of the steel plants envisaged in the Plan.

1.35. As recommended by the Committee elsewhere, there should be a perspective plan for production of iron and steel for the next ten to fifteen years aiming at a surplus in this key sector so that timely steps can be taken to bring about the desired increase and generate a climate of optimism that this basic raw material required by engineering and other industries whould be available indigenously on assured basis.

CHAPTER II

PRODUCTION

A. Estimated demand of Iron and Steel and gap between the estimated demand and supply

2.1. It has been stated that the Steering Group set up in March, 1968 by the then Department of Iron and Steel to project the demand for finished steel during Fourth Five Year Plan period had estimated that the demand would be about 8.42 million tonnes in 1973-74. The representative of the Department of Steel, who was asked about the requirements of finished steel during each year of the Fourth Plan has stated in his evidence:—

> "A Steering Group was appointed to make an assessment of what the requirements of steel were during the Fourth Plan and they had assessed that in 1969-70, the quantity of steel requirements in the country would be 5 million tonnes, in 1970-71, 5.5 million tonnes in 1971-72, 6.05 million tonnes in 1972-73 6.65 million tonnes, and in 1973-74, 7.12 million tonnes. We had also appointed the N.C.A.E.R. to make an assessment of steel requirements in the Fifth Plan. They made an assessment of what was required or like to be required in 1975 and in 1980. If these two figures are taken into account, it is found that there would be a compound growth of 11.1 per cent during 1975—80. On this assessment, if we are to work backwards, then 1969-70 requirements would be a little over 4 million tonnes, 1970-71 it will be about 4.5 million tonnes, 1971-72 it would be about 5 million tonnes, 1972-73 it will be about 5.6 million tonnes and 1973-74 it will be about 6.2 million tonnes."

The representative of the Department, however, added:—

> "I would like to mention that the question of requirements depend really on whether you have a surplus or a state of scarcity. When there is a state of scarcity, the demand would be inflated because people do not want to take risks. They stockpile. Whenever any assessment is made, the demands are pitched higher. On the other

hand, the actual consumption is tight because whatever is in the open market, is sold at higher prices. On the other hand, if there is a state of surplus, the actual requirement goes up because a number of openings become available where you can use steel. Therefore, demand has somewhat of a flexible nature and we have also found by experience that whatever assessments are made, are not necessarily entirely reliable."

2.2. In reply to a question about the production targets of the Steel Plants and the actual production and the gap between the estimated requirements and the actual production during Fourth Plan period, it has been stated:—

"In 1969-70, the targetted production was 7.5 million tons of ingots and 5.5 million tons at saleable steel. The actual production in the plants was 6.43 million tons of ingots and 4.78 million tons of saleable steel. In 1970-71, the targetted production was 7.60 million tons of steel ingots and 5.70 million tons of saleable steel and the actual production was 6.11 million tons of steel ingots and 4.49 million tons of saleable steel."

"In 1969-70 the assessment on the basis of the Steering Group's figures may be considered. As I have explained the Steering Group's assessment is higher than the derived N.C.A.E.R. figures. We are taking the Steering Group's assessment, and, therefore, the gap would appear to be a litte larger than if you take the N.C.A.E.R.'s derived figures. On the basis of the Steering Group's assessment, the requirement of steel to meet the domestic demands was 5 million tonnes. The domestic production was estimated to be 4.8 million tonnes and therefore the gap was 0.2 million tonnes. In 1970-71, the assessment of requirements was 5.50 million tonnes and the domestic production of finished steel was 4.5 million tonnes and the gap therefore, was roughly 1 million tonnes.

"In 1971-72, if the Steering Group's assessment is taken, the requirement is about 6 million tonnes of finished steel, and if the derived figure of the N.C.A.E.R. is taken, the requirement is about 5 million tonnes. It is our assessment that the production in 1971-72 will be of the same order as in 1970-71, that is, 4.5 million tonnes, and, therefore, the gap will be about 1.5 million tonnes on the basis of the Steering Group's figures and about 0.5 million

tonnes on the basis of the derived figures from the N.C.A.E.R.'s assessment."

2.3. Giving an idea of the imports of steel made during the period, the Committee was informed during evidence that in 1969-70, the imports were less than exports. The exports were roughly 8,24,000 tonnes and the imports were roughly 3,45,000 tonnes. In the case of 1970-71, the exports minus imports were about 25 thousand tonnes. Therefore the net exports were marginal. In 1971-72, the exports were drastically reduced and the imports were higher and the net import likely to be was of the order of 8,00,000 tonnes. The same figure of net imports may be expected during 1972-73 also.

2.4. Explaining the reasons as to why the shortages have arisen, the representative of the Department agreed that due to agricultural revolution, the increase in the demand was not foreseen. He added that after the recession began to disappear, the increase in the demand was very sudden. Unfortunately it also coincided with the period when production went down or stayed stationary. According to Government's expectations, production should have gone up. In fact, if today it were possible to produce at 80 per cent of the rated capacity, we would not have been facing this problem. The problem today is that the reasons for not keeping up with the increasing rate of production which was expected are such that to get over them, it may not be possible in six months, it will take longer time.

2.5. As regards the measures taken to end the shortages of steel, it was stated that 'in 1971-72 the exports have more or less been restricted to the commitments which were in existence before. In fact we have reduced exports even where commitments were in existence with the cooperation of the concerned Government. We have also tried to fill up the gap by imports.'

2.6. When asked whether he agreed that the imports that have been ordered were not arriving in time and that was one of the reasons which affected the industrial production, the representative of the Department stated 'that it may be true of what happened in 1970-71. Broadly, it would not be true of what has happened in 1971-72 because considerable licences were issued in 1970-71 which are for import of materials during the current year (1971-72) .... Certainly difficulty of steel has been one of the important factors. But if every industry planned its requirements in good time and got imports in good time, they would not suffer from any difficulties.

If they come at the last moment, there are delays in imports and they cannot blame the Department of Steel. Government in 1970-71 and 1971-72 have been quite liberal about imports . . . In case of steel, Government have taken a very generous attitude and have allowed imports but when steel arrives, the industry is reluctant to take it . . . . Shortage of steel is not something which the country is faced with only to-day; it has been there for the last two years."

2.7. The Committee are concerned to note that the gap between the estimated requirements and the production of finished steel in the country which was 0.2 million tonnes in 1969-70 has risen to 1.5 million tonnes in 1971-72.

The Committee consider that as steel is the basic raw material for a large number of industries, it is imperative that adequate supplies are made available for sustaining and accelerating industrial development. The Committee would, therefore, urge Government to take timely measure to arrange for imports of steel to meet the gap between the assessed requirements and estimated production.

B. Estimated demand of Ferro-Alloys and gap between the estimated demand and supply

2.8 According to a written note furnished by the Department of Steel, the Committee have been informed that the main ferro-alloys used in the production of steel are ferro-manganese, ferro-silicon, ferro-chromium, ferro-molybdenum, ferro-tungsten, ferro-vanadium, ferro-titanium, ferro-phosphorus, etc. Of these, except for the first three, the others are produced to the extent of about 50 per cent and balance requirements are met by imports. So far as the first three, *viz.* ferro-manganese, ferro-silicon and ferro-chromium are concerned, substantial quantities are being produced and till 1970, they were able to meet fully the indigenous demand. However, in the beginning of 1970, some shortages began to be felt in regard to ferro-silicon and in order to meet the demand, imports of adequate quantities were allowed.

2.9. Giving details of the production of the important ferro-alloys and their estimated demand in 1971-72, the representative of the Department has started in his evidence:—

"Ferro Manganese production was 1,77,596 tonnes the estimated demand this year is 1.05,000 tonnes—production is higher than demand. Ferro-silicon, the production in 1970-71 was 28,464 tonnes, the requirement as assessed in 1971-72 is 42,000 tonnes Ferro-Molybdenum, the production is

211 tons and the demand is 500 tonnes. Ferro-Chrome, the production is 9,838 tonnes and the demand this year is 4,500 tonnes. Ferro-Tungsten the production is 5 tons and the demand this year is 300 tonnes. Ferro-Vanadium, the production in 1970-71 was 23 tonnes, but the demand this year is 350 tonnes. Ferro-titanium the production was 42 tonnes and the demand this year is 100 tonnes. Silico-Manganese the production during 1970-71 was 3,283 tonnes and the demand in this year is 4,000 tonnes.

2.10. In order to fill the gap by imports, the representative of the Department has stated:—

"As far as the imports are concerned the total imports in 1970-71 were only 979 tonnes. The gap which exists is being filled up by encouraging additional production in the existing units and in some units the production in the process of being built up. In other words, as far as the Ferro-Alloys are concerned we have plans to fill up the gap and the imports are not very heavy, though I would say that imports of certain ferro-alloys are quite expensive but we are building them up on the basis of raw materials which will be imported".

2.11. The following table indicates the figures relating to production, import and domestic availability of Ferro-Alloys during the last ten years:—

Ferro-Alloys

(In thousand tonnes)

Years	Production	Import	Total Availability (1+2)	Export	Domestic Availability (3+4)
1	2	3	4	5	6
1960-61	89*	6	95	48	47
1961-62	113*	8	121	56	65
1962-63	118	3	121	12	109
1963-64	149	2	151	22	129
1964-65	148	4	152	87	65
1965-66	176	2	178	61	117
1966-67	156	2	158	12	146
1967-68	157	3	160	41	119
1968-69	173	2	175	85	90
1969-70*	201	2	203	127	76
1970-71	223	1	224	94	130

*Estimated.

2.12. When asked about the measures being taken for developing indigenous capacity for ferro-alloys based on the future demands, the representative of the Department has stated in his evidence:—

"Ferro-Alloy Plant in Public Sector:

HSL contemplate to set up a ferro-alloy plant for production of 120,000 tonnes of ferro-manganese and other ferro-allow like ferro-tungsten, ferro-titanium etc. The feasibility Report is being prepared by the CEDB.

Ferro-vanadium Projects:

Industrial Development Corporation of Orissa Limited, a State Government Undertaking, have a letter of intent for setting up a ferro-vanadium plant of 350 tonne production capacity in Bihar.

Ferro-silicon:

In order to meet the expected demand of ferro-silicon by the end of Fifth Plan, which is, planned around 100,000 tonnes, substantial addition to the capacity of the plant by way of expansion of production facilities at the MISL and Indian Metals and Ferro-Alloys Limited.

"Letters of intent have been granted to the following for increase in capacity of ferro-silicon: Mysore Iron and Steel Ltd. 15,000 tonnes, Electrodes and Metallurgical Works Ltd. 6,000 tonnes Sandur Manganese and Iron Ore Ltd. 20,000 tonnes, Hyderabad Tools 10,000 tonnes, and Indian Metals Ferro-Alloys (under processing now) Alloys (under processing now) 17,000 tonnes.

Even if part of this capacity comes up, it is expected to meet the demand of the country."

2.13. It was represented to the Committee that since the ferro-alloys is an electro-metallurgical industry, the Government should offer special tariff for electricity so that ferro-alloys industry is able to grow in competition with the other countries where in some cases the electricity tariffs are 1|5th or 1|6th. When asked to give comments on the representation, it was stated during the evidence that "by and large, electricity tariffs are a matter for State Governments. Generally, the Government of India's view has been that for electro-

metallurgical industries, the State Government should give specially low tariff rates". It was added:—

> "This has been examined. The Venkataraman Committee also recommended similarly, but they also recommended that the State Boards should not give any customer electricity at any price below their cost of generation. The cost of production of electricity varies from State to State depending on whether it is hydel or thermal process. By and large the general direction has been given to give special rates tariff to these industries. Cost of production, generally, in India is high compared to countries abroad and we cannot expect that electricity tariff here will compare favourably with the tariffs available to units abroad."

2.14. The Committee note that demand exceeds production in respect of ferro-alloys like Ferro-silicon, Ferro-molybdenum, Ferro-tungsten, Ferro-vanadium and Ferro-titanium etc. and that letters of intent for creating additional capacity have been granted to certain parties to fill the gap between the demand and production. The Committee would urge Government to keep a close watch that the additional capacity in respect of these ferro-alloys is established at the earliest. Till the requisite capacity of these ferro-alloys is established, the Committee would suggest that Government should take steps to arrange timely and adequate imports to meet the industrial requirements.

2.15. The Committee would also recommend that Central Government should persuade the State Governments to supply electricity to the ferro-alloys manufacturing units at lower rates so that the units may be able to utilise their capacity fully and reduce the cost of production, to compete with other countries where similar tariff concessions are being given.

2.16. The Committee need hardly add that if such concessional rates are made available to the ferro-alloys manufacturing units, it should be obligatory on them to sell the ferro-alloys at more competitive prices so that the benefit is passed on to the industrial users of ferro-alloys.

C. Imports and Canalisation agencies

(i) *Imports*

2.17. In the Department of Steel's Annual Report (1970-71) it has been stated that due to post recession revival in industrial activity, the year 1970-71 evidenced a steep increase in the demand for steel and its products. To keep pace with the rising demand, and

in view of shortfall in indigenous production, the report adds, on 11-9-1970 Government announced a special import policy, through its Public Notice 140 of 11th September 1970 allowing import by the actual users, seven broad categories of steel to the extent of 50 per cent of their consumption during 1969-70, or full requirements against firm export orders. In addition, bulk imports were permitted through Hindustan Steel Ltd. for small scale industries, export oriented engineering industries and for other actual users. Import of steel sheets, plates, drums, barrels and steel for furniture industries and tin plates for manufacture of open top sanitary cans were also canalised through H.S.L.

It has been further stated that according to Government's import policy for 1971-72 "this year also the pattern of admissibility for import of steel items have also been restricted to those items which are not produced in the country at all or the quantities and qualities produced are not adequate to meet the indigenous demand. In framing the policy, efforts have been made to ensure that whereas the industries do not suffer for want of essential raw materials like steel and ferro-alloys, the producers of steel including secondary producers and re-rollers do not suffer for want of adequate orders".

The report adds that the canalisation through Public Sector Agencies has been restricted to bulkable categories which covers the following categories of steels and ferro-alloys:—

1. Ferro-molybdenum
2. Ferro-tungsten
3. Ferro-vanadium
4. Ferro-silicon
5. All mild steel high carbon and alloy steel (other than stainless steel) wire rods in coils.
6. All mild steel and high carbon steel semis including ingots, blooms, slabs and billets.
7. Stainless steel sheets, plates and strips in cut length or in coils.
8. Cold rolled grain oriented electrical steel sheets.
9. All mild steel sheets, strips and skelp in cut length or in coils both hot rolled and cold rolled.
10. Heavy melting scrap, sponge iron and metalised iron ore and pellets for electric arc furnaces.
11. Tinplate for manufacture of open top sanitary cans.

2.18. The following statement indicates the quantity and value of imports of various items of iron and steel and ferro-alloys from 1960-61 onwards:—

Year	Quantity (in tonnes)	Value (Rs. in crores)
1960-61	13,99,533	125·23
1961-62	10,96,387	106·54
1962-63	10,04,027	94·68
1963-64	10,26,749	93·75
1964-65	12,11,543	109·40
1965-66	9,31,601	100·47
1966-67	4,95,700	93·36
1967-68	5,38,173	108·87
1968-69	4,65,436	88·76
1969-70	4,23,087	83·01
1970-71	7,06,088	149·18

2.19. The attention of the representative of the Department of Steel was drawn to the news report that in order to meet the shortage of steel, Government was importing Rs. 200 crores worth of steel during the year 1971-72. When asked about the date when this decision was taken and the categories and the quantum of steel being imported in this connection, he has stated during evidence that "the amount of Rs. 200 crores is not an *ad hoc* figure fixed by the Government but all imports have been allowed after considering the applications depending on the importance. The assessment is that the steel which may come from abroad to the country during 1971-72 would be about Rs. 200 crores worth of rupees. So, the decision has not been taken at one time, at one place but over a year with the general background that the industry should not be made to suffer because of shortage of steel". The Committee were informed that during 1971-72 import during the year will be over 600,000 tonnes.

2.20. When asked about the time taken for materialising the imports, the Committee were informed that "this largely depends on the exact source of import. The licences are given for different types of foreign exchanges—some time rupee credit and sometimes other

country credit and only limited quantities are given on foreign exchange or general currency area. So, the actual implementation of a licence issued to a party will vary from source to source. Our experience has been that it may be in between three months and nine months".

2.21. It was asked that when the country was feeling acute shortages of steel and when the Government have decided to import steel worth Rs. 200 crores, what were the difficulties experienced in importing the materials in time to ease the situation. In reply it was stated:—

> "We have not decided to import as an *ad hoc* lot. Each case has to be considered on its own merits. The Government policy is that all important projects must be fed either from indigenous production or by import. Therefore, the import policy for industrial projects is quite liberal. If there had been delays in receipts, it must be because people who are interested had not come up in time for the imports. There are certain difficulties about import, because our country has not got free foreign exchange available in plenty and therefore we have to go to credits and when we go to credits negotiations take time. This is certainly a big problem".

When asked that out of estimated Rs. 200 crores worth of imports what will be proportion of imports from different currency areas the Committee were informed that "that would be difficult to tell. It would be fair to say that the amount of free foreign exchange is quite small but significant amount come through credit or from Japan, where we have a large number of link deals. We give pig iron and we take steel. But there is quite a bit also which comes from rupee currency areas."

2.22. Elucidating the recent statement made by Chief Controller of Imports and Exports that the Government have decided to meet the full requirements of steel by the export industries, the representative of the Department has stated:—

> "When the Chief Controller said that 'we are meeting the requirements of export industries in full', he was referring to a decision taken by us on export engineering industry. If the application is with the certificate of their Engineering Export Promotion Council that this material is required for export, we will clear the import licences in full to the extent without making any cuts or anything

we might have done in the case of normal import licence. This is what he has referred to. Regarding difficulties in export engineering industries, I would like to mention that in 1970-71, we had announced a special public notice that over the normal imported entitlement export engineering industry would get preference to obtain their steel. Although we have not issued* a similar special notice this year, what the Chief Controller refers to is really a decision to try to meet their requirement, when referred to us, as early as possible".

"..... in the special notice also there was a provision enabling the export engineering industry to meet their orders in full. Not many of the export engineering industries have availed of this. This year we are trying to do that*. When they come to us and tell us about their requirements, we will clear their import licences in full."

2.23. When asked what percentage of the requirements of the various sectors, particularly export-oriented industries and other priority sectors were met by imports, the Committee were informed during evidence:—

"..... we do not maintain the statistics about the requirements of foreign exchange. A party who, for instance, wants to import goods, if it is permissible, under the policy, he applies direct for an import licence he gets his import licence depending upon the circumstances and the position of inventories etc. Now, we have recently started a system for obtaining information from licencees. Whenever they place orders, they will immeditely report this to us and we will start tabulating all this information. This system has been started very recently and most of the licencees are still not reporting fully and therefore, we will not be in a position, at the moment, to give this information."

Problem of matching sections

2.24. It has been represented to the Committee by the Indian Engineering Association that the utilisation of indigenous and im-

*A similar announcement has been made in the Import Policy for 1972-73.

ported materials has been held up in a number of cases due to lack of matching sections and if such sections were to be permitted for import, the actual user could bring in the required sections under fixed value of import licences already granted. The representative of the Department whose attention was drawn to the suggestion has stated:—

> "The matching section should be allowed to be imported when there is no domestic production. We only want to check up whether the matching section can be available from domestic production. Otherwise, we generally allow imports."

> ".... I had a discussion with the engineering association several months ago. Since then the Steel Controller has a reserve which can be used for priority users. But he allots from this reserve slightly before the actual quarter starts. It has now been decided that he should keep a small reserve even after the quarter starts. Secondly, when individual cases come up, the Steel Controller issues directions to the stockyards that if that section is available there, it may be given to the applicant as a matter of priority. In other words, certain changes have been made since the complaint was made. If neither of these could give him the matching section, then the steel bank should look after it. If the steel bank also does not look after it, then they should be allowed to import."

It was, however, admitted that such a process will take some time and if there was a small quantity required and it was needed urgently, then buying from the open market at a higher price might be the quickest way of getting it.

Steel Bank

2.25. It has been represented that due to unpredictable shortfalls in the indigenous production leaving little time for matching imports, Government should consider creating a central pool of imported stocks of selected categories where there is an established shortfall in indigenous production. The Iron and Steel Controller could make allocation from this central pool to supplement the indigenous allocations so that minimum requirements of the vital sectors of the economy are met.

In reply the official representative of the Department stated during evidence:—

"One of the problems which the industry is facing is the shortage of steel which would make the project go and which will make the item complete which is under manufacture. For that we have decided to set up a steel bank in the sense that it will assess requirements in consultation with such manufacturers as suffer from such a thing and import in advance."

"....in the bank we will put 15 crores of rupees worth of small quantities of specialised requirements on an assessment from important industries after getting their assessment and then bank will supply them on as required basis. This is the scheme which has been accepted in principle. We have addressed the major consumers and when their assessment comes, we will sit down and make up our minds as to what should be imported and we shall import it and keep it here. But they will have to pay a little higher price when they buy because the material will be kept for so long, but they would not need to wait. I give you an example. The Fertiliser Corporation wants an oxygen plant. Negotiations have started. It is quite clear that they will need it, but the company that is going to make it is not going to take a risk about ordering the raw materials until he gets a firm order, but we know that he will get a firm order. The Bank will say to him, 'Give us an assessment. We will import for the first six months of production. We will supply through the Bank. In the meantime he can get the order and arrange for importing the remaining requirement.' This is roughly the idea. It won't satisfy all and sundry but it will satisfy some so that the customer is not forced to say that this agency will give me after 18 months or two years. 'So, I cannot wait so long. Therefore you must import'. This is the way the bank will work."

2.26. As regards the financial implications of the proposed Steel Bank, the Committee were informed:—

"As far as the Steel Bank is concerned, there will be an additional expenditure. When a user imports through the canalised agencies, he does not pay the sale tax; he has to pay the other charges like the customs duty, trade insurance in relation to the sale tax. The additional

amount that he will have to pay is the handling charges as well as the storage charges. We have fixed as 2 per cent of the cost to cover the storage and other industrial expenses and 2 per cent to cover financing charges. The gain that he will get is that he will be able to get his material seven or eight months quicker."

"The Government have made an allocation of foreign exchange. They will give the funds to H.S.L. to run that bank and the bank will be run on Government's account. The forecast will be made by a committee in consultation with H.S.L. and the users. Therefore, there is a certain amount of financial risk. It is a facility which is made available to such users to obtain steel much before the time they would have got it had they gone for import."

2.27. When asked as to when the proposed Steel Bank will start functioning, it was stated:—

"The scheme was accepted at the end of November and at the end of December, we had the first meeting of the controlling committee. A Committee of Secretaries has been arranged for this purpose and we took certain decisions. Letters have already gone to the potential consumers and they have been asked to give an assessment of requirements. We are in fact hoping that we will start functioning the Bank in the sense that we would place the orders for import within the next month or two."

With regard to the setting up of 'Steel Bank', in reply to an Unstarred Question No. 378, the Minister of State in the Ministry of Steel and Mines has stated in Lok Sabha on the 16th March, 1972:—

"Government have decided to set up a Raw Material Bank to be run by the Hindustan Steel Limited. The Bank would be charged with the responsibility of physically maintaining stocks of critical categories of steel so that priority users could be supplied such material exstock against surrendered debited import licences. The stock of the Bank will be sustained by imports made judiciously on the basis of anticipated requirements. The Bank will have an initial imprest of Rs. 15 crores, and is expected to have an initial stock of about 50,000 tonnes of various steel items. The operational details of the Bank, which in the initial stages will function at Calcutta, Bombay, Madras and Delhi, are being worked out".

2.28. The Committee note that it takes normally between three to nine months for imports to materialise. Due to decline in indigenous production, shortage of steel has become a serious constraint to industrial development. There is, therefore imperative need for reducing the time lags involved in securing supplies through imports or increased indigenous production. The Committee suggest that there should be a time-bound programme for receipt of imports and its distribution to the industry.

2.29. The Committee note that at present Government do not maintain precise statistics about the foreign exchange expended on the actual imports of steel. The Committee are of the view that in order to arrive at a correct judgment on the level of imports necessary to bridge the gap between demand and supply there should be a proper procedure for obtaining information from the licencees so that the Ministry may be able to know how much import has actually materialised and what further action, if any, is required to be taken to sustain the tempo of industrial production.

2.30. The Committee note that it has been decided to set up a Steel Bank which would maintain stocks of critical categories of steel to meet the shortages experienced by priority users. The Committee would like concerted efforts to be made in the interest of setting up the Steel Bank at the earliest. The Committee would also like that the procedure for obtaining raw materials should be streamlined so that it is free from unnecessary red tape and does not defeat the very purpose of obtaining raw materials in time.

The Committee would like to be informed within three months of the operational details of the Bank and how far it has been able to help the industry in resolving their problems of getting matching sections.

2.31. The Committee would also stress that where a manufacturer desires to import a matching section on the ground that it is not available indigenously, the application should be checked up expeditiously and either the matching section made available from indigenous source or the import allowed without delay so as not to hold up the manufacturing programme.

(ii) *Canalisation Agencies*

2.32. The import of steel and ferro-alloys is being canalised through two public sector agencies, namely, Hindustan Steel Ltd. and Metals and Minerals Trading Corporation. It has been represented to the Committee that these canalisation agencies lacked ex-

pertise and know-how for the importing of steel resulting in delay in imports and increasing the cost of imports as the canalisation agencies purchase by tender system.

2.33. Replying to the above criticisms, the Chairman, HSL has stated during evidence:—

"So far as Hindustan Steel's expertise is concerned, certainly we do not claim to be experts in everything, but today we can confidently say, we have some expertise, if not more than any other importer. In other words, we know all about steel, their specifications, sections, etc., because we are supplying the steel to the industries in the country. So, we know exactly what is wanted. Secondly, as one of the leading steel companies in the world, we are in touch with all the major steel producers of the world. We know exactly in each country which are the steel plants which produce a particular kind of steel. Thirdly because we are also in the export market of steel, we know the international market in steel. Fourthly, the steel prices are published in the bulletins from week to week, from day to day from London, Tokyo, Brussels and New York. Therefore, from day to day, we know the level of steel prices. So, what is needed in buying steel is knowledge of steel, knowledge of market availability and the knowledges of price. This we possess adequately. The next thing is the speed in execution. This is the point which is made very often that we may suffer because we are a public sector undertaking, we may suffer because of lack of procedures to quickly call for quotations and clinch the deal and finally place the order. On this matter also, we have gained considerable experience over the last two or three years, and today we know exactly how to proceed about it.

As far as delay is concerned we started in a small way in 1969-70 when only a couple of items were entrusted to us, about 30,000 tonnes. We placed orders late in the year and these could not be distributed during the year. In 70-71, we imported 282,000 tonnes of steel out of which 123,000 tonnes actually arrived during the year and were distributed. In 1971-72, we have till December, placed orders for 395,000 tonnes out of which 305,000 tonnes have already arrived and been distributed.

I am quoting these figures to show that as we are proceeding over the years we are able to get more and more steel into the country and distribute almost in equal proportion.

Another thing about HSL's canalisation. We as members of the JPC and being the largest domestic producer we are in the know of the total domestic availability as well as the demands of the customers who are importing steel. So in our Market Research division, we have a fairly good idea of the shortage. Therefore, we are able to forecast to the Ministry the likely shortage categorywise, well in advance so that foreign exchange could be planned in advance. It is heartening to note that this is already taking place. Last year and in the current year, foreign exchange availability was made much in advance of the previous procedure of asking for a particular import at a particular time and only getting the foreign exchange for that. So we are able to plan the whole year's requirement and shortage in advance of the foreign exchange required so that we can plan the sources from which we will buy steel."

As for the other question, that HSL because they follow the tender system will never be able to do that in time, I will explain our system of importing. The sources of steel supply are very well defined. One is US. From this we can get only through USAID. The procedure there is all laid down. We have to give a notice. It will be circulated in the country and this takes a long time. We cannot get out of that. In any case, US steel is the most expensive because of the freight disadvantage. We do not buy very much of steel from US. The other sources are the rupee payment countries. There also it is fairly simple. We give our requirments through the embassies of those countries because these are all state agencies. Lastly comes the free foreign exchange areas. There are two main sources: European and Japanese. Because of cost and freight advantage, the latter is the cheapest and quickest. We have tried both the systems. We have tried the public notice tender as well as have gone directly to all suppliers in Europe and Japan and asked for quotations so that we are able immediately to negotiate and place orders on the most economical source. This has enabled us to place orders extremely quickly, but whilst we have done this, the other criticism made is that HSL has not advantised the tenders."

2.34. Answering another criticism that because H.S.L. was a losing concern, part of the work which was previously done by M.M.T.C. has been given to H.S.L., the representative of the Department stated:—

> "This is not correct. If you see the distribution between MMTC and HSL, you will see that only those items have been given to HSL which are in production in HSL. Where it was possible to transfer items to MMTC, they were transferred. It would be quite wrong to give up those items produced by HSL and give them to MMTC for the simple reason that they will not have the coordination, knowledge of what is being produced., what is not, what is going up, what is not. HSL has a tremendous advantage in this respect...The other reason not mentioned by the Chairman is that we do not want, when we are making bulk imports, Indians competing with each other in foreign markets. There should be only one source for obtaining and judging when is the best time to buy, what and from where...In foreign markets, if there are competing buyers, it leads to a higher price. This is a disadvantage if you are competing for the same item."

2.35. Explaining the advantages of bulk imports, the Chairman, HSL added:—

> "There is another very important factor which we have found in actual practice, that with bulking we are able to get charter loads. Between charter terms and liner terms, there is a difference of at least 10—15 dollars per tonne. This is a national saving, because a small or new importer can only get on liner terms. He does not mind paying that extra because he gets what he wants when he wants. But he is losing that 15 dollars freight advantage. But this is what we are able to avoid. We are always in consultation with actual users and we bulk the demand and phase it in such a way that it can come in charter loads. Where of course the demands are such that charter loads cannot be had as in case of wirerods, we have to accept liner terms."

2.36. When asked as to why the canalisation job which was previously done by MMTC was given to HSL the representative of the Department has stated:—

> "It is not a question of taking it out. When it was felt that large scale imports may have to be made it was decided to

canalise them. Then it was a question of deciding: what should be given to HSL and what to MMTC? Broadly speaking what the HSL actually produces was given to HSL—finished steel—and only in two cases it was handed over to MMTC despite the fact that they were produced in HSL, billets and semis because they were being imported in bulk and there were not the same kind of criteria as applied to various types of finished steel."

2.37. In reply to another point that H.S. L. are mainly responsible for growth and management of major portion of steel industry in India and canalisation activities will prevent them to give full attention to the production side of the industry, the Chairman, H.S.L. has stated:—

"The import activity is done by a totally different set of people who are part and parcel of our sales organisations. It is like saying: if you are engaged in sales, whether your attention is diverted from production. It is not. These are two different functions, two different sets of people. People who are engaged in distribution, marketing or sale are not the people who are engaged in production; there is no diversion of attention at all in this matter. As part of domestic marketing we have taken up the imports because we are also doing export and we are able to do it economically because the staff engaged is small. This is the reply to the second part of the question. From my personal experience I can say that once the import has been organised, as it is now today, it does not take very much effort on the marketing side. It is just like other domestic sales which we conduct."

2.38. It was brought to the notice of the Committee that the canalising charges on imports amounted to 7½% which was excessive. Explaining about the charges, the Chairman, H.S.L. stated:—

"We have fixed charges like this. There are three options open to the user. The first one is that he can take delivery of the goods in the high seas for which we charge four per cent on the c.i.f. value; he saves three per cent sales tax because of that. The second option is: they can take delivery after it is landed in which case we pay the customs duty and the port handling charges and he takes it from the jetty, in which case we charge four per cent on the landed cost. The third alternative is that we take delivery of the material and take it to one of our stockyards and we

pay freight charges and we keep it in the stock yard for him to take delivery when he wants. For that we charge 7½ per cent. These charges are really based on the old control days. Importers were allowed by the Iron and Steel Controller 4 per cent on c.i.f. cost. This was our main starting point. Since then there was a committee headed by the Chief Controller of Imports and Exports, the Ministry of Foreign Trade representatives and others and they went into the question of these charges and considered what the STC and the MMTC were doing, what was the general practice in the market and they fixed these charges. We made exception for those who took delivery for export purposes against replenishment licences and charge only two per cent.

This question was again raised in the Iron and Steel Advisory Council's meeting in Calcutta and it was said that four per cent on the high seas delivery was high. So the Steel Secretary agreed to re-examine the issue and we shall furnish him all the particulars. We find generally speaking that the charges that we have to bear are somewhat like this. Quarter per cent goes for opening of the letter of credit. Then we have the voyage period, generally three months and somewhat less in the case of Japan. We have to pay interest at the rate of 8 per cent for three months which comes to about two per cent. 2½ per cent goes in these charges. Our own departmental overheads our costs—we take as one per cent. So, you have got nearly about 3½ per cent which hardly leaves us one per cent or around that as the margin which is considered reasonable for any kind of import work."

2.39. In reply to another question that how does the 7½ per cent commission charged by H.S.L. compared to the commission charged by MMTC, the Committee were informed that 'it is uniform'.

2.40. When asked whether it was a fact that when H.S.L. took up the canalisation of imports of the steel materials, the import was stopped for six months, the Committee were informed:—

"The policy regarding this year was formally announced on Ist May, 1971. The agencies for canalisation of steel items were notified on 28th July, 1971, I may mention that there was canalisation in force even in the previous year 1970-71. Both the MMTC and the HSL were already functioning as canalisation agencies. There was a slight delay in the announcement of the canalisation agencies for new items announced this year.

It did not have any significant or substantially effect on the import licences."

2.41. It was represented to the Committee that canalisation would create difficulties where certain special qualities, etc. are necessary and the authorities concerned, purchasing as they normally do by a tender system, would not be able to account for these variations. When asked that in order to tide over such difficulties whether the industry may be allowed to import directly the Chairman, HSL has stated:—

"When a particular party wants a particular type of steel in small quantity, we do not insist on canalising that item. We give a letter of authority. That is what we have done. That procedure will be followed."

The representative of the Department has added that where there is real hardship and small quantity has to be imported or there are special problems with the user, we give that letter of authority.

When asked whether the procedure being adopted in this regard are known to the parties, the Chairman, H.S.L. has stated:—

"We regularly meet the Associations like the Engineering Associations, the Tube-making Associations etc. We regularly meet and discuss such matters and if they face any difficulties we find out how to resolve them and help them. We go through this procedure and they know also about it."

2.42. The Committee note that while the decision for canalising the imports of steel was taken on the 1st May, 1971, the agencies for canalisation were notified on the 28th July, 1971. The Committee have received representations that due to delay in the announcement and setting up of the canalising agencies, the Engineering Industry suffered for lack of imports in time. The Committee are unhappy to note that during this period, when there was acute shortage of steel, there was no import of raw materials and the industry had to suffer. The Committee feel that had there been better advance planning the industry would not have suffered for want of steel.

2.43. As steel is imported from various countries under different credit conditions, the industry finds wide differences of prices for identical materials offered by the same canalising agency. In order to deal with this difficulty, the Committee would like Government

to consider the feasibility of charging a pool price for imported steel.

2.44. The Committee note that at present the steel imports are canalised through Hindustan Steel Ltd. and the Mines and Metals Trading Corporation. The Committee do not see any ostensible advantage in importing steel through two public sector agencies. The Committee would like Government to examine whether the steel imports cannot be entrusted to a single canalising agency which has the best expertise and distributive arrangements to serve the industry.

D. Rated Capacity and achievements of Steel Plants and measures to increase rated capacity

2.45. The following table shows the output of steel in 1970-71 and that in 1969-70 as against the capacity of the five steel plants in the country:—

Million tonnes

	STEEL INGOTS			SALEABLE STEEL		
	Capacity	Production 1969-70	Production 1970-71	Capacity	Production 1969-70	Production 1970-71
PUBLIC SECTOR						
Bhilai . .	2·5	1·86	1·94	1·965	1·50	1·55
Durgapur .	1·6	0·82	0·63	1·239	0·50	0·41
Rourkela . .	1·8	1·10	1·04	1·225	0·80	0·68
PRIVATE SECTOR						
TISCO .	2·0	1·71	1·71	1·500	1·44	1·37
IISCO . .	1·0	0·70	0·63	0·800	0·57	0·52
..	8·9	6·19	5·95	6·729	4·80	4·53

2.46. It was reported that the steel supply position continued to be disturbing because during the first six months of 1971-72 (April—September, 1971) the production of the saleable steel by the main steel plants was only 2.101 million tonnes. When the Committee enquired about the reasons for shortfall during the first six months of 1971-72, the representative of the Department stated that accidental falling down of roof of the steel melting shop in Rourkela, unexpected breakdown in the functioning of the cokeoven at Bhilai and labour unrest in Durgapur were the principal reasons for shortfall in 1971-72. The Committee were informed that due to roof collapse in Rourkela, the loss of production was roughly 350,000 tonnes of steel ingots.

2.47. When asked about the measures taken to achieve greater utilisation of the existing capacity in the Steel Plants, the representative of the Department stated:—

"We took very special steps to have the repair done quickly. The best estimate was that such repair could not be completed before the middle of January. But we more or less completed the repairs by the end of November and the production is normal now.

As far as cokeovens are concerned, we got a Russian specialist who has been working at Bhilai. He has taken action to ensure that the pushing of coke is maintained at a fairly high level. But unfortunately, when there is trouble in cokeovens, it cannot be dealt with in the short term. It takes considerable time. Unfortunately, the cokeovens everywhere—Bhilai, Rourkela, Jamshedpur and IISCO—are giving trouble today. We had appointed a special group to go into this. Their recommendations have been considered and they are under implementation. It will take at least two to three years before the cokeovens trouble can be completely overcome.

Regarding industrial relations, the Minister has himself been to Durgapur and other Plants and has had discussions with officers as well as trade unions with a view to bringing in a better atmosphere. Some improvement has been noticed but in place like Durgapur, it is very difficult to achieve results in a short time. The Ministry has appointed a Task Force for each of the Public Sector Plants, under the Department. We have Task Force meetings every two or three months to identify the problems and find solutions. In respect of each of the HSL units, we have had a minimum of four task force meetings in the last 9 months.

One of the biggest problems which faces HSL plants as well as IISCO has been the maintenance problem. The plants have not been maintained properly. In a state of shortage, the manager postpones preventive maintenance because he is pressed for production of steel. It is well-known that our plants have not been maintained very well. There are many reasons. There have been difficulties about spare parts, about import licence, etc. Spare parts have not arrived in time in spite of the best efforts. To overcome this problem, we have now made a 3 year plan not

only for our plants but also for Tatas and IISCO. Firstly, they identify the requirements over a period of three years, of spares, refractories, etc. Then they divide it into what is required from abroad and what is required from India. As far as foreign exchange is concerned, consultation is now going on with the Economic Affairs Department to take a long term view and give us the allocations so that there is a sensible allocation of foreign exchange. If you delay these things, even the expenditure on foreign exchange increases. This we hope will look after the maintenance problems.

There have also been more frequent visits by the Minister and senior Officers to the Plants and we have discussed problems of each plants locally. Whenever their senior officers come here, we discuss the problems. We have taken special steps to give them the confidence that when they present any problems to Delhi, they will be looked into on a very high priority this not only for HSL but for the two private sector plants also. I can give you many instances in which these plants have come to us with small problems which have a rather large effect on the plants, for which we have found solutions within days and sometimes within hours."

2.48. It was enquired whether steel plants had machine making facilities for manufacturing the spare parts required by the Steel Plants. The Committee were then informed by the representative of the Department:—

"8 or 9 months ago, we appointed a Committee to go into the problem of standardisation. We appointed another Committee to go into the problem of indigenous production. We have five plants today established with different collaborations as turn-key jobs. So, their equipments are different. We thought it would be good if for all the expansion of the new units which come up during the seventies, we standardise the designs, not only for blast furnaces, coke ovens etc., but also for material handling equipments etc. With this standardised equipment the manufacturers will get larger orders. It makes it much easier for indigenous production.

An assessment was made by the requirements of the Steel Plants which could be made in India and requirements which must be imported from abroad. Along with this,

we have a three-year plant for production of spares. On 6th January, 1972 we had a meeting in Calcutta with FICCI. In this meeting there was a seminar with industrialists to see how they can start production in cooperation with HEC, MAMC, with a view to increase the total production. After that, we had a meeting on the 10th January in Ranchi attended by some 35 leading manufacturers from all parts of the country. We had a full and free discussion. In the afternoon, they were allowed to go and see the drawings in the HEC. This was done to encourage them to have a coordinated and realistic plan for manufacture. A number of people have already responded and written to us saying that this was a good idea.

We are hoping that the effect of all this will be that in full coordination between HEC, MAMC, and other major manufacturers like Mukunds, ACC, AVB, Larsen and Toubro, Utkal Machinery etc. we will be able to have a plan under which firstly, for each equipment we will divide the components and they will be produced at least two places. Secondly, we will have spare parts identified which each of these undertakings can take up. I think we will get significant results from these efforts."

2.49. Regarding the proposed three year plan to tackle the problem of spare parts for steel plants the representative of the Department was asked whether they had experienced any delay in getting clearance of the foreign exchange requirements from the Department of Economic Affairs. The representative of the Steel Department has informed:—

"As far as this three year plan is concerned, if there has been delay, it has been on our side. It has taken up nearly one year to get the full details from all the five plants to make a Plan in a presentable form and the discussions are taking place now. I do not expect trouble from the Economic Affairs Department. I have found that if you take a long-term view, you save considerable money. If you take the requirements of spares of a particular item for three years, you get a bulk requirement and you can place an order which the indigenous producer is tempted to take. But if you place an order for one year only of one or two items, it takes time and costs more money."

2.50. When asked as to how the problem of spare parts is being tackled in private sector like Tatas and whether the same system could not be adopted in the public sector plants, the Committee were informed during evidence:—

> "They have attacked the problem in two ways. They have recently set up facilities in Adityapur which gives them the spare parts almost on the spot. The same kind of thing has happened in Bhilai. But where you cannot produce it within the country with the facilities available, they put in an application for import licence. When this comes up to Government, because of shortage of foreign exchange, you go from one place to another and there are delays. . .We are trying to do that also, but the real problem is, even if you can do it to a very limited extent only. Many of the things have to be made in large manufacturing units or imported. Imports in the past took time because they were being progressed item by item independently. But if you consider it as a whole and tell the Economic Affairs Department that the requirements of, say, German credit during 1973-74 will be of this order, they will earmark it in advance. What Tatas and Bhilai have done looks after many problems which arise from day to day and which are settled locally. But this is only 5 to 8 per cent of the total work required to be done."

2.51. About the coke oven problems, it was asked whether the quality of the coke was in any way responsible for it, the representative of the Department has stated:—

> "There are two or three major problems. As far as the supply of coke is concerned, coke is to come from within the country and the best that is possible is being done. It is not very good coking coal as compared to other countries but you have to put up with it.....but that is not the real problem of the functioning of the coke oven. Operation of coke oven is very very difficult because people who were pushing coke etc., and operating the coke ovens have to work at near very very high temperatures. Secondly, it is such a sensitive plant that it must have full technological discipline and therefore it is quite easy for our people especially in a hot country not to observe 100 per cent technological discipline. Secondly this also makes maintenance extremely important and if there is neglect of maintenance even for one week or 10 days or 15 days

it can make a vital difference. The third thing is that when the coke oven does not function 100 per cent, the gas that it provides for heating purposes is deficient and rolling mills do not work efficiently. In fact a steel plant is like a human being without a brain. If one part does not work, the whole body's functioning gets affected.

Therefore, it is essential not only to have technological discipline but to have full maintenance to deal with the problems very quickly whenever they arise. It should also be stated that when we consider H.S.L. it might be wrong to compare it with TISCO because TISCO started production in 1911. It reached one million ton mark in 1941 and they have built up an enormous experience in the country for steel production and the problem of steel plants. In H.S.L., in the public sector side, the experience is very limited. The number of people who have been drawn from all over India are not fully trained people. The foreign companies have installed equipment based on their own experience and it has been found that it is either because our people are not fully given the training in working on that speed or not working with that kind of equipment or the technological discipline or because of our climatic conditions or some deficiency is found in coking coal or iron ore. These deficiencies have been found after the steel plants have worked for some years. These deficiencies are now being made up. But to make up the deficiencies also, it takes time. So these are big problems and it would be wrong to think that they can be put right over night. At the same time, I can say, if we very earnestly pursue these problems, there is no reason why over a period of one year we should not get better production and within about two or three years we should not reach 85 per cent of the rated capacity."

2.52. In reply to question about target and production of steel during 1971-72 the Committee were informed that despite the loss of 350,000 tonnes of steel ingots the coke oven problems in Bhilai and labour problems in Durgapur etc., the expectation is that the total production in the country will be roughly the same as last year i.e., 4.5 million tonnes of saleable steel or 6 million tonnes of steel ingots.

2.53. When asked that despite the Rourkela loss, coke oven trouble and labour problems, if it was possible to manage the same pro-

duction as was produced last year then what was wrong with the production last year, the representative of the Department has explained:—

> "There were a number of difficulties last year. The main point is that the production which we got in 1970-71 was inadequate because it represents, in all the five plants, only 67 per cent of their rated capacity. In my opinion, it should be possible for an efficiently run plant to reach a minimum of 85 per cent. Only Tatas and Bhilai have reached about 80 per cent and the others are much below it. Therefore our targetted production for 1971-72 was high and I will also say this, that even if we had got the 350 thousand tonnes, this year's production would have been lower than the target fixed. But it certainly shows also that in 1971-72 the production would have been at least 350,000 tonnes more than in 1970-71. In other words the improvement is there but it is not satisfactory."

2.54. In reply to another question as to what was the necessity of fixing a target when it could not be achieved, it was stated that "the target is an assessment of what should be produced if everything works well."

2.55. The following table gives information about the physical targets laid down and achievements regarding capacity, production etc. for saleable pig iron, steel ingots and finished steel for the country (that is for all plants in public and private sectors) during the last three Five Year Plans and the Fourth Five Year Plan:—

Targets and Achievements

(million tonnes)

	Saleable Pig Iron	Steel Ingots	Finished Steel
1	2	3	4
1950-51			
Rated capacity in 1950-51 . .			1·015
Production in 1950-51	·35	1·4	·976
1955-56			
Targetted Rated Capacity			1·65*
Targetted Production	·75		1·65*
Actual Production	·38	1·7	1·3

*By 1957—58.

1	2	3	4
1960-61			
Targetted Rated Capacity	9·80		4·68
Actual capacity	1·1	6·0	4·5
Targetted Production	7·50		4·3
Actual Production	1·1	3·3	2·4
1965-66			
Targetted Capacity	1·5	10·2	7·5
Actual Capacity	1·2	6·7	5·1
Targetted Production	1·5	9·2	6·8
Actual Production	1·2	6·5	4·5
1966-67			
Targetted capacity	1·5	8·9	6·7
Actual Capacity	1·2	7·6	5·5
Targetted production	1·3	7·0	5·2
Actual production	1·0	6·6	4·4
1967-68 (Annual Plan)			
Targetted capacity	1·2	8·9	6·2
Actual capacity	1·2	8·6	6·3
Targetted production	1·2	7·5	5·7
Actual production	1·12	6·3	4·1
1968-69 (Annual Plan)			
Targetted capacity	1·3	10·0	6·8
Actual capacity	1·3	9·0	6·9
Targetted production	1·3	7·5	5·5
Actual production	1·5	6·5	4·7
1969-70			
Targetted capacity	1·3	9·0	7·0
Actual capacity	1·3	9·0	6·9
Targetted production	1·3	7·5	5·5
Actual production	1·539	6·433	4·786
1970-71			
Targetted capacity	1·3	9·0	7·0
Actual capacity	1·3	9·0	6·9
Targetted prouction	1·1	7·6	5·7
Actual production	1·273	6·114	4·490
1971-72			
Targetted capacity	1·3	9·0	7·0
Targetted production	1·4	7·0	6·0
1973-74 (IVth Plan)			
Targetted capacity	4·200	12·0	9·0
Targetted production	3·800	10·0	8·1

2.56. The following table gives the percentage of the finished steel production to the plan targets:—

	Finished Steel Production		
	(1) & (2) in million tonnes		
	Plan Targets Production (1)	Actual Production (2)	(2) as % of (1)
1955-56	1·6	1·3	79%
1960-61 .	4·3	2·4	56%
1965-66 .	6·8	4·5	66%
1966-67 .	5·2	4·4	85%
1967-68 .	5·7	4·1	73%
1968-69 .	5·5	4·7	85%
1969-70 .	5·5	4·7	87%
1970-71 .	5·7	4·4	79%

It would be seen from the above table that production of finished steel has fallen short of the targets during the period of all the Plans.

2.57. Explaining the reasons for steep fall in production percentage against the actual capacity in 1960-61 as compared to 1955-56 percentage the Committee were informed during evidence:—

> "The reason is that in 1955-56 the actual capacity for saleable steel was 1.6 million tonnes and in 1960-61 it became 4.5 million tonnes, and this was about the time when new steel plants had begun to function. The percentage of production against actual capacity had gone down because it was the beginning of the new plants in the H.S.L.".

2.58. It was envisaged that in the Fourth Five Year Plan, the capacity of the steel industry for steel ingots would be stepped up from 9.0 million tonnes to 12.0 millions and that the production of steel ingots would go up from 6.5 million tonnes in 1968-69 to 10.0 million tonnes in 1973-74. According to IVth Plan Mid Term Appraisal, both in terms of production as well as additional capacity, the progress has not been satisfactory and that production has been around 65 to 70 per cent of the installed capacity.

2.59. The Committee take serious note of the fact that the steel production has been around 65 to 70 per cent of the installed capacity and that in none of the Plan periods i.e. from 1955-56 onwards

the production targets have been achieved. The Committee fail to understand the rationale of the production targets when there is shortfall in year after year.

2.60. Considering that the public sector in steel now commands a dominating position and has experience of more than a decade to its credit, it should certainly be within our reach to take remedial measures on priority basis and in a co-ordinated manner so as to achieve the maximum output from these Steel Plants in which have been invested large amounts of scarce resources of the country.

2.61. The Committee would like Government to bring out a comprehensive White Paper on the existing state of production in each of the Steel Plants and the measures that have been taken or are proposed to be taken to improve their performance. This Paper may be placed on the Table of the House so that Members have an opportunity to go into the matter in detail.

CHAPTER III

PLANNING

A. Development programme for Steel in Fourth Plan

3.1. The Fourth Plan envisaged that the capacity of steel industry will be stepped up from the level of approximately 9 million tonnes in 1968-69 to 12 million tonnes of ingots by 1973-74. The specific programmes for iron and steel expansion included are the expansion of Bhilai Steel Plant and the completion of the Bokaro Steel Plant's first stage of 1.7 million tonnes ingots capacity and its expansion to the capacity of 4.0 million tonnes on a continuing basis with a view to achieving a capacity of 2.5 million tonnes by 1973-74. The expansion programme for Bhilai Steel Plant envisaged stepping up its capacity from 2.5 million to 4.2 million tonnes, including the establishment of Plate Mill etc. to meet the shortages of plates. In the private sector, the Plan expected marginal addition to the IISCO capacity from 1.0 to 1.3 million tonnes of ingots by 1971-72. In view of the long gestation implicit in the creation of additional capacity for steel, for meeting the future requirements of steel and pig iron, it was stated that detailed studies were in progress in respect of Hospet (Vijaynagar), Salem and Visakhapatnam.

3.2. The approved Fourth Plan outlay for the Steel Development Programme is as under:—

(Rs. in crores)

Sl. No.	Project	Fourth Plan Outlay
1	2	3
	Continuing schemes	
1	Bokaro Steel Plant	558·00
2	Expansion of Rourkela Steel Plant from 1 to 1.8 million tonnes of ingots	51·00
3	Expansion of Durgapur Steel Plant from 1 to 1·6 million tonnes of ingots	
4	Expansion of Bhilai Steel Plant from 1 to 2·5 million tonnes of ingots	
5	Mechanisation of Dalli Mines for Bhilai	18·92
6	Mysore Iron and Steel Works	5·90
	TOTAL (A)	633·82

1	2	3
	New Schemes	
1	Expansion of Bhilai Steel Plant from 2·5 to 4 million tonnes including a Plate Mill and a second Sintering Plant	111·00
2	Expansion of capacity of Bokaro Steel Plant from 1·7 to 4 million tonnes of ingots	122·00
3	Technological improvements, balancing equipment and finishing facilities in the existing steel plants of HSL	45·00
4	Advance action on additional capacity for the 5th Plan (new steel plants)	110·00
5	Cold rolled grain oriented sheets Plant	20·00
6	Refractory Plant	
7	Expansion of Durgapur Alloy Steel Plant	
8	Mysore Iron and Steel Works (expansion)	3·00
9	Seamless Tube Plant	9·00
10	Tenughat Dam (for water supply to Bokaro)	8·50
	TOTAL(B)	438·00
	GRAND TOTAL OF (A) & (B)	1,061.82

3.3. Regarding the progress made in respect of the various continuing and new schemes included in the Fourth Plan, the Committee have been informed in a written note as under:—

(i) *Continuation of Bokaro to 4M.T. stage*

Bokaro's first stage is under implementation. In order to meet the increasing demand of flat products, it has been decided to continue the costruction of Bokaro to 4 M.T. stage. A 'crash programme' has been launched in 1971 in order to achieve an intermediate stage of capacity for producing 2.5 million tonnes of steel ingots, a year after the commissioning of the 1.7 million tonne stage. The Detailed Project Report for the expansion, to the 4 million tonne stage, originally prepared by the Soviet Consultants, is being updated by the Central Engineering and Design Bureau, who have been appointed as the Principal Consultants for this project; M/s. Dastur and Co. have been allotted similar consultancy functions as during the first stage. The determination of the product-mix for this expansion of Bokaro is currently under examination. Based on the experience gained during the first stage, advance actions for procurement of equipments, structures and refractories for second stage have also been initiated. Letters of Intent for the procurement of 32,460 tonnes of equipment and 16,758 tonnes of structurals have already been placed on the Heavy Engineering Corporation.

(ii) *Bhilai's III Stage Expansion to a capacity of about 4 M.T.*

In regard to the expansion of Bhilai Steel Plant from 2.5 million tonnes to about 4 million tonnes, the Feasibility Report received from Hindustan Steel Limited, has been examined in consultation with the Planning Commission and a decision has been taken to go ahead with this expansion. A Detailed Project Report for this scheme is being prepared by the Central Engineering and Design Burean. Under this expansion programme, the extra hot metal available from the Sixth Blast Furnace at Bhilai (Sixth Blast Furnace was commissioned on July 31, 1971) and due to incorporation of technological improvements in the blast furnaces, will be converted into steel in a new LD Shop and steel thus available continuously cast into slabs and blooms to produce 700,000 tonnes of plates and about 600,000 to 680,000 tonnes of billets/medium sections. The completion time schedule and project estimates will be brought out in the Detailed Project Report. The Feasibility Report envisaged an expenditure of about Rs. 226.8 crores. Bhilai 4 M.T. Expansion Scheme was recently reviewed in consultation with the Planning Commission. It was suggested that necessary steps should be taken to ensure completion of the project by 1976-77. Hindustan Steel Limited have been requested to prepare a detailed completion schedule in consultation with the C.E.D.B. Consultants for the project.

For improving the availability of iron ore and to provide sufficient ore fines of requisite quality for increasing sintered ore burden to the blast furnaces at Bhilai, clearance has also been given for mechanising. The Dalli Mines, now being manually operated. The work is in progress. Keeping in line with the modern trend the ore from Dalli Mines would also be sized for improvement of blast furnace burden. A second sintering plant to utilise the fines available from Dalli after mechanisation was also sanctioned in February, 1971.

(iii) *Salem, Hospet and Visakhapatnam Projects*

Progress of work on the new steel plants at Salem, Hospet (Vijaynagar) and Visakhapatnam has been dealt in Part C of the Chapter. The capacity envisaged for each project is:—

Salem	250,000 equivalent ingot tonnes of special steels.
Hospet and Visakhapatnam	2 million tonnes each of mild steel ingots.

(iv) *Alloy Steel Plant Expansion*

To meet the increasing demand for alloy steels, particularly cold rolled stainless steel sheets, the expansion of Alloy Steels Plant, Durgapur, from the present capacity of 60,000 tonnes of finished steel to 180,000 tonnes has been approved. The Central Engineering and Design Bureau have been entrusted with the work of preparing the Detailed Project Report for this expansion programme.

(v) *CRGO Sheet Plant at Rourkela*

There is also a proposal to set up a C.R.G.O. Sheet Plant at Rourkela with capacity of 32,000 tonnes of cold rolled grain oriented sheets required in the transformer industry and about 24,000 tonnes of cold rolled non-grain oriented sheets, required for manufacture of heavy electrical motors. Hindustan Steel Limited are currently negotiating for acquiring know-how for production of CRGO|CRNGO Sheets.

(vi) *Refractory Plant*

The Public Sector Steel plants have so far been dependent for their refractory requirements entirely on purchases from outside. Considering the serious difficulties, which have been experienced in the procurement of refractories in requisite quantities and of assured quality and keeping in view the proposed Steel Development Programme, which will throw up additional demands for refractories in the coming years. It has been decided, as a first step, to set up a refractory plant at Bhilai with an aggregate capacity of about 100,000 tonnes of different types of bricks. The Feasibility Report on this refractory projects received from Hindustan Steel Limited has been examined and accepted. A Detailed Project Report is under preparation. A Committee has also been set up consisting of representatives of Government Departments concerned, the Steel Producers and the Indian Refractory Manufacturers' Association, to assess the demand of refractories of various qualities and specifications required by the Steel Industry in the next 10 years, and to suggest concrete steps to be taken to meet this demand taking note of the available production capacity in the country, the availability of raw materials and the capacity for indigenous manufacture of refractory plant and machinery.

(vii) *Seamless Steel Tube Plant*

There is also a proposal to get up a Seamless Tube Plant with a capacity of about 80,000 tonnes per annum. The Feasibility Report

prepared by the Central Engineering and Design Bureau is currently under examination.

In addition to the above, a programme of introduction of technological improvements, additional balancing and finishing facilities for diversification etc. to be progressively implemented by the end of Fourth Plan has also been included in the Fourth Plan Programme.

The Steel programme in the Fourth Plant consisted of (i) increased production in the existing plants, through technological improvements; (ii) implementation of expansion and continuing projects, namely, Bhilai, IISCO and Bokaro; and (iii) establishment of new steel plants essentially to meet the requirements in the Fifth Plan.

3.4. According to the Mid Term Appraisal of the Fourth Plan by the Planning Commission both in the term of production as well as additional capacity, the progress has not been satisfactory. It has indicated that for a variety of reasons, the implementation of the first stage of Bokaro has got prolonged, shortage of steel delay in the delivery of indigenous equipment by H.E.C. and other suppliers, and labour problems are stated to be among the factors responsible. According to present anticipations, the first stage is expected to be commissioned in stages, commencing from April, 1972. Efforts are, however, being made to complete the 2.5 million tonne stage, along with the hot strip mill, by the end of the Fourth Plan. The cost of project has gone up significantly, and the Plan outlay has also now been substantially increased. In regard to Bhilai Expansion, the scope of the project has since been revised. The revised scheme is now expected to be Commissioned only by 1976. The expansion of IISCO has made no progress and is not expected to materialise during the Fourth Plan. Based on the above anticipations, the capacity and production of steel, in 1973-74, are likely to be order of 11.8 and 8.25 million tonnes (ingots) respectively, as against 12.0 and 10.8 million tonnes respectively envisaged in the Plan. Regarding the three new steel projects Visakhapatnam, Hospet (Vijayanagar) and Salem, the sites have been finally decided upon and land acquisition proceedings started. The preparation of techno-economic studies on raw materials are also in progress. Final decisions on the product mix for these projects are expected to be taken in the near future.

3.5. According to the Fourth Plan Mid-term Appraisal, the following table indicates the production targets and achievements of steel

industry:—

Sl. No.	Item	Unit	1973-74 target	1969-70 actuals	1970-71 actuals	1971-72 anti-cipated	1973-74 likely achieve-ments.	Surplus shor-tages 1973-74
1.	Steel Ingots	Million tonnes	10·80	6·48	6·11	6·75	8·25	—2·50
2.	Finished Steel	Do.	8·10	4·80	4·47	5·60	6·70	—1·40
3.	Pig Iron for Steel	Do.	3·80	1·40	1·25	1·40	3·30	—0·50
4.	Alloy & Special Steel	'000 tonnes.	220 00	140·40	200·00	200·00	247·00	+27·00

3.6. The Committee note that due to variety of reasons like shortage of steel, delay in delivery of equipment by suppliers and labour unrest, first stage of 1.7 million tonnes of Bokaro Steel Plant has been delayed. Similarly the revised Bhilai Expansion Scheme is now likely to be completed by 1976-77.

The Committee are perturbed to note that due to the above factors the production of steel at the end of the Fourth Five Year Plan would fall short of the target by about 1.4 million tonnes. The Committee would urge that Government should make concerted efforts to improve the utilisation of existing plants to make up this shortage. The Committee would also urge that the expansion programmes for Bokaro and Bhilai should be implemented on priority basis.

B. Estimated Demand for Steel by 1975 and 1980

3.7. According to the Annual Report of Department of Steel, the Steering Group set up in March, 1968 by the then Department Iron and Steel to project the demand for finished steel during the Fourth Plan Period had estimated that the demand would be about 8.42 million tonnes in 1973-74 and 12.77 million tonnes in 1978-79.

3.8. Similarly, the demand for pig iron had been estimated at 3.10 million tonnes in 1973-74 and 4.40 million tonnes in 1968-69. After taking note of the existing capacity available in the country including the secondary units, the gap to be bridged was estimated at over 2 million tonnes of finished steel in 1973-74 and over 6 million tonnes in 1978-79.

However, as the above project of demands was based on studies undertaken in 1968, when the country had just emerged from condi-

tions of economic recession, it was considered necessary to make a fresh appraisal of the demand taking note of the rate of growth of the economy during the last three years. Accordingly, the National Council of Applied Economic Research were asked to undertake a study to uptodate the demand projections for the years 1975 and 1980 primarily with a view to enabling Government to take up a phased programme of building up additional steel-making capacity.

3.9. According to the National Council of Applied Economic Research Report on Demand for Steel (1975—80), the total steel requirements in 1975 and in 1980 will be as follows:—

	1975 (Thousand	1980 tonnes)
Finished Steel	7,611·8	12,859·0
Semis	257·5	444·2
Steel castings	111·6	226·7

The break-up of the estimated demand for various categories of finished steel in 1975 and in 1980 given by the National Council of Applied Economic Research is:—

Name of item	Total Demand in 1975 (Thousand tons)	Total Demand in 1980 (Thousand tons)
1	2	3
Finished Steel	7,611·8	12,859·0
Bars and Rods	2,226·8	3,770·4
Wire rods	484·3	816·2
Light and medium structurals	780·5	1,335·1
Heavy structurals	270·5	420·7
Plates	729·4	1,476·9
Cold-rolled sheets and stips	555·2	988·2
Hot-rolled sheets and strips	1,286·5	2,221·0
Skelp	381·6	784·2
Galvanised Plain sheets	91·4	110·7
Galvanised corrugated sheets	150·6	200·6
Tinplate	300·0	450·0

1	2	3
Rails	220·0	220·0
Sleepers	75·0	75·0
Fish Plates	7·0	7·0
Bearing plates	15·0	15·0
Crossing sleepers bars	8·0	8·0
Wheels, tyres and axles	30·0	30·0

3.10. Keeping in view the increased demand forecast by N.C.A.E.R. of various categories of steel by 1975 and 1980, the Department of Steel have furnished the following production figures in 1970-71 and 1971-72:—

Production of Finished Steel CATEGORY	(In thousand tonnes) 1970-71	1971-72 (April-Sept.) (Provisional)
1	2	3
Light & Medium Structurals	641·7	250·4
Heavy Structurals	238·3	111·8
Heavy Rails—1st Class	243·7	97·9
2nd Class	145·4	61·3
Light Rails	5·5	3·3
Black Sheet (Plain)—		
(i) Hot Rolled	212·4	114·6
(ii) Cold Rolled	85·2	46·8
G.P. Sheets	72·9	22·9
G.C. Sheets	117·2	53·9
Plates	271·4	141·5
Bars	1,055·7	503·0
Rods	517·6	219·8
Wires— (i) Black	48·5	41·3
(ii) Galvanised	34·8	21·1
(iii) Others	52·4	34·4
Hoops	6·6	3·4
Strips— (i) Hot Rolled	91·6	32·7

1	2	3
(ii) Cold Rolled	100·1	53·6
Box Strappings	6·7	2·6
Steel Sleepers	58·8	32·0
Tinplates	133·4	53·9
Skelp	242·6	114·7
Wheels, Tyres and Axles	37·5	13·0
Special Sections	57·5	32·8
TOTAL	4,477·4	2,062·4

3.11. In a written note, the Department of Steel have furnished the following estimated steel capacity in terms of ingots in 1975 and in 1980 in the case of main producers:—

Steel Ingot Capacity

(In million tonnes of ingots)

Existing Capacity	1975	1980
A. Bhilai	2·50	2·50
Durgapur	1·60	1·60
Rourkela	1·80	1·80
	5·90	5·90
TISCO	2·00	1·50
IISCO	1·00	1·00
TOTAL A	8·90	8·90
B. *Expansion*		
Bhilai	1·50(P)	1·50(P)
IISCO	....	0·30(P)
TOTAL B	1·50	1·80
C. *New Capacity*		
Bokaro	4·00	4 00
Vizag	..	2·00
Vijayanagar	..	2·00
TOTAL C	4·00	8·00
TOTAL A+B+C	14·40	18·70

(P) Provisional

It was further stated that the present capacity of the main producers of 6.74 million tonnes is estimated to go up to 11.50 million tonnes in 1975 and to 14.7 million tonnes in 1980. If the production of steel is at a reasonable level of capacity utilisation by 1980, say, 90 per cent the steel production within the country will largely meet the domestic demand. If, however, production does not match the demand, steps will have to be taken to increase imports, subject to foreign exchange considerations. All possible efforts will, therefore, have to be taken to see that production, increases to the maximum extent possible so that imports can be restricted to the barest minimum.

3.12. When asked whether any perspective plan had been prepared for steel production during the next ten years, the Committee were informed by the representative of the Department during the evidence:—

> "....Yes. The N.C.A.E.R. study was deliberately ordered with a view to take decisions on steel production during the 1970s. The report was received in August, 1971 and an assessment was made of the demands expected in 1980. On that basis, a number of projects were finalised. We have said that Bokaro will go on to 4 million tonnes. Bhilai would be expanded to 4 million tonnes. The new steel plants will be set up. It is expected that beyond 1980 also, there will be continuously incerasing demand for steel. Therefore, investment decisions should be taken with regard to what would happen after the present plan has been implemented. Those studies have now been started, *viz.*, to what extent the existing plants can be expanded, what new locations should be considered for additional plants, etc.....This is a continuous process. Even though the N.C.A.E.R's report deals with a decade, it is our intention to review it from year to year and make our assessments."

313. When asked whether any details have been worked out to meet the increased demand of various categories of steel, it was added:—

> "First we took the N.C.A.E.R's recommendations. Then we discussed them in details and with slight modifications came to the conclusion that this should be the assessment of the requirements in 1980. Having done that, we consi-

dered the product mix which should go into the three new steel plants and into Bokaro. All these product mixes have been tentatively suggested for the steel plants in the background of these forecasts of assessments. Therefore, really when you have taken a decision on the product mixed the feasibility reports of the three steel plants and when the feasibility report for further expansion of Bokaro comes, then, it will be possible to make a proper perspective plan. You will see that the sanctions which have already been issued like commissioning of the Bokaro —1.7 million stage by the middle of 1973, 2.5 million will come in 1947, 4 million will come towards the end of 1975 and the beginning of 1976. Bhilai expansion will come possibly in 1977. The new plants will be coming up in 1977-78 or a little later. This is the increased production in stages that will be available."

3.14. In view of the shortages of the flat products at present and the estimate of the National Council of Applied Economic Research that nearly half of the demand for mild steel at the end of seventies will be for flat production, the representative of the Department, who was asked about the measures taken to meet the increased demand of flats products, informed the Committee during evidence thus:—

"An assesment has been made about requirements in 1980 based on the N.C.A.E.R. report which has been discussed in detail with the various departments and with various representatives of the N.C.A.E.R. The total demand as expected in 1980 for flat products is of the order of 6.5 million tonnes. We have also allotted 550,000 tonnes for purposes of export. The total demand including export will be about 7 million tonnes. If you take into account the present produtcion of flat products, 700,000 tonnes included in Bhilai Expansion as well as Bokaro expansion for 4 million tonnes the production will be about 5.3 million tonnes and the remaining shortage will be about 1.7 million tonnes. This is the position based on N.C.A.E.R. assessment. About shortage, the plan is to consider expansion of Bokaro from 4 million tonnes to approximately 5.5 million tonnes. This will give to a fairly large extent the flat products to meet the shortages. This is the point on which we will be taking a decision and while taking the decision all these points will be borne in mind. The feasibility study for the 5.5 million tonnes expansion

being undertaken. According to the present schedule, 1.7 mil. stage of Bokaro will be completed by the middle of 1973 and the 4 million tonnes stage by 1975-76.. There is time to consider the further expansion because if it is expanded, that will be towards the end of the seventies. A feasibility study is now being made. It is expected that the feasibility study will be made available to us in about 3 months time or 4 months time. The Central Engineering and Design Bureau of the H.S.L. is making that study."

3.15. The Committee note that according to National Council of Applied Economic Research the demand for finished steel in 1975 and 1980 will be 7.6 million tonnes and 12.8 million tonnes respectively. It has been contended by the Department that at the rate of 90 per cent capacity utilisation of the steel plants, from the present capacity of 6.74 million tonnes the estimated production of finished steel will go up to 11.50 million tonnes in 1975 and to 14.70 million tonnes in 1980. The Committee are however, constrained to observe that although at present there is a capacity to produce 6.75 million tonnes of steel, actual production is about 4.5 million tonnes only.

The Committee would therefore like to remind Government to keep these realities in view while planning for development of total capacity at the end of 1975 and 1980 so that the demand can be met in full.

3.16. In view of the wide gap between the present production and demand projections by National Council of Applied Economic Research for 1975 and 1980 about various categories of steel, the Committee recommend that a perspective plan with a time bound schedule should be prepared by the Government for achieving the production in time.

3.17. The Committee attach great importance to market study so as to know precisely the consumers' requirements. The Committee consider that the Iron & Steel Controller has valuable data about the present requirements of the country. The Committee would suggest that all the available data with the Iron & Steel Controller and other Government Organisations should be carefully analysed and demand projections over the next 5 to 10 years developed systematically so that the product mix for the new steel plants and the expansion programmes of existing plants is realistically framed in order to meet the requirements in full.

C. New Steel Plants

3.18. The Prime Minister made an announcement in Lok Sabha on the 17th April, 1970 about the Government decision for setting up a special steels plant at Salem in Tamil Nadu, and two integrated steel plants, one each at Hospet (Vijayanagar) in Mysore and Visakhapatnam in Andhra Pradesh.

3.19. Giving the background and the techno-economic considerations about the setting up of the three steel plants at Salem, Visakhapatnam and Hospet, the Department of Steel have informed the Committee through a written note:—

"At the begining of the Third Plan period, it was estimated that the required capacity for steel would be 18 million tonnes in terms of ingots by 1970-71. The Steering Group, on the formulation of the Fourth Five Year Plan for Iron and Steel, set up in 1962, recommended that for achieving further capacity—(i) the existing steel plants (at the time Hindustan Steel Ltd.'s plants were of one million tonne capacity each with built in capacity in rolling mills) should be expanded to their maximum economic capacity; and (ii) keeping in view the need for dispersal of industry for reasons of strategy and pressure on transport, two new sites for steel plants should be located and developed, even partially if necessary, in areas away from the existing areas of concentration. They recommended a study of the Goa-Hospet and Bailadila-Visakhapatnam areas mainly on the availability of large reserves of iron ore in the Bailadila, Hospet and Goa areas with prospects of suitable limestone also being found nearby.

2. Following the above recommendations, Messrs M. N. Dastur and Company were asked to study the Goa-Hospet area and Messrs Hindustan Steel were asked to study Bailadila—Visakhapatnam region. The Goa-Hospet study suggested that both Goa and Hospet were suitable; and of these Hospet would be the better location, if 50 per cent Indian coal was used along with imported coal, and Goa a better location if all the coal required was to be imported. Government constituted a Technical Committee to study both these reports. The Committee recommended Hospet as the best site for development during the Fourth Five Year Plan because of the relatively lower investments involved

on infra-structure. The Committee were also of the opinion that Visakhapatnam had advantages with regard to import of coal and export of finished products. With regard to Bailadila, the Committee felt that the area being undeveloped, a steel plant there would take a considerably longer period to build. The Committee recommended that a detailed study of the Bailadila-Visakhapatnam region might be made to ascertain suitable sites for further steel plants.

3. Government had also, in the mean time, commissioned a Detailed Project Report for a plant in the Salem-Neyveli area. The report, prepared by M|s. Dastur and Co., recommended a plant with a capacity of 0.5 million tonnes of ingots at Salem based on the Salem iron ore and Neyveli lignite, with possibility of expansion to a larger size later.

4. Considering the fact that the assessment of the potentialities of the Goa-Hospet, Bailadila—Visakhapatnam and the Neyveli-Salem areas had been made by two different agencies, namely, M|s. Dastur & Co. and Hindustan Steel, Government considered it desirable to have a more comprehensive comparative assessment of the possibilities for setting up large size steel plants in these areas by a single foreign organisation, which would also assist technically and financially in the construction of the plants.

5. Accordingly, the British-American Steelworks for India consortium (BASIC) were requested to appraise all the sites in these three regions and recommend two sites in order of preference for steel plants with an initial capacity of about 1.5 million ingots tonnes to be expanded to about 4 Million ingot tonnes later. The terms of the agreement with BASIC required them particularly to study the sites in these three regions alone.

6. The Consortium recommended two sites (i) Visakhapatnam and (ii) Hospet. They considered the two sites as almost equal in merit, but preferred Visakhapatnam.

Hospet and Visakhapatnam Plants

7. More recently, in February, 1970, at the instance of Government, the Central Engineering and Design Bureau of Hindustan Steel Limited, updated the BASIC Report. Alter-

native assumption were made in this study of the CEDB, viz., (a) that coking coal would be obtained from indigenous sources and (b) that coal imported—for blending with indigenous coals.

8. The plant sites were considered from the point of view of the investments required as well as cost of assembly of raw materials and distribution of finished products. In the Western region, from the point of view of the cost of assembly of raw materials and distribution of finished steel, the case for Hospet was strong on both the assumptions in regard to coal. Considering the principle of reasonable dispersal of industry, development of a steel plant on the west coast was, therefore, deferred to some future date.

9. In the eastern region, Bailadila had an advantage from the point of view of freight charges, over Visakhapatnam, though the Railways had felt that the advantage which was calculated on the basis of the existing freight rates, might prove unreal. Railways had stated that higher charges might have to be levied on the freight rates for Bailadila (and for Goa) in view of the difficult terrain and high cost of operation involved for transport to these two plants. Further infrastructure development in Bailadila was almost non-existent and labour would be more difficult to get.

10. From the investment point of view, Bailadila had an advantage if imported coal was to be used. It had also a slight disadvantage if indigenous coal was used for the steel plant. Nevertheless, Visakhapatnam has certain district advantages for setting up a steel plant in the proximity to the port. Such a site would enable imported coal of low ash content to be based, and this, in turn, would increase the productivity and efficiency of the blast furnaces and reduce the investment required for the Plant. Such import will also reduce the need for investment in coal mining and in coal washing plants. Another advantage which Visakhapatnam has over Bailadila is the existence of skilled and semi-skilled labour in adequate numbers and also the facilities of ancillary industries. From these points of view, Bailadila being relatively very much underdeveloped, would present problems which has also been emphasised in the BASIC Report.

Salem Special Steel Plant

11. The existing of magnetite iron ore and lignite deposits close to each other in the Salem-Neyveli region attracted attention and the possibility of setting up a steel plant in this area was taken up as early as in 1962 by a Technical Committee appointed by Government. Thereafter, Government commissioned Messrs Dastur and Co. in February, 1963 to prepare a detailed report. The main conclusions of Dasturco who submitt ed the Project Report in 1964 were:

(i) the magnetite ore in that area can be readily beneficiated to high grade of concentrates analysing about 64 per cent Fe content, this can be then pelletised, pre-reduced in a rotary kiln and smelted in electric furnaces; the lignite char from Neyveli can be used as reductant in the pre-reduction kiln and in the smelting furnace;

(ii) the above technology together with the very low assembly cost of raw materials at Salem permits the installation of a viable new steelworks in this region.

(iii) of the seven sites the Report examined, Kanjamalai site near Salem was considered to be the most suitable location because of its favourable situation in respect of raw materials assembly cost, availability of water and power, as well as broad gauge and metre gauge railway facilities providing ready access to raw material sources and to markets for finished products.

(iv) a plant designed to produce initially 500,000 tonnes of steel per year was considered to be economically viable. The capacity suggested was 0.5 million tonnes, mainly of mild steels, for which the cost estimates at that time were placed at Rs. 95.5 crores.

12. A token provision was made in the Third Plan and land was notified by the Government of Tamil Nadu. Since then, however, in ivew of limited resources and other considederations, the proposal was not proceeded with. In the meantime, the Government of Tamil Nadu commissioned in August, 1965 the Japanese Consulting Institute to reassess the technical feasibility of the scheme. The report

of the Japanese Consulting Institute submitted in February, 1966, confirmed the technical and economic feasibility of producing steel at Salem but suggested that the first stage should be taken up for 250,000 tonnes which could be further expanded to 500,000 tonnes at a later stage. The process of iron making mentioned in Dasturco's report was appraised as acceptable with some modifications. Th Location of Kanjamalai near Salem was endorsed as a suitable location. It estimated the cost at Rs. 58 crores for a 250,000 tonnes plant, producing special and low alloy steels. This did not, however, include a number of items of cost such as facilities required for concentration of ore, transport and handling equipment, calcining and brick making facilities for LD converter, off-site facilities, customs duty etc.

13. Based on the earlier tests carried out in iron ore, the information collected from the Department of Mines and Metals, the latest location study by the CEDB and the earlier studies in this respect, the position is summarised below:—

14. The proven deposits of Kanjamalai, about 5 miles West of Salem Town, is about 90 million tonnes; the bulk of the ore is magnetite and amenable to magnetic concentration. the Fe content in the ore ranges from 33 to 37 per cent. The annual requirements of iron ore for a 250,000 tonnes plant would be about 0.0 million tonnes. On this basis, the proven deposits can support a plant of this size for about 80 years.

15. With regard to the availability of lignite char, the requirement at the first stage was estimated at about 160,000 tonnes at the rate of about 600 kg per tonne of pig iron. During discussions with the Neyveli Lignite Corporation, it was confirmed that the capacity of the briquette carbonisation plant was about 300,000 tonnes which at that time was producing ouly about 150,000 tonnes. It was, therefore, considered that there would be no difficulty in meeting the requirement of 160,000 tonnes of lignite char for the steel plant.

16. The Kanjamalai ore has very low phosphorous and sulphur content as well as extremely low alumina content (phos. 0.056 per cent sulphur negligible and alumina 0.7 per cent. This makes it more suitable for the production of special quality steels, provided however suitable reductant with

phosphorous and sulphur content within reasonable limits could be used. The price of such steels is substantially higher than that of mild steel. The cost of production due to benefication, pelletisation and use of lignite char is likely to be higher, but it may be more than offset by the production of special quality steels."

3.20. Regarding the selection of project sites for three steel plants, it has been stated that following the Government's decision a number of Committees were constituted for the projects sites and for the identification of sources of raw materials for each of these projects. The Site Selection Committee, comprising representatives of the concerned Central Ministries and Departments of State Governments and the two Consultant to Government visited all the three regions in June and July, 1970. In case of Salem Project the Committee came to the conclusion that of the seven possible sites in the Salem-Neyveli region, a site about 14 kms. west of Salem town, in the northern flank of Kanjamalai iron ore deposit, on which this project is based, was most favourable because of lower assembly cost of raw materials, minimum displacement of population and other infrastructure facilities available in the vicinity. Government's approval to the Committee's recommendation in regard to this site was announced on November 25, 1970.

In the case of Hospet Project, the Site Selection Committee examined four sites viz., Vyasankere, at the foot-hills of the Ramandurg iron ore deposits; Toranagalu, mid-way between Hospet and Bellary; Kanevahalli and Ubbalagundi. The Toranagalu site was preferred as it could easily be served by the marshalling yard proposed at Kudatini, at a distance of about 15 km. whereas the other sites were beset with many technical problems. Government approval to the Committee's recommendation for location of the project at Toranagalu was also announced on November 25, 1970.

For the Visakhapatnam plant, the Committee considered three sites, viz., Balacheruvu, about 25 km. south of Visakhapatnam town near the coast; Kanithi, a site parallel to National Highway No. 5 to Madras; and an area adjacent to the existing harbour and the aerodrome. Of these three sites, the Committee recommended Balacheruvu, as sufficient land was available for the project, township and ancillary industries. Government approved this recommendation of the Committee on November 30, 1970.

3.21. As regards the progress of action taken on the setting up of the three steel plants; the Committee have been informed through a written note thus:—

"The Central Engineering and Design Bureau of Hindustan Steel Ltd. have been appointed Consultants for preparation of the Techno-economic Feasibility Report on a 2 million tonnes integrated steel plant near Hospet while M/s. M. N. Dastur and Co. Private Limited, Calcutta, have been appointed as Consultants for the preparation of such Reports for 250,000 tonnes special steel plant at Salem and a 2 million tonnes integrated steel plant near Visakhapatnam. The report in respect of Salem Project was due to be submitted by the end of August, 1971 and those in respect of the Visakhapatnam and Hospet Projects, by the end of November, 1971 (The Consultants has, however, indicated that they would need some more time). The tentative time schedule for commissioning these new projects will be indicated by the Consultants in the Feasibility Reports. On the Joint recommendations of the Consultants and the Hindustan Steel-works Construction Limited, project areas have been provisionally demarcated at each site. At the request of the Government of India, the Tamil Nadu, Mysore and Andhra Pradesh Governments have commenced land acquisition proceedings. The Survey of India have completed the topographical surveys of all the three plant sites. Hindustan Steel-works Construction Limited have taken up soil investigations at all the three plant sites. They have also set up base offices at Salem and Visakhapatnam. They proposed to set up an office at Hospet shortly. The raw material sources (for coal, iron ore, limestone and dolomite) have been identified by Committees set up for the purpose. The question of importing low ash coking coals to be used in blend with indigenous coking coals of high ash content is also being examined. Arrangements are being made for the testing of samples of iron ore, limestone and dolomite, at the National Metallurgical Laboratory, Jamshedpur. Arrangements for testing of samples of iron ore abroad are also being finalised. The Railways have started their survey work for marshalling and exchange yards, sidings etc. Schemes for supply of water to the Steel Plants and townships have been received from the respective State Governments and are under examination. A Panel of

experts has been set up to examine the possibility of standardizing the major items of equipment for the new steel plants so as to reduce the lead time for fabrication of such equipment by indigenous manufacturers. The Panel is expected to submit its Report by October, 1971. A Steering Committee with the Secretary, Department of Steel, as Chairman, has also been set up for reviewing, coordinating and keeping a close watch on the progress of work on the new Steel Plants."

3.22. The Committee were informed during evidence that the techno-economic feasibility reports in respect of the Visakhapatnam Steel Plant and Vijayanagar Steel Plant which were expected by November, 1971 had not been received from the Consultants. The report on Visakhapatnam was expected by the middle of February and on Vijayanagar (Hospet) by the end of January. It was added that as soon as they were received, they would be examined and the product-mix would be finally settled

3.23. As regards Salem Steel Plant the Committee were informed that the 'feasibility Report' was received on the 10th December, 1971, examined in the Department and another alternative was suggested to the consultants. They made a report on that a few days ago, it was considered in the Steering Committee for the New Steel Plants on 22nd January, certain modifications in the plant had been suggested to the consultants and they were expected to report on that in a few days after which action to take decisions will be taken.

3.24. With regard to the decision about the product-mix of the three new steel plants, the Department of Steel have informed through a written note as follows:—

"To consider all matters connected with the establishment of the three new steel plants at Salem, Vijayanagar (near Hospet) and Visakhapatnam, a Steering Committee was set up under the chairmanship of Secretary, Ministry of Steel and Mines (Department of Steel) on 1st March, 1971. The Steering Committee at its first meeting held on April 20, 1971 decided to constitute a Study Group under the Chairmanship of the then Director (Commercial), Hindustan Steel Limited to recommend the product-mix for each of the three new steel plants.

This study group after taking into account the projections of demand and availability as contained in N.C.A.E.R.'s First

Draft Report (which was received in March, 1971) made certain recommendations on 29th May, 1971, which were discussed at the second meeting of the Steering Committee took the following decisions:

A. For the Salem special steels plant, the consultants were to study the economics of the following three alternatives for the product-mix:—

Alternative I

(i) Stainless steel strips/sheets	40,000 tonnes
(ii) Alloy construction steel, carbon construction steel, etc. (bars and rods)	75,000 tonnes
(iii) Section products	90,000 tonnes
TOTAL	205,000 tonnes

(finished steel)

Alternative II

(i) Stainless steel strips/sheets	40,000 tonnes
(ii) Seamless steel tubes	50/80,000 tonnes
(iii) Alloy construction steel, carbon construction steel etc. (bars and rods)	Rest to match overall capacity of the plant.

Alternative III

	tonnes
(i) Stainless steel strips/sheets	100,000
(ii) Electrical sheets	40,000
(iii) Carbon construction and spring steel strips/sheets	10,000
(iv) Special mild steel strips/sheets	30,000
TOTAL	180,000

(finished steel)

B. For the Visakhapatnam and Vijayanagar steel plants, the following product-mix may be evaluated by the Consultants:

All shaped products	*Visakhapatnam*	*Vijayanagar*
	(in ,000 tonnes)	
(i) Medium merchant products	600	..
(ii) Light merchant products	250	250
(iii) Wire rods	400	400
(iv) Billets for sale	350	350
(v) Light and medium structurals	..	500
	1,600 (Equivalent to 2 million ingot tonnes)	1,600 (equivalent to 2 million ingot tonnes)

N.C.A.E.R.'s final report on the demand projections for 1975—80 was received in August, 1971. This report was discussed at inter-Ministry meetings held on 17th, 21st and 23rd August, 1971, in order to take a view on the product-mix for the new steel plants, as also the expansion scheme of ASP, Durgapur. This question was again discussed at subsequent meetings of the Steering Committee and it was felt that the product-mixes for the new steel plants as agreed upon earlier were consistent with the gaps expected in availability by 1980.

While no change is envisaged for the product-mixes of the Visakhapatnam and Vijayanagar steel plants, the consultants for the Salem steel plant had reported that alternative II was not viable on the basis of preliminary techno-economic studies, and they proposed in its place another alternative product-mix (Alternative IA) on 23rd October, 1971.

Alternative IA

Stainless steel strips .	40,000 tonnes
Elec rical (silicon) steel sheets	40,000 tonnes
Deep drawing quality steel sheets . . .	15,20,0000 tonnes.
Rest	Shaped products.

The techno-economic feasibility report on the Salem project was submitted by the Consultants on December 10, 1971 and all the alternatives, viz. I, IA, III have been evaluated therein. This report is under examination.

The techno-economic feasibility reports on the Vijayanagar and Visakhapatnam projects are expected by the end of January, 1972 and a final decision on the product-mix for these plants would be taken after the reports are examined."

3.25. When asked as to the action taken by the Department get the final decision of the Government on Salem Steel plant, the representative of the Department stated:—

> "The Department has given high priority to all the three new steel plants. About Salem, we have appointed a whole-time project officer. There is a Joint Secretary who deals largely with the problems only of the new steel plants. In Salem, we may have an investment of about Rs. 300 crores. We cannot take a decision without examining in detail all the possible product mixes. There has been some delay

because the consultants considered five product mixes and they recommended one. There was an alternative which we thought might help the Salem plant come up quicker because it might help to split up the work into Phased I and Phase II and Phase I may come quicker. But the consultants did not find the alternative preferable to the one they had originally suggested. Their report came only two or three days before the 22nd January. In anticipation, we had arranged a meeting on 22nd in which we also got the representatives of the Tamil Nadu Government, so that the question of price of electric power etc. could be taken up at the same time. We are giving the matter the highest priority."

3.26. In reply to a question regarding tentative time for commissioning it, he added:—

"That I can say only after Government's decision has been taken on the Feasibility Report. First the product mix will have to be finally settled. Then it will be necessary to examine what processes will be adopted, what equipment will be installed, whether that equipment could be made in India within the time available or it must be imported in full or partially, etc. Because of the shortage of steel, the aim will be that these plants are installed as quickly as possible."

3.27. When asked that in a basic industry like steel, should we not aim at deliberately surplus for a country of the size and development potential, the representative of the Department has stated:—

"When we made the assessment for 1980, we have provided for about 1.8 million tonnes of finished products for exports purposes. I would say that 1.8 million tonnes will provide a cushion for domestic requirements as well as utilisation of surplus for export. I agree in principle that we should aim at production slightly higher than what the domestic requirement is. But it should have some relation to what you think can be exported also and a country like Japan can export at the level of 15 million tonnes a year, it should certainly be possible for India to export about 2 million tonnes. I should also add that the position as far as 1970s is concerned, our aim is to instal additional capacities as fast as we can absorb them."

3.28. It was enquired whether a study was made of the phenomenal expansion of steel making capacity of Japan in the post war years. The representative of the Department has replied:—

> "Study of the industry in Japan was made by a group which went there in 1964-65. It is proposed to send a team in the near future. It has infact more or less been decided to send a team to Japan and to one or two other countries in the East to make a special study."

3.29. The Committee note that the need for achieving increased capacity of steel was felt at the beginning of the Third Five Year Plan and that in 1962 the Steering Group on the formulation of the Fourth Five Year Plan for Iron and Steel had recommended the study of Goa-Hospet and Bailadila—Visakhapatnam areas for setting up the new steel plants. Similarly in 1962 a Technical Committee was also appointed by the Government to consider setting up a steel plant in the Salem-Neyveli region. The Commitee are unhappy to note that Government took nearly eight years in announcing its decision for setting up steel plants in these areas. The Committee further note that while the Government's decision about the steel plants was announced in April, 1970 the techno-economic feasibility report in respect of only Salem Plant has been received from the Consultant which is under examination of the Government and that the techno-economic feasibility reports in respect of Vijayanagar (Hospet) and Visakhapatnam Steel Plants are still awaited. As the gestation period for integrated steel plants is between 7-8 years, the Committee would urge Government that final decision about the product mix etc. of the Steel Plant should be taken expeditnously and high priority should be given for commissioning of the steel plants within the shortest period. The Committee apprehend that any undue delay in final decision about the product-mix and commissioning of the steel plants would not only deprive the country's economy of reaping the benefits of additional steel capacity, but will also result in higher cost for setting up the steel plants.

3.30. The Committee would also urge the Government that while deciding the capacity and product mix of the steel plants, adequate provision should be made for increasing the capacity and varying the product-mix of the steel plant to meet the enticipated increase in the demand for steel in the coming years.

3.31. The Committee are convinced that in a basic industry like steel, Government's policy should deliberately aim at a surplus rather than achieving mere self-sufficiency. The Committee need

hardly point out that besides providing a cushion against unexpected shortfalls, surplus steel would afford the greatest encouragement to the development of engineering and other allied industries which require steel in large quantities and on assured basis. The Committee would, in this connection, like to cite the example of several leading countries like the U.S.S.R., U.S.A. and Japan where steel production has increased several fold during the last two decades, thus providing a strong base for development of industry to meet the home demand as well as exploit the export opportunities.

The Committee would like to point out that U.S.S.R., U.S.A. and Japan have been able to increase their production in steel several fold and they are able to add several millions of additional capacity in steel manufacture practically every year. The Committee, therefore, see no reason why the gestation period either for installation of new steel plants or for expansion of the existing steel plants should be spread over five to seven years. The Committee would like Government to compress this period so that the production from the new steel plants or expanded steel plants materialises at the earliest.

D. Continuous Casting Units and Sponge Iron Units

3.32. It has been represented by several Organisations that new steel capacity should be created to the extent of 8 per cent to 10 percent annually. As the gestation period in respect of large integrated steel plant is about 7-8 years and also the capital requirements for such plants is high, it has been advocated that more and more emphasis should now be laid on setting up of scrap-based electric arc-furnaces-cum-continuous casting plant as well as sponge iron units (commonly known as 'Mini' steel plants) with a capacity of 50,000 to 3,00,000 tonnes both in the public and private sectors throughout the length and breadth of the country to supplement the present inadequate billet production from the integrated steel plants. It was stated before the Committee by a non-official witness that a big technological break-through has been made in steel making by the foreign countries in putting up sponge iron units combined with continuous casting plants which has enabled them to reduce the big capital expenditure required for putting up the integrated steel plant. According to them the average economical size of such a sponge-iron-cum-continuous casting unit would be about 300,000 tonnes and total plant cost as per rough estimates would be about Rs. 10 to 12 crores. About the foreign exchange requirement it was stated that for a continuous casting unit it would be above 1 crore but for sponge iron unit since no one has made a plan

the foreign exchange component would roughly be about 30 per cent. The Committee were informed that a sponge iron unit could be put up in 30—36 months but a continuous casting unit could start production within 12—18 months though not to the full capacity. It was stated that at present the country producing steel-melting furnaces upto 20 tonnes capacity per charge and with a proper mix of scrap, six charges could be taken up in day and two furnaces could give the capacity of 60 to 65 thousand tonnes a year.

Electric Arc furnaces-cum-continuous casting plants:

3.33. About the policy of the Government regarding scrap based billet producing plants, the Committee have been informed:

> "Encouragement is being given to the setting up of scrap based electric furnaces *cum* continuous casting plants for augmenting the production of billets. Production of ingot/billets from scrap by using electric furnaces with or without continuous casting units had been delicensed in May, 1966. This together with the shortage, which had developed, had resulted in encouraging response from entrepreneurs for setting up additional capacities. Under the new Licensing Policy announced in February, 1970, however, if the fixed assets of units exceeded Rs. one crore or import of capital equipment exceeded 10 per cent of its investment or Rs. 10 lakhs whichever is less, such units had to be licensed under the Industries (Development and Regulation) Act. Government have recently issued Letters of Intent for creation of new capacity, and for expansion of existing capacities manufacture of billets totalling around 700,000 tonnes per annum. A good part of this capacity is likely to materialise during 1972, and the rest progressively thereafter. Further additions to capacity are likely to be maintained at around 250,000 tonnes per annum in subsequent years also."

3.34. About the existing units and licensing of the new units, the Committee have been informed during evidence that "there are about 172 electric furnaces and about 16 units have been given industrial licences or letters of intent since February, 1970 and about 19 units have got themselves registered with the Iron & Steel Controller under the exemption from 'licensing within one crore'."

3.35. A statement showing the details of the applications for industrial licence received by Government from State Government undertakings and private entrepreneurs for the manufacture of steel

billets/ingots from ferrous scrap by conventional or continuous casting process is at Appendix II.

3,36. The Committee were informed that Government have granted letters of intent to four State Industrial Development Corporations (capacity 280,000 tonnes) and eleven units in the private sector (capacity 510,000 tonnes) for producing of billets based on continuous casting process.

3.37. When asked about the average time taken issuing the licence, it was stated during evidence that "the average time taken in the issue of letter of intent comes to about 8½ months reckoning the period from the date of receipt of the application in the Ministry of Industrial Development to the date of issue of the letter of intent by that Ministry."

3.38. Regarding the time when these units will go into production, the Committee were informed that "six of these units have been permitted, in principle, to place order for their continuous casting machines abroad. Their electric furnaces have already been ordered and will be commissioned mostly in 1972 or early part of 1973. From these electric furnaces, they will be able to start production and when their continuous casting machines come then they will be able to achieve their fuller capacity The present delivery period quoted for the manufacture of electric furnaces in the country ranges from 18 to 24 months."

3.39. It was mentioned to the Committee that six units who were allowed to order the continue casting machines abroad were not able to get their licences cleared because of financial delays. When asked as to when they were going into production, the representative of the Department has informed the Committee:—

> "The actual position is that continuous casting unit consists of electric furnaces as well as the units which cast continuously and only have the electric furnaces, they will make the steel by casting it through moulds.....that the electric furnaces will be installed and commissioned, but for continuous casting, you know, Government have agreed for the first six units for imports being made on certain basis. That is, they will be made to the extent of 40 to 60 per cent indigenous and the rest will be allowed to be imported. Even when we have agreed to give the letter of intent, there are certain other formalities. The unit must get the foreign exchange and he must arrange for credit. He must get the money which he

borrows from financial institutions This has taken considerable time and therefore out of these six units, even where Government procedures have been finished, they are still negotiating for their credits and for their loans. So, what was suggested was that it does not matter because such units have in any case placed orders for electric furnaces which will come up and steel will be produced. They will produce the steel by the conventional method. Continuous casting units can come later. If they had got the credits as well as the loans immediately. Then it may have been possible to get the production by 1972 through the six units. My assessment is that only about two will come up by the end of 1972 with continuous casting units and the rest will come later."

3.40. In reply to a question as to what will be the expected production of these two units by 1972, the Committee was informed:—

"Each of these units are supposed to produce 50,000 (thousand) tonnes of billets if they are to work to 100 per cent capacity. So, if they are commissioned towards the end of 1972, they cannot produce 50,000 tonnes straightway. But after some time, much shorter than in a big plant, they will produce 50,000 tonnes per Unit."

3.41. In regard to an enquiry that when the billets could be produced by electric furnaces why more licences could not be issued, it was stated by the representative of the Department:—

"The reason is that we took a decision that after this import of 6 units the rest have to be made in India. That is one point. The second point is that Government decided that additional licences will only be given when they are satisfied that there is enough scrap in the country to feed them and a Committee on the availability of scrap was set up and the report of that Committee has been received and is under examination. That Committee has suggested various methods of collecting all the scrap that is available within the country. They have suggested that we must have regional places where we can collect and pack up the scrap into small bundles so that it could travel and we can produce bales, briquets etc. They have also suggested that collection of scrap from old ships also. When these recommendations are examined, and implemented, it may be possible to sanction more continuous casting units. We do not want to sanction units if they

do not have scrap because the feed for electric furnaces for production of steel is scrap."

3.42. In reply to the question about the cost of production of these units, the representative of the Department has stated that "tentatively one tonne is expected to cost Rs. 800 to 900 per tonne. This is still under further examination to get a more realistic estimates."

3.43. In reply to an enquiry, whether the Government have examined the question of finding out what would be the most suitable size of arc furnace for continuous casting units having regard to economies of scale and cost of production and the decision taken thereon, the Department of steel have informed the Committee through a written note:—

"By 'Mini Steel Plants' the Committee is perhaps referring to the scrap-based electric furnace cum continuous casting plants. For the time being, as a beginning the size of arc furnaces which such plants have incorporated in their projects took into account the easier availability of electric furnaces within the country in a reasonable time and the fact that hitherto, by and large, the electric furnaces which have been in operation were of a small capacity. The projects include 2 x 10 tonne charge electric furnaces which could produce about 50,000 tonnes of steel billets by continous casting. The other advantage of standardising these units at this capacity is that this would enable wider dispersal of these units. In the initial stages, the production may be somewhat less. However, with improvement in the quality of steel scrap through proceeding and a proper proportion of heavy melting scrap, use of oxygen for refining, with better quality refractories etc., it should be possible for 2 x10 tonnes electric furnaces to produce about 50,000 tonnes of billets per annum as envisaged. Larger size electric furnaces such as 15 T or 20 T, might bring in better economies of scale. However, as against this the height of the structure and buildings would considerably go up with a substantial increase in the civil cost. Likewise, the crane capacities would also go up with corresponding increase in investments. Besides, as stated earlier, the deliveries of the larger capacity are furnaces are considerably longer. In the present stage of the industry and of scrap availability, therefore, these standardised units would be set up more expeditiously and at lower cost and can start earning soon."

Sponge iron units

3.44. It has been stated in the Department of Steel's Annual Report (1970-71):—

> "The present licensed capacity in the private sector/state sector is 796,000 tonnes per annum, comprising of 100,000 tonnes for sponge iron, and the remaining for pig iron. In view of the excess availability of pig iron from the main plants not much progress has been made except for one unit, in setting up capacity for pig iron. Under the new Industrial Licensing Policy, the Ministry have sponsored some cases for the grant of Letters of Intent for the manufacture of sponge iron based on direct reduction process with iron content ranging between 85—90 per cent. Sponge iron can substitute scrap, and can serve as a raw material for the electric furnaces industry for increasing their production. Possibilities of exports either in the form of sponge iron, or pre-reduced pellets also exist."

3.45. The following statement furnished by the Department of Steel, indicates the position of applications for grant of letters of intent/industrial licences for setting up sponge iron units:—

S. No.	Applicant	Item of manufacture	Capacity (t.p.a.)	Location	Position
	Scheme Approved				
1.	M/s. I.D.C. of Orissa .	Sponge Iron	100,000	Barbil (Orissa)	The letter of intent was issued on 8-9-70. They have also applied for increase in capaicity to 300,000 tonnes p.a.
	Schemes Under Consideration				
2.	M/s. Chogula and Co. Ltd., Goa.	Sponge Iron	300.000	Hospet (Mysore)	The application has been approved by the Licensing Committee. It is awaiting clearance under the MRTP Act there after it will be submitted to the Cabinet Committee on Economic Coordination for approval.
3.	M/s. Indian Copper Corpn. Ltd., Calcutta.	Sponge iron	300,000	Singhbum (Bihar)	Submitted to L.C., decision awaited. Also under consideration under the MRTP Act.
4.	M/s. Karnatak Mining Co. Ltd., Bangalore.	Sponge iron	300,000	Hospet (Mysore)	Submitted to L.C., decision awaited.
5.	M/s. V. S. Dompo & Co. P. Limited	Sponge iror	300,000	Hospet (Mysore)	Submitted to L.C., decision awaited.
6.	M/s. J. K. Udyog Ltd. .	Sponge iron	300,000	Bihar/Orissa/ MP/Rajasthan	Submitted to L.C., decision awaited.
7.	M/s. Shri V. C. Burman New Delhi.	Sponge iron	300,000	Orissa	Submitted to L.C. (since withdrawn).
8.	Shri C. Mittal, Calcutta. .	Sponge iron	300,000	Visakhapatnam/ Kothgudam (A.P.)	Under consideration
9.	M/s. Tamil Nadu Inc. Dev, Corporation	Sponge iron	60,000	Tamil Nadu	Under considration.
10.	M/s. Bangalkot Cement Co.	Do.	300,000	Mysore	Do.

11. Shri V. C. Burman, New Delhi	Do.	300,000	Madhya Pradesh	Do.
12. M/s. Mukand Iron and Steel Limited, Bombay.	Do.	175,000	Gujarat/ Maharashtra	Do.
13. Shri S. K. Swarup, New Delhi	Do.	300,000	Cuttack	Do.
14. Haryana State Industrial Development Corporation	Do.	100,000	Haryana	Do.
15. M/s. Atlas Iron & Alloys Ltd. Bombay	Do.	300,000	Orissa	Do.
16. State Industrial & Investment Corporation of Maharashtra.	Do.	100.000	Chandrapur/ Maharashtra.	Do.
17. Rajasthan State Industrial and Mineral Development Corporation.	Do.	300,000	Rajasthan	Do.
18. Modi Industries..	Do.	300.000	U. P.	Do.

3.46. Giving further details about the applications, the Committee have been informed during evidence that out of 18 applications, received, one unit has been given a letter of intent and take more units of State Industrial Development Corporations have been recommended for grant of letters of intent; four cases have been rejected and rest are under consideration. In the four cases whose applications were rejected, it was stated that 'they themselves withdrew the applications or the value of the equipment etc. proposed by them, was found completely inadequate in examination; when asked as to how long these applications were under consideration, it was stated that 'the oldest application under consideration if of January, 1970 which has been recommended to the Licensing Committee and the next oldest application is of June 1970.' It was then asked as why in 1½ years no action could be taken on these applications, in reply the representative of the Department has stated:—

> "The question of development of this industry has been under consideration from a policy point of view. It is reserved for the public sector under the Industrial Policy Resolution. But the Government have been considering whether we cannot associate private expertise and experience in a sort of joint sector which will enable some units to go ahead apart from the purely public sector ones which we have already recommended. Some details on these are still under consideration."

It was added:—

> "There is no doubt that sponge iron is a feed which will be very useful. Sponge iron has so far been successfully produced on a commercial basis, with a gas reductant in other countries. We have no surplus of gas in the country for such use. So, we have based it on ordinary coal. We are short of coking coal but have considerable quantities of ordinary coal. So far experiments have been carried out in other parts of the world into solid well-established reductants and production of sponage with solid reductant has not yet been on a commercial basis. There is only one plant in Canada which is reported to be producing sponge iron on a commercial basis, but that has not been in operation even for two years. Therefore, it is a feed which is uncertain but at the same time, it is a feed in which we have a very great interest. So, we would like to invest in such a project in such a

way that we can give even Governmental support. That is why we want it in a joint sector. But there is no point in going ahead and having ten units. Once we succeed in one, then we can have more units. This is the real point."

3.47. The Committee note that since the announcement of new Licensing Policy in February 1970, Government have issued letters of intent to four State Industrial Development Corporations with total capacity of 2,80,000 tonnes and eleven units in the private sector with total capacity of 5,10,000 tonnes for production of billets based on continuous casting process and further licensing of continuous casting units is pending decision by Government on the findings of the Report of the Departmental Working Group on the availability of scrap within the country.

The Committee also note that so far only one sponge iron unit has been given letter of intent and further licensing of such units is pending success of this unit.

The Committee feel that in the context of shortages experienced in steel production and in view of the low gestation period with comparatively smaller capital requirement the scrap based electric furnaces-cum-continuous casting plants have obvious advantages as they would make for decentralised production and distribution besides putting scrap to productive use.

The Committee would like Government to continuously review the position and take timely decisions so that we may increase our total indigenous production in the shortest possible time to meet the present requirements and save precious foreign exchange which is being spent on imports. The Committee have no doubt that Government would bring the production of electric furnace-cum-continuous casting plants under the purview of the Joint Plant Committee to make for a most rational allocation.

CHAPTER IV

DISTRIBUTION

A. Genesis of Distribution Policy

4.1. Control on Iron and Steel in India dates from the Second World War. To begin with, rate contracts were entered into with the producers and the distribution control was exercised on a non-statutory basis. With the passage of time, this type of control was not found adequate. In July, 1941, the Iron and Steel (Control and Distribution) Order, 1941 was promulgated under the Defence of India Rules and for the first time, brought under statutory control. Initially statutory control was introduced on distribution of some categories of iron and steel which was later on extended to almost all categories of iron and steel.

4.2. Under the Iron and Steel (Control and Distribution) Order, 1941, no person could sell or purchase the iron and steel covered by the said order without a licence from an authority specified therein. Licences were issued by the following authorities, each of whom where allotted quotas from time to time:

(1) Director-General of Munitions production

(2) Engineer-in-Chief (Defence Deptt.)

(3) Royal Indian Navy

(4) Railway Board

(5) Quarter Master General

(6) Directorate General, Shipbuilding and Repairs

(7) Commerce and Labour Department (for meeting Civil needs and Industrial requirements not connected with war).

4.3. The Commander-in-Chief was authorised by the Governor-General in Council to allocate steel quotas to the aforesaid authorities and to determine priorities. The Master-General of Ordnance was nominated by the Commander-in-Chief to discharge his functions in this regard. The quota-holding authorities, referred to above, furnished to him their quarterly category-wise demands. The Iron and

Steel Controller furnished to him an estimate of quarterly category-wise production. Taking these into account, he allocated to each of the aforesaid authorities specified tonnages of iron and steel of each Category which could be licensed by them for meeting the requirements of the services covered by their charge. These allocations were made on quarterly basis and were intimated to the quota-holding authorities by a specified date in every period. The consumers, in whose favour licences were issued by these authorities, could issue sub-licences within the quantities specified therein. Those who wanted to purchase from stock-holders could do so direct, but they had to surrender their licences|sub-licences to the stockholders. After collecting sufficient number of licences|sub-licences from consumers, the stockholders replenished their stocks by placing bulk orders on the producers. All orders on producers were thus based on the licences|sub-licences and were routed through the Iron and Steel Controller. The Iron and Steel Controller was authorised to determine the rolling programmes of the Producers. A Scrap Control Order was promulgated in 1943 to ensure stricter control on all types of scraps and defectives.

4.4. With the end of hostilities, the War demands came to an end. In fact, sizeable surpluses were sold out to meet civilian needs at controlled prices. It was then felt that the elaborate system of war-time control was no longer necessary. The system of issue of licences by quotaholding authorities to indivildual consumers was abolished. Control over Pig Iron and Pipes was withdrawn. All restrictions on stockholders were also withdrawn. The restrictions on the producers were, however, retained and all indents on producers were required to be routed through the Iron and Steel Controller.

4.5. Subsequent events belied the Government's expectation that decontrol of distribution would help the civilian consumers. A revised system of distribution similar in pattern to the war-time quota-system was, therefore, re-introduced in November, 1946. The Master-General of Ordnance had, however, ceased to function as the allocating and priority authority. The power to make quarterly bulk allocations was thereafter vested in the then Department of Industries and Supplies of the Government of India. Several sponsoring authorities were nominated to screen the Industrial Maintenance and Packing Quota and the Private Industrial Development quota. Each State Government appointed a "State Steel Controller" for operating the allotment given to them for meeting small consumer demands within the State.

4.6. In August 1947, India attained freedom which was accompanied by the immediate and pressing problems of rehabilitating refugees from Pakistan and also by the desire and determination to get rid of the legacy of industrial backwardness. Government's Industrial Policy was announced in April, 1948, which emphasised the importance to the economy of securing a continuous increase in production and its equitable distribution. Need for steel, particularly for rehabilitation and development, was found to be greater than even the war-time demands, with the result that the limited indigenous production had to be severly rationed. To cope with this task, the scope of the control was enlarged to become all pervasive and the Steel Controller was authorised (a) to freeze any stocks of steel, (b) direct sale of any stock of steel even if these were acquired against a permit, (c) compel any producer to produce any category of steel, (d) regulate the creation of new production capacity, etc. Similar powers were also given in respect of control over iron and steel scrap of all varieties.

4.7. The First Five Year Plan was launched in 1950-51. It gave Primary importance to agriculture as against industries. The pressure of essential demands of iron and steel had also begun to recede. This called for relaxations in the then prevalent system of control on distribution control over structurals was the first to be withdrawn in August, 1952. In September, 1952, Registered Stockists (i.e. smaller stockists handling the State quotas) were permitted to dispose of any stocks of steel which were not covered by permits within 60 days of the date of reporting the stocks to the State Steel Controllers. In January, 1953, pipes were completely decontrolled. In May, 1954, the stockholders were allowed to dispose of bars and structurals without any permit at all and sheets after 89 days, if uncovered by permits.

4.8. Towards the middle of 1955, it was found that as a result of the relaxations referred to above the producers had booked orders, mostly from stockists, for bars and structurals to cover their production for severay years and were unable to deliver materials against fresh orders even from Railways and other Government departments within a reasonable time. Meanwhile, essential demands were also going up. The Second Five Year Plan laid more emphasis on the development of Industries, irrigation and power projects and transport, all of which needed considerable quantities of steel. As a result of all these developments most of the relaxations granted during the previous three years were withdrawn in November, 1955, and the system of quota-allocation was again revived for all categories of steel.

4.9. Essential Commodities Act, 1955, was enacted in April, 1955. Based on the provisions of this Act, Iron and Steel (Control) Order, 1956, was issued on the 8th May, 1956. Upto this time, there were two separate Control Orders-one for prime steel and another for scrap. Both these orders were amalgamated into the Iron and Steel (Control) Order, 1956.

4.10. Almost all categories of iron and steel were distributed in accordance with the provisions of Iron and Steel (Control) Order, 1956. Under the procedure, the Iron and Steel Controller, with the concurrence of the Ministry of Steel and Mines, used to allocate bulk quotas to various sponsoring authorities. The sponsoring authorities used to allocate quotas of iron and steel placed at their disposal to various actual users within their purview.

4.11. The quota-holders used to submit their indents on the prescribed forms to the Iron and Steel Controller for Planning. The Iron and Steel Controller used to plan these indents on any of the main producers. The main producers used to issue sale orders and supply the materials in order of chronology of the booking of indents.

4.12. It will be seen that after the end of Second World War, the policy for distribution was shifting from time to time between various stages of control and decontrol depending upon the balance between supply and demand of various categories of steel. However as there was a general dissatisfaction with the distribution system, the Government in September, 1962, appointed a Committee popularly known as the Raj Committee to examine the then system of planning and distribution of steel. The Committee submitted its report in 1968. The major recommendation which was accepted was the constitution of the Joint Plant Committee to take over the working of planning the indents on the different producers and distribution and price of the 'Non-scarce' categories like bars, rods, structurals etc. Broadly speaking, all non-flat products such as bars, rods etc. which constituted about 70 per cent of the production were free from price and distribution control. Control continued to operate in the case of 'scarce' categories such as plates and sheets. With progressive improvement in the availability, control over some other categories was also lifted from time to time and ultimately in May, 1967 on the recommendation of the Khadilkar Committee's Report, Government decided to remove statutory Control over the prices and distribution of all categories of steel. It has, however, been stated by the Ministry that the Iron and Steel (Control) Order, 1966 continues to be in operation and only the operation of a few clauses of the Order was suspended to give effect to the decision to remove statutory control over the prices and distribution of iron and steel.

4.13. The Joint Plant Committee, as referred to above, was constituted in March, 1964 but it started functioning only from August, 1968. It consists of the representatives of the Producers with the Iron and Steel Controller as the Chairman and a representative of the Railway Board as a member. The Committee was entrusted with the job of looking after the distribution and prices of the decontrolled categories. From May, 1967 all categories came under the purview of the Joint Plant Committee. Along with the Joint Plant Committee, another Committee known as the Steel Priority Committee was also constituted in March, 1964, to decide on the quantum of supplies to be made to priority consumers so far as their requirements of 'scarce categories' like sheets, plates, etc. were concerned. From March, 1964 till May, 1970, they were functioning in respect of the scarce categories only. However, with the end of the recession and the subsequent spurt in building activity, the demand for various categories like bars, rods, structurals, etc. started going up and in May, 1970, Government decided to treat all categories of steel as 'scarce'. In other words, despatches from steel plants for all categories of steel started taking place only in accordance with the decision of the Steel Priority Committee. This Committee which originally consisted of the Steel Secretary (Chairman) the Economic Affairs Secretary, the Industries Secretary, the Planning Commission Secretary and the Iron and Steel Controller (Member-Secretary) was also strengthened in May, 1970 by the inclusion of the Foreign Trade Secretary, the Chairman Railway Board, the Director General of Technical Development, Development Commissioner, Small Scale Industries and the Joint Secretary in the Ministry of Steel, along with the representatives of the Producers. Formerly they used to meet and decide priority allocations on half yearly basis but with effect from September, 1970 these are being done on quarterly basis.

4.14. The detailed composition and the functions of the Joint Plant Committee and the Steel Priority Committee are given below:

JOINT PLANT COMMITTEE

Composition

Chairman

(i) The Iron and Steel Controller—

Members

(ii) One representative each of the main steel plants, that is to say, the Tata Iron and Steel Company Ltd,. the Indian Iron and Steel Company Ltd., the Hindustan Steel Ltd., Bhilai and the Hindustan Steel Ltd., Durgapur.

(iii) One representative of the Ministry of Railways.

Functions

(1) The Joint Plant Committee shall be responsible for carrying out generally the functions of co-ordinating the working of the main steel producers, particularly with a view to evolving common procedures and joint action in regard to planning of indents, despatch, distribution and pricing of products and drawing up of rolling programmes.

(2) The Committee may obtain from the producers, indentors and authorised dealers such information and data as it may require in connection with the planning of production scrutiny of indents and allocation to different plants and may also form such statistical and other units as may be necessary for this purpose.

(3) The Committee shall handle all indents for all categories of steel as are to be executed by the main steel plants.

(4) The Committee may formulate terms and conditions which are to be fulfilled by the indentors to the extent not covered by any specific orders issued under the Iron and Steel (Control) Order, 1956.

(5) The Committee shall have wide publicity to the procedure to be followed by the indentors and may devise, if necessary, forms of indents from time to time. The Committee shall scrutinize the indents submitted to it and after the scrutiny forward the indents to the steel plants nominated by the indentor for booking of orders. The Committee may prescribe the financial and other formalities to be completed by the various classes of indentors, prior to the steel plant accepting the indent for issue of sale orders.

(6) The Committee shall help the Steel Priority Committee in deciding the priorities for despatch of iron or steel. For this purpose, in the light of the recommendations made to the committee by the sponsoring authority regarding the requirements of individual consumers, the Committee shall discuss with the main producers and such of the sponsoring authorities as it considers necessary, the extent to which their requirements and estimated production can be matched and thereupon send its consolidated proposal with its recommendations to the Steel Priority Committee. In making such proposals, the Committee

shall have due regard to the need to minimise to the extent possible the freight payable for movement of any category or iron or steel indented for.

(7) The Committee shall, subject to any overall directions from the Steel Priority Committee, prescribe the particulars of information which consumers seeking priority should furnish, the proforma for this purpose and the last dates and time-table by which inforfation should be furnished, scrutinised and completed in order to enable effective deliveries against priority allocations in each quarter.

(8) The Committee may determine, announce and list prices (base prices as well as extras) from time to time of all categories of iron or steel not subject to price control under clause 15 of the Iron and Steel (Control) Order, 1956. The prices so determined will be ex-works prices. The Committee shall and a fixed element of equalised freight to the ex-works prices announced from time to time in order to ensure that buyers of steel all over the country pay the same railway freight irrespective of the distance from the source of supply. The Committee may take such measures as it considers necessary or desirable to ensure that buyers of iron or steel all over the country pay the same price.

(9) The Committee shall endeavour to equalise freight for those categories of iron or steel, if any, which are subject to price control under clause 15 of the Iron and Steel (Control) Order, 1956, and for this purpose take such measures as it considers necessary or desirable.

(10) The Committee shall meet as often as necessary but not less than once a month so that it can effectively discharge its supervisory and co-ordinating functions.

(11) The Committee may evolve suitable organisation, methods and procedures to review carefully the general market situation, fluctuations in free market prices, the trends of production, availability and movement of iron and steel and, in particular, the despatches from the different steel plants to ensure that the priorities laid down by the

Steel Priority Committee are complied with to the maximum extent possible and for this purpose the Committee shall arrange for effective and timely flow of information from the steel plants and sponsoring authority.

(12) The Committee shall submit regular and comprehensive information to the Steel Priority Committee to enable the latter effectively to review and regulate distribution.

(13) The Committee shall regulate the distribution and sale of defectives, cuttings, re-reliable and other scrap, and of materials from the stockyards of main producers on a uniform basis for all producers and for this purpose may prescribe uniform procedures and systems for the distribution and sale of the aforesaid categories for adoption by all the steel plants and review the same from time to time.

STEEL PRIORITY COMMITTEE

Composition

Chairman

(i) Secretary, Ministry of Steel and Heavy Engineering

Members

(ii) The Secretary, Department of Industrial Development.

(iii) The Secretary, Planning Commission.

(iv) The Secretary, Department of Economic Affairs, Ministry of Finance.

(v) The Chairman, Railway Board.

(vi) The Secretary, Ministry of Foreign Trade.

(vii) The Director General, Technical Development.

(viii) The Development Commissioner, Small Scale Industries.

(ix) Three Directors of the Hindustan Steel Limited nominated by the Hindustan Steel Limited.

(x) One Director of the Tata Iron & Steel Company Ltd. nominated by Tata Iron and Steel Company Ltd.

(xi) One Director of the Indian Iron and Steel Company Ltd. nominated by the Indian Iron & Steel Co. Ltd.

(xii) The Joint Secretary, Ministry of Steel and Heavy Engineering.

(xiii) The Iron and Steel Controller—*Member Secretary.*

Functions

(1) The Committee shall discharge its functions in relation to the following categories of steel produced by the main steel plants, namely:

(i) Joists
(ii) Channels
(iii) Unequal Angles
(iv) Rounds
(v) Squares
(vi) Angles
(vii) Tersteel or equivalent
(viii) Wire Rods, Mild Steel
(ix) Wire Rods, High Carbon, ACSR quality, Wire rope quality etc.
(x) Foreign equality Semis.
(xi) MS Flats
(xii) MS Plates
(xiii) Sheets
(xiv) Sheets and Plates in coils
(xv) Electrical Steel Sheets
(xvi) G. P. Sheets
(xvii) G. C. Sheets
(xviii) Boiler Quality Plates
(xix) Shipbuilding Plates
(xx) Chequered Plates
(xxi) High Carbon|High Tensile Plates
(xxii) Bearing Plates
(xxiii) Crossing Sleeper Bars, Rails, etc.
(xxiv) Light Rails
(xxv) Heavy Rails.

(2) The Committee shall meet and decide the priorities for despatch of iron and steel on a quarterly basis. The Committee may evolve the priority requisition forms, procedures for submission and processing of priority requisitions.

(3) The Chairman of the Committee may invite or co-opt any other Secretary to the Government of India or Head of Department to attend any meeting of the Committee.

(4) The Committee shall, at its meetings, review the implementation of its decisions taken in earlier meetings allocating priorities and shall be generally review the overall position of steel distribution and availability.

(5) The Committee shall, from time to time, review the Working of the Joint Plant Committee.

(6) While allocating despatches of different categories of steel to the consumers, the Committee shall take into consideration the estimated production during the quarter in which the allocations are to be made.

(7) While allocating despatches to the consumers the Committee may earmark the proportions of available production considered reasonable for despatch, not to the individual consumers direct, but to the stockyards of the main producers and to traders subject to any conditions that the Committee may choose to impose to achieve the most balanced regional distribution.

(8) In considering despatches of steel to industries in the small-scale sector, the Committee shall give weightage to requirements routed through the Small Scale Industries Corporations or Raw Material Depots set up by the State Governments.

(9) In according priority of despatch to the orders booked by any individual consumers on the main producers, the Committee shall utilise, to the extent possible, such orders which exist on the date of publication of this notification. Priority of despatch shall be accorded to subsequent orders only when the existing orders placed by a consumer for the category of steel for which the Committee decides to accord him priority are exhausted.

(10) Where the Steel Priority Committee allocates priority of despatches to any party for the purpose indicated by the party, and where it comes to the notice of the Committee that the steel has not been used for the purpose specified,

then without prejudice to such punishment as he may become liable to for violation of Clause 7 of the Iron and Steel Control Order, 1956, the Committee may turn down or modify any subsequent requests received from the party for allocation of priority of despatches or suspend any allocation of priority already given.

B. Present Distribution System

(i) *Steel Priority Committee and Joint Plant Committee*

4.15. It has been stated by the Ministry that the present policy of distribution which came into force on 22nd May, 1970 is consumer-oriented. It has brought under the Steel Priority Committee practically all categories of steel produced by the main producers. About 80-85 per cent of the total production of Steel Plants is distributed on the basis of priority granted by the Steel Priority Committee on quarterly basis. The Steel Priority Committee consider demands of the consumers which have been sponsored by the appropriate sponsoring authorities in accordance with the prescribed procedure. While requirements of the bulk consumers which include organised large sector, public sector etc. *i.e.*, requirements for more than one wagon are met from the Steel Plants, the requirements in small quantities *i.e.*, requirements less than a wagon load of industries and the needs of private citizens and public institutions, are generally met from Producers' Stockyards. At present about 5-10 per cent of the indigenous production of steel materials is distributed through the producers' stockyards.

The indenting procedure for requirements of steel for more than one wagon under the revised distribution system is as follows:

Indenting Procedure for requirements more than one wagon

4.16. The previous system of regulating the booking of orders on the steel plants has been given up. All indentors requiring iron and steel for genuine purposes are now free to book orders for steel without any ceiling on the steel plants through the Joint Plant Committee. The indents presented to the Joint Plant Committee are to be accompanied by such documents as prescribed by the Joint Plant Committee to satisfy them that the indentor is a party authorised or competent to utilise the particular category of iron or steel for any genuine use in construction or fabrication. Where the indentor requires the iron or steel only for purposes of trade, the indent should be accompanied by the particulars or documents prescribed by the Joint Plant Committee to satisfy them that the party is a *bona fide* and competent trader of iron and steel. The Joint Plant Committee after this scrutiny of the indents, forwards them to the steel plants

nominated by the indentor for booking of orders. The Joint Plant Committee may also prescribe the financial and other formalities to be completed by the various classes of indentors, prior to the steel plant accepting the indent for issue of sales orders. Such sale orders are valid for a period of two years only from the date of booking and will automatically lapse at the end of that period unless the despatches are effected within that period or the sale orders are included by the Steel Priority Committee for rolling and despatch prior to the date of expiry. The condition regulating such automatic lapse is now included in the conditions of stale in all sale orders.

4.17. Consumers who have orders booked with the Main Producers and who are interested in getting priority for delivery during any quarter should approach the Steel Priority Committee through their sponsoring authorities. The priority allocations is done quarterly. Steel fabricating units whose requirements do not vary very much from quarter to quarter, are free to give their annual requirements at the beginning of each financial year instead of applying every quarter as above. In order to prevent leakages from the actual users, it will be necessary for the sponsoring authorities to screen the requirements received from individual consumers carefully before recommending what they consider to be the genuine requirements to the Joint Plant Committee for being consolidated and placed before the Steel Priority Committee. After receiving these recommendations from the different sponsoring authorities and the estimated production from the Main Producers, the Joint Plant Committee discusses with the Main Producers and such of the sponsoring authorities as they consider necessary, the extent to which the requirements and estimated production can be matched, and thereupon send their consolidated proposal with their recommendations to the Steel Priority Committee. In framing these proposals, the Joint Plant Committee has due regard to the need to minimise to the extent possible the freight payable for the movement of these categories. The Steel Priority Committee takes into consideration the estimated production during the quarter in question and allocate despatches of different categories of steel to the consumers. In doing so they earmark the proportions of available production considered reasonable for despatch not to individual consumers direct, but to the stockyards of the Main Producers and to traders, subject to any conditions that they may choose to impose to achieve the most balanced regionable distribution. In considering despatches to industries in the small scale sector, the Steel Priority Committee will give weightage to requirements routed through the Small Scale Industries Corporations or Raw Material Depot set up by some State Administrations.

4.18. The Joint Plant Committee, subject to any overall directions from the Steel Priority Committee, prescribes the particulars of information which consumers seeking priority should furnish, the proforma for this purpose, and the last dates and time table by which this information should be furnished, scrutinised and completed in order to enable effective deliveries against priority allocation in each quarter.

4.19. In according priority of despatch to the orders booked by any individual consumer on the main producers, the Steel Priority Committee utilise to the extent possible, such orders which exist on the date of issuing the notification *i.e.*, 22nd May, 1970. Priority of despatch will be accorded to subsequent orders only when the existing orders placed by a consumer for the category of steel for which the Steel Priority Committee decides to accord him priority are exhausted.

4.20. Where the Steel Priority Committee allocates priority of despatch to any individual party for the purpose indicated by the party, and where it comes to the notice of the Steel Priority Committee that the Steel has not been used for the purpose specified, the Steel Priority Committee may turn down or modify any subsequent requests received from that party for allocation of priority of despatch, or suspend any allocation of priority already given.

4.21. During evidence the representative of the Department of Steel has stated that "the main feature of the distribution policy now are that the parties are free to book orders on the main Steel Plants without any restrictions unlike what it used to be in the past."

4.22. Previously the Joint Plant Committee used to make annual allocations (in respect of scarce categories like sheets, plates etc.) in favour of various authorities like DGTD for large scale units, DG (SSI) for small scale units, Ministry of Railways, Ministry of Defence etc. who would then sub-allocate quotas in favour of different indentors. It was only thereafter that indentors could approach the Joint Plant Committee who would plan their indents to the extent of their sub-allocation. It was further stated by the representative of the Department that "after they (parties) book orders, if they want priority of despatch—because despatches are regulated now by the Steel Priority Committee and not taken in chronological sequence—they have to go to their sponsoring authority mentioning their need for a particular quarter. Quarter by quarter, we examine their requirements and after going into details of works orders that they already have, the allocations of the Steel Priority Committee

are communicated to Steel Plants more or less as an order, as the rolling programme, which they have to take up and despatch thus eliminating uncertainties in actual supplies of material for which priority has been allocated. And the whole intention of this revision was that we should be able to ensure a party for the quarter in which he was asking for a definite quantity of steel and that will be supplied to him. He can plan his production, he can plan his construction on that basis; at least he is getting this quantity definitely."

4.23. Explaining the need for routing through and scrutinising of indents by the Joint Plant Committee when the Steel Priority Committee has to make the allotment, the representative of the Department stated, "the Joint Plant Committee, in fact, functions on the ground that when these indents are received, computorised analysis is made and put up, then the Steel Controller has a detailed discussion with the important indentors. Thereafter he makes a recommendation to the Steel Priority Committee more or less with the knowledge of the sponsor. The Steel Priority Committee meets under the Chairmanship of the Steel Secretary and certain other Departments are also its members. Any point can be raised and considered there. But the Steel Priority Committee does not sit for days together as the Steel Controller does. It is the final authority which will discuss the points and try to settle there. When the final proposals are made, the SPC meets for half a day because he, the Iron and Steel Controller, spends previous to that several days discussing in detail with the indentors or the sponsoring authorities.

Scrutiny of Indents by J.P.C.

4.24. Giving details of the scrutiny of indents by the Joint Plant Committee, the Iron and Steel Controller has stated that it takes about 10—12 days continuous exercise by JPC. It is practically a daily sitting during that period. For instance, we are now considering April—June quarter. All demands sponsored by the various authorities received by the various sponsoring authorities received by 31st December, have been taken into consideration. They are now being computorised. We have a well laid down procedure for it. On 29th of this month, we will be finalising rolling programme with the producers. By that time, the computorised demand statement will be ready, section|thickness-wise and quantity-wise. This is on the one side. On the other side, we have received availability section-wise and quantity-wise. We try to analyse and rolling programme is finalised. Thereafter alongwith various sponsoring authorities, DGTD, DGS&D, Railways, Irrigation and Power and

Defence etc. we sit down and go section-wise, trying to match availability with demand. Broad allocations are then made section-wise. These are again compiled. We also hold a meeting with all the Directors of Industries and Managing Directors of Small Industries Corporations. There is a meeting with all the State Governments representatives. In our preliminary meeting with Central Sponsoring authorities at Calcutta, both the effective demand statement, section-wise, quality-wise and the tentative allocation section-wise are indicated to them. It is also a whole day long discussion. First of general type and then detailed discussion for half an hour or for an hour with groups of sponsoring authorities. There are many sponsoring authorities. We sit in continuation of that. Some changes are made, as suggested by them in these discussions. After [illegible] which is roughly a tentative allocation we give them the same and also hand over a copy of the effective demand statement. It is left to them (sponsoring authorities) to make sub-allocations sub-order-wise because they are in a better position to do. Signed statement of sub-allocations is taken from them and based on that thereafter go to Steel Priority Committee and taken their approval. A detailed exercise is thus made every quarter. We also at that time take into consideration special requirements of any sector and we keep on noting that, so that those demands can be subsequently looked after out of small reserve available with the Steel Controller."

4.25. When asked as to how the inflated demands that are put by the public sectors like Railways, P.W.D. and all that is checked, the representative of the Department stated, "It is a matter of discussion and pressure. You have to see the previous consumption standards and if there is any special increase in any particular quarter you have to ask for an explanation as to why it is so? He can say that it is for this project or that. It is quite easy to see the highly inflated demands but if there is a demand which is an increase by 20 per cent to 25 per cent, it is not so easy to check but nevertheless the limitation is what is in your hands to distribute and, therefore when you have discussion you go by past practice, and seeing the importance the allocations are made. There is no other way."

4.26. The Committee have gathered the impression that because of the constraint on available supplies, indentors, particularly those in the public sector and in small-scale industries are apt to inflate their demands so as to secure larger quota even after scaling down which may take place in the Joint Plant Committee discussions or in the allocations by the Steel Priority Committee. It has been admitted by the official representatives of Government that there

is at present no foolproof check if the inflation is of the order of 20—25 per cent. The Committee consider that the Iron and Steel Controller should be able to exercise stricter scrutiny of the indents so as to take out any elements of inflation. The Committee need hardly point out that when a party is found to have indulged in grossly inflating its indent, deterrent action should be taken so as to act as an example to others.

Guidelines for fixing priorities

4.27. It was represented to the Committee that in the matter of fixing priorities the considerations which govern the Steel Priority Committee are not known. The representative of the Department, who was asked whether there are any specific guidelines in the matter of rating priorities, has stated that there are no well defined guidelines. The aim is to make the best use of the steel available. Defence requirements are generally given high priority. The requirements of the Steel Plants are given high priority because they are the producers of the steel. The national projects are given high priority. Small Scale industries are given a certain amount of higher priority. Most of the Government or semi-Government or big project users have to be treated on their own individual merit. Other demands come through either the DCTD or the Directors of Industries or through the Development Commissioner, Small Scale Industries. As far as trade is concerned, that is divided into separate zones according to applications. There the regional considerations are important.

4.28. In a written note, the Department has given the following guidelines or criteria for allocation of priorities by the Steel Priority Committee:—

> "The Steel Priority Committee take into consideration the estimated availability during a quarter and allocate priorities for despatches of different categories of Steel to consumers. In doing so, they also earmark the quantities to be despatched to trade and to the Stockyards. In deciding the allocations to others, the criterion mainly is the end-use for which the material is required. Broadly speaking, any demand classified as "Opertional" by Defence is given the highest priority and is met in full before other demands are considered. Other Defence demands, the Demands of the steel plants themselves and export oriented demands are also given high priority. Important Public Sector projects, Rural Electrification Schemes,

foodgrains godowns etc. are also given priority. Some allocations are also made to the industrial units both in the large scale and Small Scale Sector for their normal functioning. After meeting the Defence "Operational" demands, the total picture of the demand from various sectors for the particular category of the particular size and quality under consideration is taken, as against the availability and a Judicious allocation is made, bearing in mind the considerations mentioned above. Even at the time of making these proposed allocations, representatives of some of the important sponsoring authorities such as Department of Defence, Department of Defence Production, CW & PC, Directorate General of Supplies and Disposals, Railways etc. are closely associated. After these draft proposals are finalised, detailed discussions are held with all sponsoring authorities and any re-adjustments in the allocations among the different projects under the same authority are agreed to if so desired. These proposals are then discussed and approved at a meeting of the Steel Priority Committee."

4.29. The Committee note that there are no definite guidelines for fixing priorities for allotment of steel to various indentors except that the priorities are allotted on merits of each case determined at the discretion of the Steel Priority Committee. As there is an acute shortage of steel, discretion has of necessity to be exercised. However well intentioned the dispensing body might be, the public are entitled to have definite indications as to how and on what basis a demand is preferred to another. In this connection the committee would like to draw attention to the legal maxim that it is not enough to do justice but it must also appear that justice has been done. The Committee, therefore, suggest that Government should evolve guidelines for fixing priorities in the light of experience gathered so far.

4.30. During the evidence it was pointed out that while the Raj Committee had recommended in favour of strict determination of priorities for allocation of steel materials to limited essential priority sectors, so that a reasonable proportion of supply of the categories was left for non-priority indentors, the position now appeared that who ever did not come within the priority allocations was outside it, which in effect meant rejection of the recommendation of the Raj Committee. It was also enquired whether in the absence of any definite guidelines there was a scope for lot of arbitrariness under the present procedure which does not give any indication to a person

as to how and on what basis, one application has been preferred to the other. A further question for ensuring fair regional distribution of scarce materials as recommended by the Raj Committee was also raised. Replying to the above points made out in the Raj Committee's Report, the representative of the Department has stated as follows:—

"Because there is no formal guideline which could be put on a piece of paper and shown to everybody, to say that everything happens arbitrarily would be wrong. There are general guidelines that could be given to you. Actual priorities are settled by discussion. What you desire is more or less being done. Wherever people have priority, they are given allocations. Where people cannot get priority, where the requirements are small, allotments are made to stockyards to the trade. As the situation was being exploited by charging extra-ordinarily high price, billets had been taken off trade and put under the BRC; from there again some allotment goes to the trade in order that people who are not getting priority or who have very small requirements can get their requirements met through trade. Industrial units, small scale units are fully covered. The Director of Industries, Small Scale Industries Corporations etc. put forward their cases. There are long arguments and then allocations are made. These are allocations which go to hundreds and thousands of units all over the country and they are being dispensed with locally, not from the centre because we are not in a position to decide about such individual units.

The distribution policy is really Government's. In 1960-61 the three new steel plants started operating and the position was easy. Actually when the Raj Committee reported, in 1963-64 the perspective was entirely different. The Raj Committee met in the perspective of a period of increasing availability, and shortage disappearing. That was the picture at that time. In 1963-64 and 1964-65 the HSL steel plants had reached one million capacity and that perspective was justified when the recommendations were made. For instance, it suggested successive de-control of items of distribution and this was done in the successive years, as and when each item became more available in the market.

The Raj Committee recommendations were followed and stockyards were set up with the same idea that more points of distribution would be available so that steel is available at fair prices all over the country. In fact, 15 stockyards have been set up by Hindustan Steel. Because at that period of time the shortage was disappearing, the Raj Committee suggested keeping of priority only to the small area. Therefore, they have suggested a simplified priority only for this and the Priority Committee followed the same procedure. They used to allocate priority more or less liberally on this basis. But gradually over the period as industries grew and production did not come to the expected quantity in the expansion period, shortage grew. So, the new systems that have come up, which the Government introduced, are really in a context of shortage appearing for all categories of items. That is why you will find that in the SPC today almost all categories of steel have been brought because of uniform shortage in practically all the items. So, these two things are in two different contexts. If the Raj Committee were to meet today probably some of the recommendations of the Raj Committee would be reviewed again.

One of the difficulties faced by the earlier Priority Committee was that whilst priority was being allotted, no proportion of the priority allocation could be assured supply. So the main thing that this Priority Committee is trying to do is to ensure that once they allot something, however, small the quantity, the allottee must be sure that by and large 80 to 90 per cent of the allocation made is actually supplied. So in the changed context, additional varieties, which was never thought of by Raj Committee like billet, rollers have also been brought under purview and distribution.

The Second point is about regional distribution. As far as the Government Projects or Government departments are concerned, they are taken care of because full data is available as to how much they require and by what time they would be completed. As far as the large or organised sector is concerned DGTD is there. So far as small scale industries are concerned, the Director of Industries or the Development Commissioner is consulted. In other words, the regional factor is expressed through the Director of

Industries. So far as the organised industry is concerned, irrespective of the origin, wherever industrial capacity comes up it will automatically come under the DGTD There are statistics published every year by the Iron and Steel Controller for the last ten years, giving the exact distribution Statewise of steel. You will notice that there are certain shifts taking place which is based on the change of the industrial pattern of the region. For example about a decade ago most of the steel, about 35 per cent was consumed by the eastern ragion. Today only 17 or 18 per cent goes to that region whereas the western region like Bombay or Gujarat has come up and they share half of it. So, the pattern of regional distribution is reflected in the pattern of industrial capacity set up in the region. That is how it has been taken care of whether there can be any other method of ensuring regional parity is a matter on which suggestions can be made."

4.31. When asked as to what happened to the priorities in case they are not met, it was stated, that, "we try to meet them as much as possible during the quarter. If, for some reason, that cannot be supplied, then it is physically impossibe to include it in the immediately next quarter because the allocations for the same would have been decided well before this shortfall is known. So, for the next practicable quarter, that is, the quarter after the next, the spill overs from this quarter are included and are the first charge on production. So far far as priorities under Category 'B' are concerned, there is no assurance. If the parties get it, well and good, otherwise they will have to apply again in the next quarter. The reasons for asking them to apply again is "that the supply will be six months later than what they had asked for and they might have already made arrangements for that—given up the scheme, made changes etc. Many things may happen."

Guidelines for Steel Plants

4.32. In reply to an enquiry whether there are any guidelines to the plants as to the order in which the work orders are to be taken and executed, it was stated as follows:

"The Plants have different rolling programmes. They have to finish the orders of a particular item before they change over to another item. When we give them a priority allocation we give them the entire picture of all the sections and sectors. There is no *inter* se priority among them. They will be executed according to the rolling programme

of the plant. When they take up one particular section, they will include in that all the orders indicated by the Steel Priority Committee for that section. When that is completed they go to the next section. So, their programme is product-wise.

It is done in settlement with the Controller. For purposes of allotment availability is decided on the basis of the rolling programme. When the rolling programme is decided, suppose there are orders for Section A and Section B. They will complete the orders of Section A before going to Section B.

Every quarter a detailed exercise is done. In the JPC, we receive the sponsored demands from various sponsoring authorities. At the same time, the plants indicate to us the estimates availability section-wise, quality-wise and all that. When the total sponsored items are received by us, we compile them for determining and analysing the rolling programme of the plants for the quarter. In other words, subject to the technological constraints, the entire rolling programme is attuned to the sponsored demand to the extent possible."

Review of Steel Allocations by the Steel Priority Committee

4.33. One of the functions of the Steel Priority Committee is to review the implementation of its decisions taken in earlier meeting allocating priorities and to review the position of steel distribution and availability. It was enquired as to the procedure adopted by the Committee to ensure that the priority allocations were despatched by the steel plants in full and in time and of the right specifications asked by the indentors. In reply, it has been stated that at every meeting of the Steel Priority Committee, a review is carried out of the performance of the steel plants for the previous completed quarter. The allocations for List A are made after discussion with the plant authorities. We do make a realistic assessment as much as is possible, but due to technological troubles or industrial relations, there has been set back in production in Durgapur and IISCO Steel Plants. But adjustments are made from quarter to quarter so that the indentor does not suffer.

4.34. Giving figures of despatches against effective 'A' List, it has been stated that in the case of Durgapur, in the quarters October—December, 1970, January—March, 1971, April—June, 1971, July—

September, 1971, the despatches against effective 'A' List were 63 per cent, 55 per cent, 84 per cent and 63 per cent respectively. In the case of Indian Iron and Steel Co., they were 76 per cent, 85 per cent, 72 per cent, and 85 per cent respectively. It has been added that their effort is to satisfy the indentor to maximum extent possible. Where an indentor suffers in one or two quarters in Durgapur, he gets a larger proportion from another steel plant, if the same item can be obtained from the plant. But the problem does arise with regard to those sections which are only produced in Durgapur and nowhere else. With regard to them also, 'A' List allocations automatically spill over—it is a built in drill in the system—to the next practicable quarter. While determining the availability for a quarter, 'A' List backlog are also taken into consideration and within the estimated production, a certain portion of the produce is earmarked to take care of the spill overs.

The Committee have been informed that so far as Bhilai is concerned, there is practically limited backlog of 'A' List allocations. In Rourkela there was some 'A' List backlog due to recent mishap, but they are making up.

4.36. To an enquiry that before making allocations, when the plants position to comply with the orders were ascertained, not only for overall quantum but also section-wise availability, how could there be a default by the plants, the Committee has been informed that sometimes in the heat treatment, quality variations occur. There are many impenderables in terms of quality and variations, sometimes in a particular section. Some time roll-breakage occur.

4.37. Due to these imponderables, the quarterly system of allocation has been brought in, even though there are also uncertainties. In quarterly allocation, where a party cannot get all the demands, it is made good in the next but one quarter, but if the allocation were half-yearly, the outstandings would be met in the next but one-half. So the indentor will have to wait much longer. Meeting quarterly also gives an opportunity to pressurise the producers to meet the deficits of particular sections or particular types of steel and to control their rolling programme for each quarter. So it will not be beneficial to the industry if the allocation is made on half-yearly basis.

4.38. The Committee note that the Steel Priority Committee have been making continuous efforts in recent months to ensure that at least indentors who are allotted Category 'A', are able to receive steel within the quarter. Even so, the official representatives had to admit before the Committee that in the case of Durgapur Steel

Plant, the compliance has varied between 55 per cent and 84 per cent. The Committee consider that as Category 'A' allottees are obviously in need for timely supplies of steel, the objective is defeated if the supplies do not materialise in full and in time. It is also on record that once an indentor fails to get his quota either in full or in part in a particular quarter, his earliest chance to get it would occur after an interval of 3 to 6 months. It is, therefore, no wonder that manufacturers who need steel as raw material have to resort to open market in order to sustain their production programmes and it may well be that they may be disposing of the steel which they get long afterwards in the open market. It is this compulsion of circumstance which has given rise to a widespread open market. The Committee would like Government to analyse the reasons which have given rise to this malpractice and devise measures by which manufacturers and others engaged in priority works get their quota of steel in full and in time.

Scrutiny of indents by various authorities

4.39. It has been represented to the Committee that there are too many organisations connected with scrutinising indents, processing documents, sponsoring requirements and according sanction of requirements and that there are many stages in processing and the result is shuffling of documents between one authority and/or other involving lengthy and time-consuming process. It has also been represented that at present the Steel Plants take an excessive period of about eight weeks for issuing work orders after finalising of the financial arrangements.

4.40. On the point the representative of Department has stated that there are two different stages for processing of indents. The first stage is the booking of the orders. In this stage the indent is received by Joint Plant Committee. The Joint Plant Committee makes a preliminary scrutiny of the indent and then sends it to the plant. The plant arranges with the indentor financial formalities and after the completion of the financial formalities by the indentor the sale order is issued. The next stage is the priority allocation stage. It consists of (i) sending applications for priority allocation; (ii) sponsoring authority scrutinise it and sends it to Joint Plant Committee for compilation; (iii) detailed tabulation scrutiny and tentative allocation done by Joint Plant Committee on behalf of the Steel Priority Committee; (iv) acceptance and formal decision of the Steel Priority Committee; and (v) decisions of Steel Priority Committee are communicated to the plant as well as to the indentor.

4.41. The Committee informed that maximum ten days time has been prescribed for preliminary scrutiny by Joint Plant Committee. It may be done in one day, two days or five days, but ten days is the maximum limit. Similarly, as a guideline, it has been prescribed that the steel producers would issue sale orders within six weeks or 45 days from the time Joint Plant Committee sends the indent to the sales office of the Steel Plant.

4.42. When asked whether this period of 45 days could be reduced to two weeks or so, the Iron and Steel Controller has stated that they are thinking of reducing the time-limit to 30 days, but it will be very difficult because of heavy flow of the indents. The Chairman, Hindustan Steel Ltd., informed it was largely a question of volume. As a result of free indenting policy, the number of work orders that have come up have risen by 3-4 times. It was the volume that made for the delay. He stated that this time could easily be cut down by appointing large number of staff but that would be doing so for a temporary period of shortage, which would not be able to reduce later on. He added that if the works orders were only restricted to priority users, of course, it could be certainly done in two weeks but now they had in their books work orders and sale orders valid for two years which went on. In reply to a question for mechanisation of scrutiny processes it was stated that it could not be mechanised as they are individual orders and every item like financial arrangements and specifications etc. had to be checked.

4.43. The Committee note that the Steel Plants take about 45 days to issue work orders after the indents are received from the Joint Plant Committee. The Committee are of the view that the period of 45 days for issuing of work orders is excessive, especially during the periods of scarcity. The Committee stress that all-out efforts should be made to reduce the time of 45 days taken at present for issue of work orders by the Steel Plants to minimum.

Publication of figures regarding work orders on Steel Plants.

4.44 The Committee enquired that under the new distribution policy the indentors are allowed to book orders on any plant of their choice for allotment of materials and in the absence of the knowledge about the volume of orders on any plant, would it not be better that the particulars of such orders are published by the Joint Plant Committee to enable the indentors to plan their orders properly.

In reply, the representative of the Department has stated as under:

"We have had a discussion on this and the question has caused

some difficulty. I have already advised the Steel Controller to find a solution for it. There may be cases, not many, but there can be a few cases in which a person has a sale order on one unit but the allocation can be made only on another unit. There, the Steel Controller has been asked to look into it and take the necessary remedial action. In the case of Government agencies, it is easy to do it because the sale order transferred does not mean any earnest money. But, in the case of a private individual, there is some slight difficulty but we are trying to look into it."

4.45. The Committee are of the view that the position regarding the booking of orders on each of the steel plants should be publicised widely so that the indentors know the precise position before placing the order. This would obviate complaints later from the indentors that they had booked the order without realising the extent of booking that had already taken place in the steel plants.

Sponsoring Authorities

4.46 The Committee was informed that under the present distribution system all consumers' interest are looked after by some agency of Government. For instance, the small scale industries are looked after by the Development Commissioner, Small Scale Industries. This major industrial sector is looked after by D.G.T.D. The Ministries look after their own projects and undertakings. The State Governments look after their own projects and all these have been designated as sponsoring authorities for the purpose. Every person who needs more than one wagon load will have some sponsoring authority or the other.

4.47 It was asked when the applications were to be routed through some governmental body named as sponsoring authority then, what is the need for additional screening at the Joint Plant Committee level. It was stated by the represntative of the Department that the sponsored demand would add to something like 16 million tonnes a year, whereas it is known that the requirement is only about 6 million tonnes....."If all the sponsoring authorities do work satisfactorily, the requirements would not have been even 4 million tonnes. In other words, the sponsoring authorities are inclined to say, 'the Joint Plant Committee will give you 25 per cent of what you asked. Then what does it matter? You put in twice or thrice the demand'. There also all of them do not follow the same uniform standard. That makes it more difficult for us".

4.48 It was then asked that it was very intriguing situation where not only the profit-making businessmen but also the various official authorities, the statutory bodies and the sponsoring authorities must start on the assumption that they will get only 25 per cent of what they are demanding and thus putting up unrealistic demand. It was stated that the real problem was that all the steel plants did not produce enough and whenever there was a scarcity, there was always inflation of demand When enquired that why not do away with the sponsoring authorities if they were not honest to the requirements, it was stated that if the sponsoring authorities were done away with then it would be impossible to make judgement not on hundreds and thousands but more number of applications. It was also explained that time was another factor because if the sponsoring authorities were to sit down and scrutinise properly or make investigations, then for each application they might take 3-4 months. They make a road check and then sponsor them. The sponsoring authorities feel that the real check is when these discussions take place and so they do not really sit down and make a proper scrutiny when the case comes up.

4.49. The Committee have expressed elsewhere their concern about placing of inflated indents by indentors with the Joint Plant Committee. The Committee consider this tendency to be reprehensible in any indentor but more so if he belongs to a Government organisation or public sector. The Committee would like the Iron & Steel Controller to exercise great vigilance in the scrutiny of these indents with a view to effectively check this tendency to inflate the requirement to secure a larger quota. The Committee would also like Government to impress on all Government Departments, public sector and others, who have been given the authority to sponsor priority allocation that a great responsibility lies on them to carefully vet the demand in order to reduce it to the minimum necessary. The Committee need hardly point out that if every one, particularly the Government sponsoring authorities, exercised due care and vigilance in sponsoring indents, it would before long reduce the demand to realistic levels and make for more rational and equitable allocations.

(ii) *Producers' Stockyards*

Distribution of Prime Materials

4.50. The small requirements of steel of actual users *i.e.*, less than a wagon load are generally met through the Producers' stockyards. At present, about 5 to 10 per cent of indigenous production of steel materials is distributed through the producers stock

yards. The salient features of distribution through stockyards are as follows:—

Stocks received in the stockyards are supplied against:—

(a) steel priority Committee's priority allocations for small tonnages.

(b) Demands of Nominees of the Directors of Industries.

(c) Allotment letters of the Iron and Steel Controller.

(d) Old quota certificates.

(e) Old Joint Plant Committee's authorisations for less than a wagon loads, if any.

(f) Demands placed by fabricators executing orders of the main producers and Bokaro.

(g) Government demands (including Government undertakings) quasi Government bodies and foreign embassies consulates.

(h) Demands of fabricators|contractors engaged in construction work of Government Departments|Public Sector Undertakings or executing their orders.

(i) Demands of medium and Small Scale Units.

(j) Demands of Private citizens|Institutions for house building.

(k) Requirements of Trade.

Out of the total arrivals in a stockyards in a quarter 20 per cent are offered to the Directors of Industries of the States in the zones served by the stockyard to ensure equitable distribution against the requirements of the small scale industries. The Directors of Industries issue recommendations to actual consumers in the Small Scale Industries Corporation. Sector or Small Scale Industries Corporation. There are no guidelines prescribed by Government of India or Joint Plant Committee for such recommendations by the Directors of Industries. It is for the Directors of Industries to satisfy themselves about the genuineness, reasonableness etc. of the demands while issuing their recommendations. About 30 per cent of bars, rods, light structurals, GC Sheets received in a stockyard are given for house building purposes on production of certain documents.

Materials left over after meeting all categories of demand of actual consumers, including those not lifted by any consumer listed above, within the stipulated period are sold to trade.

Distribution of Defectives and Cuttings

The entire arisings of the defectives and sheet cuttings are distributed through the producers stockyards. However, till such time the outstanding sale orders are liquidated, 10 per cent of the arisings are despatched directly to the parties from the plants against outstanding orders, 90 per cent of the receipts in a stockyard are offered to the State Small Scale Industries Corporation|Director of Industries or State Governments. The stockyards are free to sell the balance 10 per cent of their receipt to the parties of their choice. In view of the shortage of steel materials and to serve as many customers as possible, issue of material is generally limited to 2 to 10 tonnes.

The Circular issued by the Joint Plant Committee No. ES-(1)|PS|70, dated the 1st March, 1970 giving detailed guidelines for supply of steel from the stockyards is at Appendix III.

4.51. Regarding the improvements in the working system of stockyards, it has been stated that the following steps have been taken:

"Since the last few months, the offer letter is going from stockyards to the parties only under Certificate of Posting so that tomorrow if there is a complaint, it can be checked. There is a time period fixed.

Secondly, the delivery order is issued on the same day for the outside parties and the next day for the local parties.

Thirdly, we have also fixed seven days period within which the delivery must be effected by the parties concerned.

Fourthly, with the setting up of the regional offices we have been checking the stockyards and out of 33 stockyards, detailed inspections have been carried out in as many as 20 stockyards and producers are also equally conscious and anxious to improve the working system."

4.52. It was brought to the notice of the Committee that while the large scale units were getting supplies from the producers

directly at Joint Plant Committee price, the small scale units getting the supplies through the producers' stockyards had to pay much higher price. It was represented that the margin of stockyards' remuneration ranged from 133 to Rs. 505 per tonne on certain materials. When enquired about the rationale behind fixing such a high remuneration by stockyards, the representative of the Department has stated that the remuneration of the stockyards as reported above was not correct and that their remuneration ranged from Rs. 60 to Rs. 380 per tonne is cold rolled sheets. Explaining the rationale behind the fixation of margin, it has been stated:

"The background under which these prices were fixed are a combination of several factors. These prices were fixed at a time when the steel prices were revised. The Tata and others wanted an increase of Rs. 116 because of rise in various costs. The HSL also gave an estimate of Rs. 100. Actually, I think, about Rs. 77.50 was given against this. All these escalations had taken place by then. Secondly, we had to invest a certain amount of money in the stockyards, we had to seek a compensation for that and for which this provision of remuneration had been made. It is only along with the increase in steel price that these margins were fixed; and along with the distribution and control, our stockyards have lost a considerable amount of business in prime material. Therefore, the only turnover which we could have is through the sale of this material.

The other factor, which we must take into account is that, today as you read out, that in the open market the prices are higher. Now, stockyard is the last point from which steel is being distributed. If there is very large difference between the stockyard price and the open market price, then the incentive for off-loading this in the open market is high, because this is going to a large number of smaller consumers, the incentive for selling them at open market price, will be very much higher. Because, supposing, the difference today is Rs. 100 or Rs. 150 and you reduce the stockyard price, the difference will become Rs. 300 or Rs. 250, then incentive for subsidising this will be even greater than this very small relaxation given to the producers to get something from what the market bears. Of course, the other point to make is that although this Rs. 380 was high for cold rolled sheets, but in point of fact, we do not sell any appreciable quantity of cold rolled sheets from the stockyard because they do not come

there. Of course, the other point remains that it is true that the small scale buyers have to go to the producers' stockyards and pay a higher price, and at the same time it is also true that compared to bulk supply, retail supply will always cost a little more. This point has been also raised inside the Government and several suggestions have been under consideration. For instance, one way could be, if we really want to help the small scale industries and give them at the same price as the direct buyers from steel plants then a surcharge may be levied on the people who are getting material in wagon loads direct from the main producers. That surcharge could be very small compared to the large quantity which is really going from the plants. We supply over 80—85 per cent from the plants. This could be one way of doing it but then the reaction of major users will be very strong."

4.53. The Committee note that at present the stockyard remuneration ranges from Rs. 60 to Rs. 380 per tonne on various items of steel sold through stockyards. The Committee note that the remuneration has been deliberately kept high so as to compensate the steel plants for the rising costs which they have been experiencing and bringing to the notice of the Government from time to time. The Committee, however, consider that if it is the intention to compensate the steel plants for this increase in costs, then it may be so done as not to pass on the entire burden to the small scale industries whose requirements are largely met from the stockyards. The Committee would, therefore, recommend that Government should review carefully the margin of remuneration allowed for sales from stockyards so as to reduce it to the minimum in respect of categories of steel which are used mostly by the small scale industries.

4.54. It was brought to the notice of the Committee that the storage space, unloading and delivery facilities were very limited in stockyards and they were unable to handle the job properly due to these defects and heavy receipts. It was complained that the consumers of the outstations, who come for their requirements faced lot of difficulties and inconveniences and at times, the despatches were suspended causing great hardships and lapse of periodical allotment. The Chairman, H.S.L., who was asked about it has stated:—

"This is always true in some of the stockyards particularly, say for instance, in Delhi Stockyard. The reason is that these stockyards were originally planned to keep materials like bars, rods, plates which could be stacked very nicely. In-

stead of that we are now receiving all kinds of things like sheet cuttings, defectives which occupy a very large space. It is very difficult to unload them, sort it out and this is creating congestion in our stockyards because they were not designed for keeping this kind of stuff and also the new distribution policy is giving small quantities to a large number of people. So, in order to make things a little better, and taking into account the present situation, we in our every stockyard, are now spending more money to provide additional storage. Where we do not have vacant space, we have acquired vacant space. Many of these stockyards, we are expanding them also."

4.55. The Committee note that steps are being taken for providing additional storage space to stockyards. The Committee would like Government to ensure that the Regional Iron and Steel Controllers while carrying inspections of the stockyards, also furnish reports that adequate and proper storage facilities exist in the stockyards. The Committee would like to be apprised in due course of the steps taken in this regard.

(iii) *Billet Re-rollers' Committee*

4.56. In a written note the Committee has been informed that complaints were being received that Re-rolling Industry who were getting billets at fixed prices were selling their products at exorbitant prices. It was, therefore, decided by Government that the products of billet re-rollers should be distributed by the Billet-Re-rollers' Committee which consists of the following:

Chairman

(i) The Iron and Steel Controller

Members

(ii) The Executive Secretary of the Joint Plant Committee. Committee.

(iii) Two representatives of the Hindustan Steel Ltd.

(iv) One representative each of the Tata Iron & Steel Co. and the Indian Iron & Steel Co. Ltd.

(v) Three representatives of the Steel Re-rolling Mills' Association.

4.57. The Committee came into existence in the middle of April, 1971 and started making allocations with effect from 1st May, 1971. It also regulates the supply of billets to the Billet Re-rollers. In deciding the distribution of Re-rollers' Product the Billet Re-rollers' Committee earmarks a substantial portion of re-rolled products to

meet priority and bulk requirements specially of Government Departments, Public Undertakings and Quasi-Government Institutions. The Committee arranges for distribution of the balance quantities through the stockyards of the main producers. The Billet Re-rollers' Committee determines the price of re-rolled products subject to the approval of Central Government. The Billet-Re-rollers' Committee Scheme has come in full operation with effect from 1st July, 1971.

4.58. The Billet Re-rollers' Committee allocates roughly 70 per cent of the products of the registered billet-re-rollers to the bulk consumers in Government priority sector. The rest is sold with the help of the stockyards of the main producers.

4.59. It has been stated that the following guidelines have been evolved, in consultation with the Joint Plant Committee, for distribution of the balance materials (roughly 30 per cent) channelised through the main producers' stockyards:—

(a) About 30 per cent shall be reserved for genuine private citizens and institutions for building houses.

(b) About 20 per cent shall be reserved for small scale industries for distribution against recommendations of the Directors of Industries. This material will be placed at the disposal of the SSI Corporation concerned.

(c) About 10 per cent shall be sold to large and medium scale industries to meet their small and emergent needs.

(d) About 10 per cent shall be reserved for meeting small and urgent demands of Government Departments|Projects.

(e) About 30 per cent shall be sold, by rotation, to genuine traders borne on the list to be maintained by the stockyards. For this purpose, the list of traders shall be broad-based to ensure that at least one trader is recognised in each district in the entire regions covered by the stockyard.

4.60. During evidence it was stated that in 1971-72, from the integrated steel plants billet re-rollers will arrange about 700,000 tonnes of billets for the distribution under the Billet Re-rollers' Committee. As regards the proper utilisation of materials by the Billet Re-rollers, the Committee was informed that the re-rollers were given the billets and they were paid conversion charges at the rate of Rs. 236 per tonne. As there was difference in price between the imported billets and the billets produced by the integrated steel plants and taking these two prices into account, a price is fixed and at that price the billets are sold according to the allocation.

4.61. When asked as to how the industry was benefited by the scheme through increased utilisation of industry's capacity and reducing their cost, it was stated that the scheme was intended to benefit the consumer in the sense that previously the re-rolling industry were selling the products from the billets at a high price in the open market while they were getting the billets at a regulated price from the main steel plants. Now their finished products are sold at a regulated price through the stockyards. The industry would benefit slightly to the extent that now they are getting a uniform distribution of billets more or less according to their capacities from the Billet Re-rollers' Committee. In reply to the question whether the industry has been working to their full capacity, it was stated that total availability of billets was very short of their capacity. The aim was to give them nearly 40 per cent of their one shift capacity and it was expected that the capacity utilisation in 1971-72 to be near 48 per cent. When asked as to why the billets were not being imported to utilise the idle capacity, it was stated that the billets were being imported and already orders have been placed to import 40—50 thousand tonnes of billets and if it could be, certainly more import would be tried. Billet is not an item which is readily available in markets abroad but by building up orders we could try to procure some more. It was, however, added that it was not possible to import billets just to keep the re-rollers fully employed. The import of the billets is regulated on the assessment of the requirements of the country. It was added that the conversion charge of Rs. 236 per tonne had been fixed after calculation based on the partial utilisation of the capacity, and that even during the recession when the billets were freely available and still, utilisation did not touch anywhere near 100 per cent of their one shift capacity, the reason being that they could not sell the product.

4.62. The following tables indicate the contributions of the re-rolling industries towards the total availability of steel items in the country:

Year	Total Regd. Re-rollers (monthly average)	Secondary Producers (monthly average)	Grand Total (Monthly average in tonnes)
1	2	3	4
1960-61	66,730	11,545	78,184
1961-62	48,026	16,403	64,4 29
1962-63	53,351	14,194	67, 5

1	2	3	4
1963-64	60,975	13,578	74,553
1964-65	40,175	18,703	58,878
1965-66	37,216	15,672	52,888
1966-67	60,385	16,467	76,852
1967-68	61,671	14,048	75,719
1968-69	53,856	10,805	64,661
1969-70	46,064	7,123	53,187

Contribution of re- rollers towards the National quota

Year	National total of finished steel (on million tonnes)	Percentage of Re-rollers, contribution in terms of		
		National total	Bars & Rods	Rods alone
1961-62	2·96	27%	60%	94%
1962-63	3·91	24·3%	56·6%	91·4%
1963-64	4·3	22·2%	51·2%	91·2%
1964-65	4·4	18%	40·2%	90%
1965-66	4·5	17%	38·3%	91·3%
1966-67	4·4	22·2%	48%	95%
1967-68	4·1	22·8%	54%	83%
1968-69	4·8	17·6%	47%	68%

4.63. The Committee note that the steel re-rolling has now been brought under the control of the Billet Re-rollers' Committee. The Committee also note that the products of re-rolling industry viz., **rods and bars, etc., meet to an appreciable extent the national requirement. It has been brought to the notice of the Committee that 52 per cent to 60 per cent of capacity of steel re-rolling industry is lying idle for want of adequate supplies of billets. The Committee note that Government are examining the feasibility of importing larger quantities of billets to meet the internal demand. The Committee recommend that Government should carefully review the position and so allocate the billets that the consumers' requirements are met on a decentralised basis to the maximum extent feasible.**

C. Distribution to Smal Scale Sector

4.64. The Committee have been informed that steel supplies to Small Scale Industries all over the country will now be routed through the respective State Small Scale Industries Corporations. The Corporations will make their own assessment of the requirements of the units in their State and place their consolidated demand on the Joint Plant Committee. The material received will be distributed by the Corporations through their depots. This decision followed the acceptance of the relevant recommendation made by a Committee head by Mr. Balachandran, Additional Secretary, Ministry of Industrial Development. Their recommendation was that all the material required for the Small Scale Industries, whether imported or domestic, should be given to the Small Scale Industries Corporations and not to the State Governments or the Director of Industries. Individual units will get their material from the Corporation. It was stated during evidence that this new system would come into force from January, 1972 onwards except for certain items like wire rods, skelp/strip, for which the new units will make direct purchase.

4.65. Giving background of the distribution to small scale sector through the Small Scale Industries Corporation and the role of the Director of Industries vis-a-vis the Corporations, the Iron and Steel Controller stated:

> "....In the control period which finished in 1964 partly and completely in 1967, there was hardly any Small Scale Industries Corporation in the various States. The requirements of the small scale units used to be met through controlled stockists and registered stockists. There used to be a quota for small scale industrial units which was channelised through controlled stockists and they used to distribute. After the de-control period it was felt that trader is not the right source for meeting the requirements of the small scale units and that is how the Small Scale Industrial Development Corporations came up. When they came up this was a de-control period. In this period so far as the scarce materials were concerned *i.e.* flat products, namely, plates, sheets and strips these used to be met through SPC. As we have already explained for other items, JPC used to allocate the material to the Corporation or individuals. There was no difficulty. For plates and sheets the demands for small units used to come both through Corporations and directly. Corporations could book order and small scale units could also book their

orders and forward to JPC through the sponsoring authority which was the Director of Industries.

Now, this situation continued till May, 1970. After May, 1970, when we brought most of the items under the Steel Priority Committee, the system continued in the sense that the Small Scale Units could come directly through the Director of Industries and the State Corporations could also put in ther demands. The Director of Industries was the sponsoring authority for both of them. If I had a small unit, my requirement used to be sponsored directly by the Director of Industries and the requirements of the Corporations were also routed through the Director of Industries. In other words, the Director of Industries was the Sponsoring authority for the entire small scale sector.

Now, after we changed the system except for the three items which has been mentioned, we have practically brought all the items under the Corporations. In other words, we will not allocate directly any material to small scale units. The Director of Industries will continue to play a positive role even if we route them through the Corporation—or partly Corporation and partly directly. This is how he is connected. Firstly, he is the sponsoring authority for the demands of the Corporations; he is, so to say, the nucleus for meeting all the requirements of the small scale sector in the State. Secondly, the Director of Industries will play a positive role in distribution also in the sense that this material will be supplied through a net-work of raw material depots. There are raw material depots possibly at Kanpur, Allahabad and at various places. The material will go to these depots and be distributed from there. Now, the total capacity of the small scale units category-wise, at various points of distribution, will also be provided by the Director of Industries because he has got the data of the capacities of the various units. So, the Director of Industries will thus continue to play a positive part.

4.66. When enquired about the composition of the Small Scale Industries Corporations in the States, the Committee has been informed that it varies form State to State. In one or two States, the Director of Industries is perhaps the Chairman of the Small Scale Industries Corporation. In some States, a non-official is the Chairman while the Director of Industries or Secretary (Industries) is the

Vice-Chancellor. In some other States, he is only an important member but he has a positive role in the Corporation. It was then asked if the sponsoring authority was the Director of Industries and he was also the Chairman of the State Corporation, then what purpose the Corporation would serve. In reply it was stated:

> "Firstly in places where the Director of Industries is the Chairman of the Corporation, he would have an individual check in the Corporation itself because of his responsibility as the Chairman. Secondly, when the demand comes to the Directorate of Industries, his office will make another check and put it up to the Director of Industries. It may well happen that what has been passed by the Corporation under his Chairmanship may be amended by him as Director of Industries. So, I would not say that it is a waste of time to have a second check.

4.67. It was pointed that there was a general complaint that though the material was distributed through various agencies, the actual users were not getting the material and it was asked whether there was any check that the material was being received by the actual user. In reply, the representative of the Department has stated, "We have set up the Regional Controllers and one of their functions is to look into the distribution of raw material both from the stockyard, if necessary, from the SSIC as well. However, if some parties have been dicriminated against, they can certainly bring it to the notice of Regional Controllers... In a particular case, it came to our notice that a particular Corporation had released the material to the trade and we took it up with the Development Commissioner. Then the party apologised and assured that such a thing would not happen again." It was, however, admitted that "as far as the Small Scale Industry is concerned, it would be very difficult to ensure equitable distribution from the Centre apart from other advantages of consolidating the demands, etc. and only when the complaints come to the Steel Controller or to the Joint Plant Committee or to Government, they look into them and wherever there is an abuse, it has to be rectified."

4.68. Luther Committee had recommended that it was desirable that the allocations to the Small Scale Industries should be related in some measures to the capacities of the individual units as in the case of DGTD units. Replying to the point, the representative of the Department has stated:

> "One of the problems that we have always faced with the small scale industry is that the capacity is not assessed on a uniform basis in the country. But in the DGTD, we have the

facility that there is a uniform countrywide assessment of capacities by a common authority. For the small scale industries, the capacities were being registered by the Director of Industries and it was common knowledge that assessment of the capacities varied considerably from State to State. The Development Commissioner of Small Scale Industries has undertaken a survey of the engineering industries in order to try and remedy the situation and to bring all the engineering industries in the small sector on a common assessment platform. But this has not been completed. Meanwhile Luther Committee's recommendations, as I said were again in the background of allotment of quota which we did not continue. It is in a way an improvement. We are giving a bulk allocation to the Small Scale Industries Corporations and the Corporations which have a much closer and intimate knowledge of the *inter se* capacity of their units are able to distribute the material to their individual units in a more uniform manner."

4.69. Replying to a question whether any proper check was made about the existence of the units in various States to whom the allocation was made and about its proper utilisation by these units, the representative of the Ministry has stated that:

"We are aware and we have been requesting the Director of Industries to have a check. In fact, one Director of Industries did conduct a surprise check in one city in the matter and found that as many as 84 units were completely non-existent. They are also alive to the problem. But the point is that the material should be freely available or we should have at least an elaborate arrangement which is very difficult to contemplate. But the Directors of Industries are certainly cooperating with us in this matter."

4.70. The Committee recognise that the small scale industries occupy an important developmental role in national economy and it is Government's policy to extend the necessary assistance to them. While the Committee are in full agreement with this objective and consider that small scale industries should be extended every help, they feel that a duty is also cast on Government to see that the benefit goes only to those units which are actively engaged in production. During the course of tour by Study Groups of the Committee, as well as in informal discussions, an impression was given that the require-

ments of small scale industries for scarce raw materials particularly for steel are apt to be inflated. It was represented that some units in fact exist only for the purposes of getting benefits of scarce raw materials without engaging themselves in production. The Committee note that as far as the Iron and Steel Controller is concerned, the indents are required to be sponsored either through the Director of Industries or through the Small Scale Industries Corporation. The Committee would like Government to take effective measures in consultation with the Development Commissioner for Small Scale Industries and the State authorities to ensure that the requirements for steel are sponsored after careful scrutiny and checking and that there is a follow-up to see that the scarce raw materials are in fact put to productive use. The Committee would also like Government to publish factual information about allocation of steel and other scarce raw materials to the small scale industries and their production effort so as to dispel suspicion that it is not being put to productive use.

4.71. The Committee have received representation from a leading organisation of small industries in the country that the recent decision of Government regarding sectoral canalisation of indigenous iron and steel for small scale industries through State Small Industries Corporations will not be beneficial to the small scale units for the following reasons:—

(i) Majority of the State Small Industries Corporations are in general not well organised and are generally financially weak with the result that they are not adequately equipped for undertaking this function.

(ii) As stipulated by the Ministry of Steel and Mines, the State Corporations are supposed to levy service charges between 3 per cent to 7 per cent making an average of 5 per cent. This makes the steel costlier to that extent for small industries.

(iii) Double Sales Taxation: Firstly, Small Scale consumers of Steel will have to pay the Sales Tax charged by main producers to State Corporation and, secondly, the sales tax levied on sale by Corporations to consumers. It is pertinent to point out that the second Sales Tax would be on cost plus first sales tax paid by the Corporations to the main producers.

(iv) As State Corporations are not likely to have Depots at all the centres of small industries, Small Scale units will have

to lift the material from far off Depots. This will inflate cost by way of extra transport and handling charges from Depot to the Factory premises. Further, avoidable octroi has also to be paid sometimes.

(v) Supplies are likely to be reduced for non-Governmental Small Scale Units because some State Corporations also run industrial units of their own and a tendency has been observed amongst State Corporations to supply steel in priority to such State owned units relegating to the background the genuine needs of other SSI units in the private sector. Consequently, such units will be only residuary recipients of raw materials after fulfilling needs of State owned units in full.

(vi) Under the present procedure the State Corporations are at liberty to indent materials according to their assessment of needs of small scale steel consuming units. This may tempt them to indent only for fast moving items. Such a situation may lead to starvation of units needing slow moving items as they will not be permitted to indent directly nor will the canalising agencies be able to supply such materials to them. On the other hand, if the State Corporations fail to make correct assessment or if due to wrong policies of the Government or main producers of steel, large quantities of slow moving items are dumped on the Corporations, their space and money will be unnecessarily blocked leading to national economic waste.

(vii) In respect of scarce categories also State Corporations may fail in making available all the sizes, sections and specifications of all types of steel and from time to time there is bound to be shortage of certain sections. This will create problems of matching material for many units which may hamper their production.

(viii) All the State Corporations are not yet at the same level of efficiency and so some Corporations may find it difficult to operate under the stipulated margin. They may, in all probability, charge higher margins as there is no statutory control over such margins. Even now there are complaints that some Corporations are charging higher margins and they are levying certain extra charges which legitimately should be covered under the normal margins. There is no

machinery to look into these grievances of units for deviation of norms by Corporations and to give justice to the units.

(ix) It may so happen that the State Corporations may not be in a position to retire the documents at all times due to paucity of funds. There are instances when the supply of steel had to be suspended by main producers of steel due to some State Corporations being chronic defaulters in making payments.

(x) Under this procedure Units needing wagon loads are forced to go through Corporations which is uneconomic to them and also adds unnecessarily to the work load of Corporations.

In addition to the apprehensions cited above, the Organisation has mentioned that certain difficulties are experienced by small units which is evidened by their past experience in their dealings with State Corporations. Instances have been given as under:

(i) Some officials of State Corporations have in the past resorted to maintenance of rusted and damaged materials in stocks. They receive fresh supplies but to the units they only offer rusted and damaged materials. As the units refuse to lift such materials, the material goes in free sale. Then again actually not the damaged material but the good material is sold and bad material is kept in stock till the arrival of fresh supply. There is no agency or machinery to prevent recurrence of such incidents in future.

(ii) It is alleged that some of the Corporations take substantial advances from small units against intended supplies but never supply such materials for months and for even years thereby uselessly locking up the funds of small units resulting in great hardship to such units.

(iii) It is observed that some State Corporations resort to club deals whereby slow moving items are clubbed with fast moving items and consumers are compelled to purchase which is uneconomic to small units.

(iv) It is understood that some Corporations recover their losses incurred due to shortages in supplies from main producers to them by raising to that extent the price of the materials supplied to small units.

It has suggested that following steps would be necessary for making the system more rational and equitable:

(i) The prices of steel supplied to Corporations should be at sufficiently adequate discount so that the Corporations can sell steel below F.O.R. Destination prices, fixed by main producers so that after paying second sales tax and transport charges levied by Corporations to Units, the price of steel for the small industries is same whether they receive it through Corporations or from main producers. In other words, a built-in price mechanism should be introduced so that prices of direct supplies to large units and canalised supplies to small units are identical.

(ii) Majority of the Directors of State Small Industries Corporations should be non-officials representing small scale industries. FASII should be consultted while making such nomination on the Boards of all the State Corporations. Further a representative of the DC(SSI) should also be included in the Board of Directors of these Corporations to maintain uniformity and a close watch on their performance.

(iii) The State Corporations should be divested of their responsibility to run State owned units and this function should be transferred to an independent agency. At the same time, resources of the Corporations should be improved by strengthening their capital base which is vitally essential for increasing their efficiency.

(iv) Suitable agencies/machinery should be established for enforcing a fool-proof inspection and norms.

(v) Units needing wagon loads or over be supplied steel direct from Main Producers."

4.72. The Committee take note of the difficulties and apprehensions of the small scale sector in regard to the new procedure for distribution of steel materials to it through the State Small Industries Corporations. In view of the difficulties stated in the preceding paragraphs, the Committee are of the opinion that if the cost of steel material is higher or the procedure is more cumbersome, the small scale industries especially those in common production with large units are bound to be at a competitive disadvantage.

The Committee would urge Government to take note of the difficulties and ensure that the new procedure of distribution of steel to small scale sector does not result in excessive burden or hardship.

Distribution of used Railway Material

4.73. It was represented to the Committee that in the past Railway used material such as sleepers, rails, bearing plates, tirea, railway chasis etc. generally used to be distributed to the small scale re-rollers at the rate fixed by the Iron and Steel Controller, through the Directors of Industries. However, now the Railways are permitted to auction these materials through open tenders at exorbitant prices and the small scale scrap re-rollers have perforce to purchase the materials at very high prices.

4.74. The representative of the Department of Steel who was asked about the position has stated that these materials which are used rails are used for some years and they cannot be used as such any more. They can be used as scrap material for melting re-rolling etc. They are not being sold these days. They are held up by a court injunction. The auction has not taken place during the last two or three years. When asked that during the period of shortages even the scrap is of value which should be made available to the small scale industry to fill the gap between the demand and supply, the representative of the Department stated that 'in the present condition of shortage, we will consider whether these 300,000 tonnes of rails when released from injunction, cannot be taken over by the Joint Plant Committee and regulated in the same way as billets'. 'We are taking up the matter with the Ministry of Railways'.

4.75. The Committee note that in the case of scrap re-rollers, a principal raw material was "used rails" which unfortunately remained frozen under a court injunction for over two years. However, the Committee have been given to understand that this case has now been decided and about 2 lakh tonnes of used rails will now be available for distribution. This will substantially augment raw material availability in near future.

The Committee note that hitherto the Railways have been disposing of their used steel materials like rails etc. by public auction and it has been fetching them high prices. The Committee consider that as there is acute shortage of steel in the country at present and as the Railways had obtained steel originally on priority basis from Government allocations, it would be more equitable if used steel materials like rails etc., were placed at the disposal of the Joint Plant

Committee, who could allocate it in best public interest. The Committee would also recommend that other Government Departments/ organisations/public undertakings who have large quantities of used steel materials or scrap should be similarly brought within the purview of the Joint Plant Committee so that the used steel material, scrap etc. could be allocated in the best public interest. The Committee would further suggest that organised sector which has lot of used steel materials and scrap to dispose of should be similarly brought under the purview of the Joint Plant Committee.

D. Distribution to Trade

4.76. It has been stated that as the new distribution system is aimed at meeting the needs of actual users to the maximum extent possible, despatches to trade had necessarily to be small. A small percentage of 3 to 5 per cent is despatched to the traders for resale purposes. A small percentage of the materials received by the producers' stockyards is given to trade also after meeting the periority demands as laid down in the detailed guidelines for supply of materials through producers' stockyards. The Committee was informed that for supplying to traders, the country has been devided into five zones and generally there is equal despatch to all areas of the country. Traders are given such material as are not normally needed by the priority sector.

Problem of backlogs

4.77. The Committee enquired about the volume of orders pending on the main producers booked before May, 1970 (when the new distribution policy was announced) and the measure taken to liquidate them especially in the light of the observations of the Luther Committee Report that the Government may consider (i) arming itself with requisite powers to cancel or reduce old outstanding orders and (ii) feasibility of setting of the quantities for which import licences are granted against the backlog pending with the producers.

4.78. The Committee were informed that till April, 1971 the trade backlog was 8.3 million tonnes and other than trade there should not be very much backlog except on paper because other than trade is the actual utilisation of steel from quarter to quarter. It was mentioned that these becklogs have no relevance to the present needs. They have been for a long time. About Luther

Committee's recommendations that Government should arm itself with powers, it was stated that we have gone into it in consultation with the Ministry of Law. All these orders are contracts under the Contract Act entered into between the producers and the customer. We in consultation with the Ministry of Law have come to the conclusion that it will be difficult to have any unilateral whole sale cancellation of these old-orders. The present system whole sale cancella tion of these old orders. The pres ent system is, that after May, 1970, orders are booked but they have validity period of two years. So, we have introduced a feature by which we will not now continue to accumulate these old backlogs that have built up over year and years in the past. In order to liquidate some of these orders, in the case of consumers we take up their old orders, in periority when we decide to give any supplies and in the case of trade in the light of recommendations of the Qureshi Committee, we have followed a system to reduce these orders as far as possible."

4.79. In a written note, the Committee have been informed:—

"A Committee was appointed under the Chairmanship of Shri Mohd. Shafi Qureshi to go into the problems of supply of steel to trade and allied matters. The salient features of the recommendations of the Committee on distribution of steel to trade are as follows:—

(a) It is not advisable to fix specific percentage for distribution to trade and Steel Priority Committee may determine the allocations from time to time;

(b) 30 per cent of the re-rolled products from Billets Re-rollers to be sold through the stockyards, may be earmarked for trade;

(c) In order to offer incentive for conversion from old system of bookings to the new, the quantum allowed for trade by the Steel Priority Committee may be earmarked separately for new and old orders in the ratio of 50:50 to be progressively changed to 75:25; and

(d) facilities may be given to traders to book new orders for reduced quantities without payment of earnest money if they are in cancellation of old orders.

Necessary steps are being taken to give effect to the above recommendations."

4.80. The Joint Plant Committee, accordingly has made the following Announcement No. 77 dated 29-12-71 with a view to solve the backlog problem:

"DESPATCHES TO TRADE

With a view to clearing the old outstanding orders for steel from traders' which have been booked with the Main Producers several years ago and have lost their relevance to the present day context, it has been decided to allow conversion of old orders into new orders carrying 'two year cancellation clause'. The mechanism would be as follows:—

1. A new order equivalent to 25 per cent of the quantity surrendered for conversion would be booked.

2. A minimum of 100 tonnes on one or more Sale/Works Orders pertaining to a mill of a producer would be accepted for conversion. Part quantities on a sale order should not be included.

3. No earnest money need be deposited against such bookings after conversion nor are any indents for the same required to be routed through JPC.

4. In the case of requests for conversion received by producers' Central Sales Offices between 1st and 31st January 1972*, it would be possible to issue the new orders in the same chronological sequence as for the old orders surrendered. The request received later will be dealt with as received.

Out of the bulk allocations for Trade earmarked by the Steel Priority Committee for the period January—March, 1972 onwards, 50 per cent quantity is meant for despatch against the old orders and 50 per cent against new orders (those carrying two years cancellation clause). This ratio is likely to be altered as 25:75 respectively in due course."

4.81. The Committee note that at present 3-5% of the total production of the steel plants is available to the trade and that the volume of backlog in respect of trade is 8.3 million tonnes. The Committee also note that with a view to clear the outstanding orders of

*The date has been extended upto 11th February, 1972 *vide* JPC Announcement No. 78 dated the 20th January, 1972.

steel from traders, it has been decided to allow conversion of the old orders into new orders carrying 'two year cancellation clause' at the rate of 25% of the quantity surrendered for conversion.

E. Distribution to Small Consumers

4.82. The needs of the private citizens and the public institutions are generally met from the Producers' Stockyards. The Department of Steel who were asked whether any guidelines have been furnished for distribution of steel materials for house building have in a written note stated:

> "The distribution policy of steel material from the Producers Stockyards, provides that upto 30 per cent of Bars, Rods, Light Structurals and Galvanised Corrugated Sheets received in a stockyards shall be reserved to be given to genuine private citizens|institutions for building of hoses on production of approved plan by the Corporation Municipality|Notified Area Committee|any recognised Local Body along with a certificate from Architect|Engineer indicating the requirements in different sizes.
>
> In so far as supply of steel material to house builders in and around Delhi is concerned, the distribution has now been entrusted to a Committee named the Main Steel Producers Committee consisting of the representatives of the three Main Steel Producers in Delhi. The Committee is functioning since October. 1971. The entire availability of house building materials earmarked for Delhi area is pooled together and distributed after considering the applications received in the Offices of all the three Main Steel Producers in Delhi. For this, the Committee meets once in a week.

The percentage of different categories of Steel earmarked for house-building in Delhi area are as follows:—

(a) 6/10 mm wire rods in coils	30%
(b) Ribbed and M.S. Rounds in straight length upto 20 mm	50%
(c) Light Angle s upto sizes 50/50 mm	10%
(d) Light Joints upto size 125x70/75 mm	10%
(e) Galvanised Corrugated Sheets 0·63 and 0·5 mm . . .	5%

The demands of the Small House-buildings are expected to be met in full as far as possible. A small house builder would be an applicant whose plot area does not exceed

250 sq. yds. and whose requirements of steel do not exceed 3 tonnes. A certain percentage of steel would be reserved for them.

The scheme will be extended to other places if it is found working satisfactorily in Delhi.

It has recently been decided that request from War Widows for construction of houses will be given special consideration by the Committee subject to the condition that they have no other residential property in Delhi either in their own name or in the names of any of their dependents."

4.83. The representative of the Department of Steel has stated during evidence that they are going to carry out review in order to examine the scheme applicable to Delhi should be modified or applied to other towns also. He added that requests have been received to have a similar system in other cities also because this system was thought to be a better one than the previous one where it was left entirely to the discretion of the stockyard as to what to give and what not to give. The Committee was also informed that under the new system in force the number of complaints have considerably decreased with regard to the requirements of house-building materials.

4.84. The Committee hope that the Government have by now carried out the review of the scheme for distribution of steel materials to house builders in Delhi. The Committee would like to apprised of the decision taken in the matter and whether the Delhi Scheme is found to be satisfactory and whether it is being extended to other cities with or without modifications.

F. Distribution of defectives, cuttings and scrap

4.85. The entire arising of defectives of GP|CG|BP and CR Sheets and cuttings, HR|CR Coils, defective skelp and electrical sheets are distributed through the producers' stockyards at stockyard prices. However, till such time the outstanding sale orders are liquidated, 10 per cent of the arisings are directly despatched by the steel plants to the parties against outstanding orders and no further orders are booked for directly despatches. The rest of these materials received by the stock yards are allocated state wise according to fixed percentages 90 per cent of the receipt of these materials in the stockyards are offered to the State Small Industries Corporations the State Directors of Industries. The Stockyards are free to sell the balance of 10 per cent of the defectives to the parties of their choice.

4.86. According to the Joint Plant Committee's Notification No. ES-(1)|PS|70, dated the 1st March, 1971, the despatches to the different stockyards will be made by the Steel Plants to ensure the following State-wise percentage allocation:

Region /State	*Percentage*
1	2
Southern Region	
(1) Andhra Pradesh	10·1%
(2) Kerala	1·5%
(3) Mysore	1·8%
(4) Tamil Nadu	5·0%
(5) Pondicherry	0·2%
	18·6%
Western Region	
(6) Gujarat	4·8%
(7) Maharashtra	10.5%
(8) Madhya Pradesh	5·3%
(9) Goa, Daman & Diu	0·2%
(10) Dadra & Nagar Haveli	0·1%
	20·9%
Eastern Region	
(11) Assam	1·4%
(12) Bihar	4·3%
(13) Meghalaya	1·0%
(14) Nagaland	0·1%
(15) Orissa	1·2%
(16) West Bengal	11·6%
(17) Manipur	0·1%
(18) Tripura	0·1%
	19·8%
Northern Region	
(19) Jammu & Kashmir	0·8%
(20) Punjab	8·9%
(21) Chandigarh	0·3%
	10·0%

1	2
(22) Haryana	4·4%
(23) Delhi.	6·5%
(24) Himachal Pradesh	0·6%
(25) Rajasthan	5·0%
	16·5%
(26) Uttar Pradesh	14·2%
TOTAL :	100·00%

The percentages are subject to alteration on the recommendation of the DS(SSI), New Delhi.

4.87. During evidence, it has been stated that these materials are offered to the Directors of Industries for supply to the small scale units and where units do not lift the materials within a reasonable time from the stockyards, the stockyard has option to release the material to trade if it is not lifted by the nominees of the Directors of Industries.

4.88. It was brought to the notice of the Committee that some of the steel produced in the steel plants was categorised as sub-standard or defective or scrap though it could be used by the industries and then it found its way in the open market. The representative of the Department who was asked to comment on the complaint has stated that 'prior to May, 1970, the Joint Plant Committee was regulating the prime materials and defective and cuttings were not regulated. It was to correct that and to meet this deficiency that was specifically brought all defectives and cuttings within the JPC purview and within detailed regulation and now there is no incentive left for officers of plant to give wrong classification'. It was admitted that before it was done there was scope for this kind of misuse.

4.89. The Department of Steel who were asked to furnish information regarding percentage of iron and steel which got classified as 'defective', 'cuttings', 'Scrap' etc. to the total production during the last three years have given the following information:

Defective	1968-69	1969-70	1970-71
1	2	3	4
HSL Despatches of defectives as % of Total :	5·8 %	5·1%	4·3%
IISCO Defective production as % of Total :	10·9%	8·4%	12·6%

1	2	3	4
TISCO Defective production as % of Total: .	6·8%	7·1%	6·7%
The following table gives data regarding steel scrap : *Scrap*			
A. Rourkela			
(1) Finished Steel (000 tonnes)	740	777	736
(2) Steel Scrap (000 tonnes) .	34	39	33
(3) (2) as % of (1) . .	4·6%	5·0%	5·2%
B. Bhilai			
C. Durgapur			
(1) Finished steel (000 tonnes) . .	390	392	334
(2) Steel Scrap	7	17	34
(3) (2) as % of (1)	1·8%	4·3%	10·2%

4.90. The Committee are concerned to note that in 1970-71, 12.6% of the total production of Indian Iron and Steel Company was classified as 'defectives' and 10.2% of the total finished steel production of Durgapur Steel Plant was classified as 'scrap'. The Committee are of the view that this percentage is rather on the high side especially in the context of acute shortages of steel being felt all over the country. As the higher percentage of 'scrap' and 'defectives' etc. ultimately result in higher cost of production in the steel plant, the Committee would urge Government to impress upon the steel plants to make concerted efforts to reduce this percentage to the minimum possible.

4.91. The Committee recommend that Government may get the matter examined by a high-powered independent technical committee to find out the precise reasons for such high percentage of production in various steel plants being classified as "defectives", "cuttings" and "scrap" and suggest remedial measures for improving the performance. The Committee would like to be informed of the action taken by Government within three months.

4.92. It was brought to the notice of the Committee that due to stockyard's remuneration, overhead and freight charges etc. the prices of the defectives and cutttings distributed through the stockyards were higher than the prices of the prime materials available from the Steel plants. It was suggested that their prices should also be fixed at a reasonable level on F.O.R. destination basis as for other steel items so that the prices of the scrap and cuttings etc. are less than the prime material. In reply the representative of the Department has stated:—

"There are two or three factors to keep in mind. One is that these scrap and cuttings are not prime material. They

cannot be utilised by the standard industries but they can be given to the smaller industries who require them for their production purposes. These small industries will remove the bad portion from the scrap and cuttings and use the good ones. We have certain problems for sending them on F.O.R. destination basis. One of the main reasons why we continue its distribution through stockyards is that even among the categories, there are certain preferred categories and if the steel plant sends the whole wagon of these materials, one party is able to get it while the other party gets something which is not so preferred for manufacture.... The stockyard price is added to the cost of product and the ultimate result is that the party gets it at a higher price. In addition, while we are distributing the prime material at an equalised price it for scrap because scrap is not something that we consciously or deliberately are trying to produce these defective cuttings. These are arising in the course of our main production."

4.93. When asked whether a system like 'first come first served' could be introduced in the stockyards, it has been stated:—

"That may be difficult because again the material should go to the priority users whose requirements may be more. If 'first come, first served' system is introduced, perhaps quite a number of traders who are also becoming consumers may book the materials in different names. So many demands they will be getting because traders are also becoming consumers under this system. They get themselves registered for the fabrication and then vice-versa also as the time change."

4.94. When in a specific complaint about scrap billets it was pointed out to the Department that the billets which are supplied direct to the large scale sector at Rs. 729 per tonne F.O.R. destination, the small scale re-roller get only the scrap at a much higher rate at Rs. 1,000 per tonne or more because the sale prices of these products are not controlled, the representative of the Department stated that "the point made regarding higher price is correct. Secondly, they want their raw material at a reduced price and also to be free to sell the produce at whatever price they get."

4.95. The Committee are suprised to note that due to stockyard's remuneration and overhead charges etc. defectives and scrap materials sold through producers' stockyards are available to the

small scale sector on a higher price than the price of the prime materials made available to the large scale sector from the steel plants. The Committee consider it anomalous that the prices of the defectives and scrap materials should rule higher than the prices of the raw materials in the country.

4.96. The Committee are of the view that the small scale sector should not be placed at a disadvantageous position as compared to the organised sector and recommend that Government should critically examine the remuneration and overhead charges of the stockyards which are being recovered on defectives and scrap materials sold to small scale industries so as to reduce the burden on the Small Scale Sector.

G. Earnest Money

4.97. In a written note, the Department of Steel has stated that the revised system of distribution of Iron and Steel which came into force on 22nd May, 1970 provided that J.P.C. might prescribe the financial and other formalities to be completed by the various classes of indentors, prior to the steel plant accepting the indent for issue of sale orders. Accordingly J.P.C. provided that while the actual consumers should deposit an advance of 15 per cent as earnest money, the traders should deposit 25 per cent.

The stipulation of earnest money provision was liberalised on 20-8-70. Keeping in view the interest of the actual consumers, the small industries and the traders, J.P.C. decided to relax the stipulation for payment of earnest money along with indents for steel items in accordance with certain broad principles aimed at ensuring equitable distribution and prevention of over indenting.

Complete exemption was granted in the case of Government Department, both Central and States, Public Sector Undertakings, Civic and other Semi-Government bodies, Associated Companies and Fabricators/Contractors of the main producers, foreign Embassies in India and parties in neighbouring countries against Quota Certificates and for Steel items distributed on annual entitlement system.

Exemption for State Government organisations like the Small Scale Industries or Agro Industries Corporations was to be granted only in case of non-flat categories and for flat categories the ceiling for exemption was to be worked out on the basis of plannings made by the Joint Plant Committee in 1969-70 plus 25 per cent minus the backlog as on June 1, 1970 or 1000 tonnes whichever was higher.

Beyond this ceiling the earnest money was to be paid at the rate of 5 per cent of the value of the material indented for.

For actual users (established customers), exemption was to be granted on the basis of the best year's despatches out of the last three financial years i.e. 1967-68, 1968-69 and 1969-70 from all the producers plus 10 per cent representing a scope of expansion for the units and after deducting the outstanding orders as on June 1, 1970, subject to a minimum of 200 tonnes including backlogs. Beyond this ceiling earnest money was to be deposited at the rate of 10 per cent of the value of the materials indented for.

For established traders, who received despatches from the main steel producers upto June 1, 1970, the ceiling of exemption was to be worked out on the basis of the best year's despatches out of the last three financial years from all producers after deducting the outstanding orders or 5000 tonnes whichever was less. Where the despatches were less than 200 tonnes, the exemption was to be for 200 tonnes after deducting the outstandings. Beyond this ceiling earnest money was to be paid at the rate of 15 per cent instead of 25 per cent as fixed earlier.

While no exemption was granted for new traders, the percentage of earnest money was reduced from 25 per cent to 15 per cent.

The provision was further liberalised on 26-4-1971. State-owned SSI or Agro-Industries Corporations were also fully exempted for all categories.

The exemption limit for existing actual users (who had received planning notes from JPC upto 1-2-71) is now calculated on the basis of best years' despatches in any one of three financial years, 1967-68, 1968-69, 1969-70 plus 100 per cent, minus the backlog as on 1-2-1971 subject to minimum 200 tonnes. Where both the figures of best years' despatch plus 100 per cent and the outstanding on 1-2-1971 are less than 200 tonnes, the exemption limit will be tonnes.

Beyond the exemption limits granted as above the consumers will have to pay earnest money at 10 per cent.

The exemption ceiling for only these established traders, who had received despatches upto 1-2-1971 will be based on best years despatch in any one of the three financial years 1967-68, 1968-69, 1969-70 minus the backlog as on 1-2-1971. Where both the figures of best year's despatch and the outstanding on 1-2-1971 are less than 200 tonnes, the exemption limit will be 200 tonnes minus the out-

standing as on 1-2-1971. Beyond this, the deposit will be @ 15 per cent. Other traders will enjoy no exemption and have to deposit @ 15 per cent.

4.98. It was represented to the Committee by certain non-official organisations that at present like the Government's direct indents are exempted from earnest money deposits, the indents by private parties which are made on behalf of Government agencies and indents by exporting units be similarly exempted. It was pleaded that the indents which were placed on behalf of the Government were already thoroughly scrutinised and vetted by them should be exempted and as regards exporting units, provision of earnest money would cause drain on their working capital which would negate the benefits to be derived from cash assistance duty drawback etc. In reply the representative of the Department has stated:—

"To-day, the position as was explained, is that since March, 1971 when the order regarding earnest money was liberalised, the general rule is that which we examine the intakes during the three years—1967-68, 1968-69 and 1969-70, then the best yearly intake is taken and 100 per cent is added to that and beyond that, if he wants to place a sale order, he has to pay 10 per cent earnest money. There is nothing unreasonable in this. They have also made representations to me even after liberalisation and I have asked them to give me specific instances in which hardship has been caused. But no such instance has been given. In the last Steel Advisory Council meeting which was held about 2 weeks ago they also made the same point and I asked them again to give specific instances. But uptill now no specific instance has been received. The fact is that the earnest money is only to prevent speculative sale orders clearly in the ordinary circumstances nobody is going to take more than double of what he consumed in the best of the three years."

"....They had made a complaint that the earnest money once paid is never returned or taken into account after the sale order has materialised. We have now instructed the steel plants to make proportionate adjustments as the material is supplied to the indentor and that has given them satisfaction."

"....If we make full adjustment, later there may arise difficulties of getting the money for the subsequent consignments. So, on a proportionate basis, every fortnight the accounts are adjusted."

4.99. When enquired about the provisions before 1970, it was stated, "There was no earnest money deposit prior to 1970. This system was introduced only with the new distribution system in 1970. Prior to that steel plants had some financial arrangements with individual customers. Some of them may be letters of credit and some of them may be fixed deposits. This has continued and there is no cancellation of orders.... These financial arrangements between the customers and the plant is a matter between them. We do not come in."

4.100. It was pointed out that in the case of cars and tractors there is also a provision for deposit of earnest money is deposited in post office or bank and it carried interest also. In reply, it was stated:—

"That is a guarantee. It is not earnest money. There it is different. If a man books a car, he has to pay Rs. 2,000 in his own account and keep it.... If you give interest to him, it would not be deterrent for making speculative demands. Here you must appreciate that the earnest money operates only when he wants more than twice of the best years of the previous three years.... Only if he wants to book a sale order for more than twice of the best of the three years, then he pays the earnest money in respect of the extra quantity and that also 10 per cent. If somebody with a speculative mind will ordinarily want that much and if he wants to keep the sale order alive, he has to keep the earnest money in deposit. If he does not want the sale order to stand, he gets the money back."

4.101. In reply to a question about the amount of earnest money lying with the Steel Plants the period for which it was lying and the interest earned thereon, the Committee have been informed through a written note as under:—

"Total balance amount of earnest money lying with the Steel Plants as on 31-1-72:—

1. M/s. Hindustan Steel Ltd., (Rourkela, Bhilai and Durgapur) Rs. 6·23 crores (Approx.)
2. M/s. Tata Iron and Steel Co. Ltd. . . Rs. 3·19 crores
3. M/s. Indian Iron and Steel Co., Ltd. . Rs. 1·92 croras.

The earnest money has become available to the producers gradually over a period from July, 1970 onwards. The amount collected pertaining to a very large number of orders received from the Customers (at an average rate of nearly 2,000 orders per month) and it is accounted for separately against each order. Besides, a proportionate amount of earnest money is being progressively refunded against materials despatched. It will, therefore, require a very detailed exercise to established the periods for which various amounts have been held by the producers.

The earnest money is merged with the general finances of the Companies and as such there is no separate earning of interest on them."

4.102. The Committee note that at present interest is not paid on the earnest money deposited by the indentors. Under the new indenting procedure the sale orders are valid only for two years and these sale orders are issued after the indents supported by certain documents/certificates are scrutinised by the Joint Plant Committee about the genuineness of the demand. As there is no assurance of definite delivery period by the Steel Plants, the Committee are of the opinion that there is need for examining the justification for keeping a substantial amount without paying interest on the same.

The Committee would also like the Government to consider that the indents which are made on behalf of their agencies and indents of the export oriented industries may also be exempted from the deposit of earnest money.

CHAPTER V

ORGANISATIONAL SET-UP

A. (i) Department of Steel

I. *Functions*

5.1. The Department of Steel has, broadly speaking, two functions, namely (i) the regulation and development of Iron and Steel Industry, including alloy steels and ferro-alloys, and (ii) the supervision of the development of the public sector in Iron and Steel, and some heavy engineering industries.

5.2. Consequent on the reorganisation of certain Ministries in May, 1971, Department of Steel—to which was allocated the work handled in the erstwhile Ministry of Steel and Heavy Engineering has become part of the Ministry of Steel and Mines. This Department deals with steel industry—both in the public and in the private sectors—including re-rolling mills, alloy steels and ferro-alloys industry, setting up of new steel plants in the public sector, etc., with the Iron and Steel (Control) Order, 1956, policies in respect of imports|exports of iron and steel; and also deals with some of the Heavy Engineering Units in the public sector. An extract from Second Schedule to the Government of India (Allocation of Business), Rules, 1961 as amended by Notification of May 3, 1971 regarding allocation of subjects to the Department of Steel is reproduced below:—

Distribution of subjects among the Departments

* * * * *

"Ministry of Steel and Mines

A. Department of Steel.

1. Steel plants in the public and private sectors, the re-rolling industry and ferro-alloys including all future development.

2. Development of ore mines, coal washeries, etc. for steel plants.

3. Production, distribution, prices, imports and exports of Iron and steel and ferro-alloys.

4. Planning, development and control of, and assistance to, all iron and steel industries.

5. The following Public Sector projects:—

(i) Heavy Engineering Corporation, Ranchi

(ii) Mining and Allied Machinery Corporation, Durgapur.

(iii) Triveni Structural, Allahabad.

(iv) Tungabhadra Steel Products Ltd.; and

(v) Bharat Heavy Plates and Vessels.

6. Other public sector projects falling under the subjects included in this list, except such projects as are specifically allotted to any other Department.

7. All attached or subordinate offices or other organisations concerned with any of the subjects specified in this list."

5.3. The substantive work relating to the above is handled in the Secretariat Division in the Department. For performance of certain staff functions a Technical Wing was set up in the Department in February, 1968 in implementation of one of the main recommendations made by the Khadilkar Committee and accepted by Government. An Economic Wing with an Economic Adviser and an Assistance Economic Adviser has also been set up. The details regarding functions etc. of the Technical Wing and the Economic Wing are given in subsequent paragraphs.

5.4. The following public sector undertakings function under the administrative control of this Department:

I. *Hindustan Steel Limited, Ranchi (Bihar)*

(i) Bhilai Steel Plant, Bhilai

(ii) Rourkela Steel Plant, Rourkela

(iii) Durgapur Steel Plant, Durgapur

(iv) Alloy Steels Plant, Durgapur

(v) Central Coal Washeries Organisation.

2. Bokaro Steel Ltd., Bokaro Steel City (Bihar)

3. Hindustan Steel Works Construction Ltd., Calcutta.

4. Heavy Engineering Corporation, Ranchi.

5. Mining and Allied Machinery Corporation, Ranchi.

6. Triveni Structural Ltd., Allahabad (UP).

7. Tungabhadra Steel Products Ltd., Tungabhadra Dam.

8. Bharat Heavy Plates and Vessels Ltd., Visakhapatnam.

9. Engineering Projects (India) Ltd., New Delhi.

II. *Composition*

The present sanctioned strength of various posts in the Department is as under:—

A. Gazette	Total No. of posts.
Secretary	1
Joint Secretaries	5
Economic Adviser	1
Senior Industrial Adviser	1
Directors	2
Senior Engineer/Project Officer	1
Industrial Advisers	2
Deputy Secretaries	4
Under Secretaries	8
Planning Officers	3
Asstt. Economic Advisers	2
Development Officers	5
Asstt. Development Officers	6
Deputy Director	1
Senior Analysts	1
Section Officers	21
Junior Analysts	2
Hindi Officer	1
Accounts Officer	1
Artist	1
Sr. Personal Assistants	4
Selection Grade of CSSS	2
Addl. P. S. to Minister	1
TOTAL :	76

5.5. The Department of Steel has informed that the above posts include 16 additional temporary gazetted posts which have been created recently (July, 1971) to strengthen and reorganise the existing Department (most of these posts have yet to be filled up):

Joint Secretary	1
Industrial Adviser.	1
Deputy Secretary.	1
Planning Officers	3
Development Officers	2
Asstt. Economic Adviser	1
Under Secretary	1
Assistt. Development Officers	2
Section Officers	3
Senior Personal Assistant	1
TOTAL :	16

5.6. In addition, two posts of Projects Officers, and one post of Finance and Accounts Officer also stand sanctioned in connection with work for the new steel plants sites.

B. Non-Gazetted	Total No. of Posts.
Class II	71
Class III	121
Class IV	81

5.7. The above posts include 42 temporary non-gazetted posts (13 Class II, 17 Class III and 12 Class IV) created recently in connection with strengthening of the existing Department.

In addition, 9 temporary non-gazetted posts stand sanctioned for work at the new steel plants sites.

(ii) *Technical Wing*

The main part of the Technical Wing is located in the Department of Steel in Delhi. It has a Branch in Calcutta. The number of officers sanctioned, and in position in the Wing is indcated below:

Officers	Sanctioned strength	In position
I. Main Wing in Delhi		
Sr. Industrial Adviser	1	1
Industrial Adviser .	2	2
Development Officer .	5	3
Asstt. Development Officer.	6	3
II. Calcutta Branch		
Industrial Adviser	1	1
Development Officer .	2	2
Asstt. Development Officer	1	1

5.8. To start with, the sanctioned strength of officers for the Main Wing at Delhi was 1 Senior Industrial Adviser, 3 Development Officers and 3 Assistant Development Officers. However, this was subsequently increased, first with the sanction of one Industrial Adviser and one Assistant Development Officer and later with the sanction of one more Industrial Adviser and two more Development Officers and Assistant Development Officers each. Efforts are being made to fill the remaining posts.

The Officers manning the Technical Wing both at Delhi and Calcutta are all technical officers having degree in electrical|mechanical|metallurgical|chemical engineering.

The Technical Wing mainly provides technical support to the Department of Steel in Delhi and to the Iron and Steel Controller in Calcutta. Its functions include:

(i) Assisting the Department of Steel with regard to the formulation of development plans, both short and long term, including the plan formulation. This covers the iron and steel industry, alloy and special steels, ferro-alloys, etc.;

(ii) Advice on essentiality certificate for import of capital equipment, raw materials, consumer goods, rolls etc. and with regard to the indigenous availability;

(iii) Assistance with regard to the formulation of Import and Export Policy for Steel;

(iv) Analysis of technical information and data and advice for improvement in production in steel plants and heavy engineering plants;

(v) Assisting the Department with regard to various studies on the main inputs of the steel plants such as ore, coal, refractories, ferro-alloys etc.;

(vi) Assistance with regard to the scrutiny of Feasibility Reports of various projects, taken up in the public sector for according Government approval for the same. It also includes providing various information to the Consultants and Plant wherever necessary for the feasibility studies and later for detailed projects reports;

(vii) Assistance with regard to the indigenous production of engineering industries as related to the requirements of steel plants with such allied aspects as standardization of main equipment;

(viii) Assistance with regard to the substitution of imported spares, raw materials and scarce items of iron and steel; and

(ix) Technical assistance to the Minister and officers of the Ministry for their participation in various meetings, seminars, discussions, etc.

5.9. The Technical Wing, apart from rendering services and technical support to the Department as mentioned above, has sometimes also been entrusted with a number of studies and preparation of basic papers. In the normal discharge of its functions, these include:

(a) Preparation of the Steering Group Report on Iron and Steel for the Fourth Plan;

(b) Co-ordination and preparation of the Report of the "Committee on the Co-ordination and programme of export of iron ore with the requirement of iron and steel industry";

(c) Co-ordination and prepartion of the Report on the assessment of some of the raw materials for the new Steel Plants at Visakhapatnam, Vijayanagar and Salem and studies on their product-mix;

(d) Co-ordination and formulation of Report on Standardization of equipment for steel plants required for implementation of the Fourth Plan;

(e) Preparation on Report on Refractories-estimates of demand, supply, standardization, raw materials and equipment availability; and

(f) Preparation of Report on availability and requirement of Scrap along with measures for improvement in collection and utilisation of scrap.

(iii) *Economic Wing*

It was decided in November, 1970 to set up an Economic Wing in the Department of Steel with the following substantive and Advisory functions to be performed by this wing:

Substantive Functions

(i) Compilation of statistics for the entire steel sector including engineering industries, based on reports received from various sources. The data thus collected and compiled should be readily available in a proforma to be prepared by Economic Adviser, for reference.

(ii) Preparation of hand-book of statistics annually.

(iii) Management Information System.

(iv) Analysis of the data collected, with a view to highlighting certain features such as trends in production/demand, prices, inventory controls etc. This would provide useful material for the Performance Review of HSL and other public sector undertakings.

(v) Undertaking studies of the private sector outputs, market trends, International and Metal Bulletin Prices, domestic Prices etc.

(vi) Preparation of annual and long-term Plans. In processing these the Economic Wing will consult the Technical Wing, Budget Branch and other secretariat Officers concerned, whenever required.

Advisory Functions

(i) Advice on specific proposals referred to the Economic Wing.

(ii) Taking up items requiring specialised study *e.g.* bringing down cost of production, rejection rates, consumption trends etc. In such analysis the assistance of Technical Wing could be obtained by the Economic Wing as and when required. The initiative for proposing subjects for specialised studies could be taken up by the Economic Wing as well as Secretariat Branches.

(iii) Economic appraisal of new projects/schemes.

(iv) Assistance in matters relating to costs, prices, duties etc.

(v) Advice on all subjects which have an economic bias.

(vi) Advice on all matters relating to Import/Export Policy.

Organisation

Economic Wing has been sanctioned the following staff:

1. Economic Adviser	1
2. Asstt. Economic Adviser	3
3. Asstt. Director	2
4. Analyst	1
5. Artist	1

Besides the above, some Secretariat staff is also there to assist the Economic Wing in its day-to-day functioning.

Achievements

Economic Wing has been actively participating in the work relating to the review of the performance of various steel plants. Heavy Engineering units looked after by the Department of Steel as well as work relating to new plants and new projects-including demand for steel, location of new capacity product-mix for Visakhapatnam, Vijayanagar and Salem plants, Bhilai and A.S.P. expansion, Bokaro (4 million tonne-stage) new Refractories Plant, Special Plate CRGO and Seamless Tubes projects etc., their economics and time phasing etc.

Economic Wing looks after management information system and other statistics and analyse these statistics regularly mainly for internal use. It brings out two reports regularly (1) Performance Review of Steel Production etc. giving an analysis of statistics relating to production, capacity utilisation month to month, cost of production, financial picture, labour employed and absenteeism, imports/exports etc. and (2) Open market prices of steel *vis-a-vis* JPC and stockyard prices and changes therein, month to month. Twelve such reports were brought out during 1971.

B. *Iron and Steel Controllers Office, Calcutta*

5.10. The Office of the Iron and Steel Controller at Calcutta functions under the administrative control of the Department of Steel. The Iron and Steel Controller is also *ex officio* Chairman of the Joint Plant Committee and the Billet Re-rollers Committee. The Iron and Steel Controller implements the Iron and Steel (Control) Order, 1956, formulates proposals for import/export policies; he, as Chairman, of

the Joint Plant Committee, supervises the receipt and planned distribution of indents for supply of steel to consumers, with the guidance of the Steel Priority Committee of which the Secretary of the Department of Steel is Chairman. The Iron and Steel Controller as the Chairman of Billet Re-rollers Committee supervises the supply of billets to the Billet Re-rollers, receipts and planned distribution of their re-rolled products and also determining the price of the re-rolled products, subject to the approval by the Central Government.

Functions

5.11. The functions of the main Office at Calcutta have been broadly distributed among the following six Divisions:—

1. *Priority Division*: This Division is responsible for distribution of indigenous Iron and steel (other than billets), matters relating to Steel Priority Committee, priority allocations, release from stockyards, export promotion scheme, and export to neighbouring countries.

2. *Appraisal Division*: This Division is responsible for appraisal with J. P. C. in the matter of planning of indents, appraisal with the Sales Offices in the matter of issuing Sale Orders/Work Orders and appraisal with the Main Producers in the matter of production and despatches.

3. *Industries Division*: This Division is responsible for the planning and development of Iron and Steel Industry other than main producers *viz.* Re-rolling Mills, Electric Furnaces, Alloy and Special Steels, Ferro-Alloys, Slitting Lines Wire Drawing, House, Strips and Pig Plants.

4. *Price & Accounts Division*: Adjustment of subsidy and surcharge claims on accounts of earlier imports and recovery of price differential from stockists and Re-rollers pertaining to control period are the main functions of this Division.

5. *Legal & Arbitration Division*: This Division is responsible for processing all legal and arbitration proceeding which have arisen on account of claims and counter claims due to adjustment of subsidy/surcharge and recovery of price differential from Stockists and Re-rollers.

6. *Administration Division*: This Division deals with all establishment matters, house keeping and vigilance relating to employees.

Composition

5.12. The present strength of Officers and staff who are engaged in discharging the various functions of the main Office is given below:

Gazetted	*Number*
Iron & Steel Controller	1
Deputy Iron & Steel Controller	2
Price & Accounts Officer	1
Additional Legal Adviser*	1
Deputy Price & Account Officer	1
Development Officer	2
Asstt. Iron & Steel Controller Grade-I	4
Asstt. Iron and Steel Controller Grade -II	2
Research Officer	1
Accounts Officer	5
Deputy Asstt. Iron & Steel Controller	5
Senior Steel Control Inspector	1
Asstt. Director (Administration)	1

*The Officer is borne on the strength of Ministry of Law, Branch Secretariat.

5.13. The Department of Steel have stated that one post each of Industrial Adviser, Officer on Special Duty (Vigilance) and Assistant Development Officer is at present lying vacant. The Industrial Adviser is intended to be incharge of Industries Division. The Deputy Iron and Steel Controller who is now looking after this Division will be responsible for co-ordination the activities of 4 Regional Offices, work relating to transport and movement, co-ordinating and statistical work. Officer on Special Duty (Vigilance) will be responsible for all items of work relating to vigilance and enforcement. The Assistant Development Officer will be placed under the charge of Industrial Adviser:

Non-Gazetted	*Number*
Class II	7
Class III	227
Class IV	70

5.14. The Iron and Steel Controller, who was asked about the staff and achievements of the Appraisal Cell in his Organisation has stated during evidence:

> "In the wake of the new distribution policy to ensure that the rolling programme of the producer is approved by the SPC, also that the despatches are made as per allocations made by the SPC, also to ensure that the ten days time-limit of scrutiny of indents in JPC is adhered to, also to ensure that the sale orders are issued within the time-limit given by the JPC, we have an Appraisal Cell in the Organisation and these are the main functions which I have just now indicated, apart from normal reports which we keep on getting. It is like this that once the allocation is made, rolling programme is approved. Then the producer is phasing the work on the basis of the approved programme. He despatches the instructions to the Plant then Appraisal Cell checks that this is in accordance with that and also checks that the despatch programme is strictly as per allocations given by SPC.
>
> Every month statements are received in the Appraisal Cell and we see whether despatches are taking place accordingly, how much backlogs is coming up, quarterly reviews are taking place etc. The Cell consists of three officers and nine other staff. The officers visit the plants also to check up whether the despatches are actually taking place."

5.15. In reply to a question regarding the problem of timely disposal of the queries and the agency for helping representatives of industry to solve their problems in his organisation, the Iron and Steel Controller has stated:

> "The quaries from the industries can be from four sectors; (i) relating to distribution policy, (ii) relating to priority allocations, (iii) relating to the registration of these industries, because iron and steel controller is the registering authority also and (iv) service of the industry in issuing of essential commodity licences etc. As regards the distribution, we are issuing periodicals; bulletins; announcements have been made; booklets have been issued regarding how to indent for the material, how to get the material etc. In case of any clarification by an individual or an association, I have not come across if there has been any unusual delay, as regards the priority allocation, he is informed at the indenting stage, at the stage of priority

allocation being given to him. Thereafter, if he still writes about anything to enquire, I have a clear cut distribution of work in my office for this; one section for the State Governments Projects and the other entirely for industries. Sometimes cases arise where a person has written 12 letters in three weeks, he is informed about the position. But it is difficult to reply on the same point every time. We have also introduced O&M working in the organisation, check-register with the up with the letters and other papers in this regard."

5.16. It was asked whether the Iron and Steel Controller in practice watched the time gap in the supply of steel materials after the allocations are made. In reply, it has been stated:

"We do watch the time gap in the supply of iron and steel after the allocation is made. As regards the concrete steps, these are, when the rolling programme is approved and it is sent to the producer, we ask them to send back the day-to-day rolling programme which they issue to the plant. The position is thus available with us on which day which rolling is done, etc. In addition, when the SPC issues quarterly allocations, we forward this allocation under statutory direction under Article 13 of the Steel Control Order and also follow it up by visiting the steel plants, and also through the Appraisal Cell whether the despatches are being made as per SPC allocations..... The time gap will vary as the rolling programme of the producer approved by SPC. They give us rolling programme of three months and we issue the despatch programme six weeks in advance of the quarter to start. So, from six weeks to four and a half months is the gap within which the allocation should be made.... In some cases, there is rolling breakage, in some cases quality variation occurs. Then there is backlog. But that is taken care of in the next practicable quarter."

(ii) *Regional Offices*

5.17. The Iron and Steel Controller in a written note has informed the Committee that as complaints about misutilisation of steel allotted to various consumers on priority basis were being received by Government from various sources, it was decided to set up Regional Offices of the Iron and Steel Controller in the main steel consuming centres in India. To start with, Regional Offices have been opened at Calcutta, Delhi, Bombay and Madras. Proposals regarding open-

ing of an Office at Kanpur and another at Hydrabad are under consideration.

Administrative control on Regional Offices

All the 4 Regional Offices function under the administrative control of Iron and Steel Controller who is also Head of Department. The Regional Iron and Steel Controllers for their respective Offices have been declared as Head Office. The budgetory control of the Regional Offices is also exercised by Iron and Steel Controller.

The Jurisdication of each of the Regional Offices is as under:—

(1) Regional Office, Calcutta :	West Bengal, Bihar, Orissa, Assam, Meghalaya Nagaland, Manipur and Tripura.
(2) Regional Office, Delhi.	Delhi, Haryana, , Punjab, Jammu & Kashmir Himachal Pradesh , Rajsthan and Uttar Pradesh
(3) Regional Office, Bombay :	Maharashtra, Gujrat, Madhya Pradesh, Goa, Deman Diu.
(4) Regional Office, Madras,	Tamil Nadu, Kerala, Mysore, Andhra Pradesh and Pondicherry.

Functions

5.19. The functions of the Regional Offices in the respective zones are as follows:

(1) To ensure that the stockyards distribute the materials according to the policy instructions in force.

(2) To check and conduct inspections to ensure that the consumers do not misutilise the materials allotted to them.

(3) To ensure that the industrial units which are allowed to import materials on the recommendations of Iron and Steel Controller use them for the purpose they have been imported.

(4) To exercise checks over the Re-rollers.

(5) To furnish market survey reports.

Staff of Regional Offices

Each of the four Regional Offices is having the following strength:

Gazetted	*Number*
Regional Iron cnd Steel Controller . . .	1
Deputy Regional Iron and Steel Controller .	1
Non-gazetted	
Class III . .	6
Class IV	3

5.20. Regarding the working of various Regional Offices the representative of the Department of Steel has stated during evidence that the Regional Offices have been started in April-May, 1971 and they are still in the process of being developed. In Delhi, it started on 19th April, in Calcutta on 13th April, in Madras on 3rd May and in Bombay on 29th June and the two new Regional Offices have still to be set up.

5.21. As regards checking the misutilisation of steel by the Regional Controllers he has stated that since April, 1971 upto about a week ago, 53 cases have been detected, in 18 cases F.I.R. has been filed with C.B.I. including one scrap re-roller, 177 re-rollers were checked and after show cause notice, supplies to 46 were suspended but 7 of these were restored after further investigations. The show cause notices have been issued to an additional 12.

5.22. When asked as to how the Regional Controllers are expected to do the vigilance of such a vast area with a meagre staff, the representative of the Department stated, "I would agree that the area is certainly large for a few officers. They are still in the process of being developed.... We have not been able to get the personnel yet; we want the people with administrative experience of good record, integrity and that is why it is taking time."

5.23. During their on-the-spot visit to the Office of the Regional Iron and Steel Controller at Madras in September, 1971, the Study Group of the Estimates Committee was informed by the Regional Iron and Steel Controller that as this office had been in existence only for about two months, it was too early to make a correct assessment of the difficulties which are likely to be faced in its day to day functions. The main difficulty so far has been of personnel. The fact that there are only two Offices in the Regional Office and

that they cannot both be away from the Headquarters at the same time, has been a restricting factor, in so far as inspections are concerned. The appointment of an additional officer would solve this problem to a great extent.

Another difficulty had been lack of adequate basic information and the regular flow of this information especially from the Small Scale Industries Corporations. He added that this has already been taken up with the Directors of Industry|SSI Corporations, one of which has agreed to furnish the required data on a regular basis every month. The matter is being pursued with the others and it is expected that a regular information system would be established shortly.

5.24. In reply to a question it was stated that Regional Iron & Steel Controller was a non-technical man and a sample survey type of inspection was done by him. The Regional Iron and Steel Controller agreed that in the absence of technical knowledge in some cases it would be difficult to have physical verification of the stocks. It was also stated that during this period no complaints regarding misuse of steel had been found of substance.

5.25. Regarding giving the jurisdiction to check the misuse of steel to the State Government, it was stated that it was not necessary. He explained that powers to prosecute etc. for misuse of steel were drastic powers and that such prosecutions could even be launched by the Regional Iron and Steel Controller at the instance of complaints may by the State authorities.

5.26. In reply to another question, it was stated that at present there was no arrangement for getting information about allocation of steel to various units under his control. The Regional Iron and Steel Controller could ask for such information. He agreed that there was a need for such an obligation to furnish such information to the Steel Controller by the steel allotting stockyards or institutions.

5.27. The Committee note that Regional Offices of Iron and Steel Controller have been set up to check misutilisation and leakages of steel. Each Zone covers an area of five to eight States. They further note that misuse of steel has been declared as a penal offence under the Essential Commodities Act. As the success of policy depends upon its effective implementation, the Committee urge that the Regional Offices should effectively check malpractices and misutilisation of steel by allottees.

5.28. The Committee note that at present it is not obligatory on the Directors of Industries/Small Scale Industries Corporations, stockyards etc. to furnish information about the steel distributed through them to the Regional Iron and Steel Controller. In order that the Regional Steel Controllers could discharge their responsibilities effectively, the Committee are of the view that there is a need to make it obligatory on the steel distributing institutions and stockyards etc. to furnish such information regularly to the Regional Steel Controllers.

5.29. The Committee would like Government to take effective measures to see that steel is put to proper use by the allottees and not surreptitiously sold in the market thereby vitiating the atmosphere.

6.3. As the
sable for
programme
up productio

CHAPTER VI

CONCLUSION

6.1. The production of steel is an index of a country's economic prosperity and it can rightly be regarded as the barometer of a nation's level of industrialisation and economic growth as it forms the basic material in all developmental efforts of a nation.

6.2. While nature has been abundantly genrous in endowing India with all the necessary inputs for a flourishing steel industry, like rion ore, coal, lime stone, manganese and other ingredients and above all plentiful labour, it is surprising that our steel production forms only a hundredth part of the world production. On the other hand, Japan, which suffers from disadvantage of having no basic raw material for its steel industry and has to depend upon iron ore imports from other countries has converted this disadvantage into a visible advantage and is today producing nearly 93 million tonnes of steel against 1.7 million tonnes it produced in 1948. On the other hand India's production of iron and steel has arisen from 1.3 million tonnes in 1948 to 6.3 million tonnes only.

6.3. The rapid growth of iron and steel Industry is indispensable for the country's developmental industrialisation and export programme. Government should take necessary measures to step up production of steel in order to achieve the targetted capacity of the steel plants envisaged in the Plan.

6.4. The Government should prepare a perspective plan for production of iron and steel for the next ten to fifteen years aiming at a surplus in this key sector so that timely steps can be taken to bring about the desired increase and generate a climate of optimism that this basic raw material required by engineering and other industries would be available indigenously on assured basis.

6.5. It is disappointing to note that the steel production has been around 65 to 70 per cent of the installed capacity and that in none of the Plan periods *i.e.* from 1955-56 onwards the production targets have been achieved. The Committee fail to understand the rationale of the production targets when there is shortfall in year after year.

6.6. The public sector now commands a dominating position in steel. As the public sector has now experience of more than a decade to its credit, it should certainly be within their reach to take remedial measures on priority basis and in a coordinated manner to achieve the maximum output from these Steel Plants in which large amounts of scarce resources of the country have been invested.

6.7. The Committee would like Government to bring out a comprehensive White Paper on the existing state of production in each of the Steel Plants and the measures that have been taken or are proposed to be taken to improve their performance. This White Paper may be placed on the Table of the Lok Sabha so that Members have an opportunity to discuss the matter in detail.

6.8. According to the National Council of Applied Economic Research the demand for finished steel in 1975 and 1980 will be 7.6 million tonnes and 12.8 million tonnes respectively. It has been contended by Government that the present capacity of 6.74 million tonnes of finished steel will go up to 11.50 million tonnes in 1975 and to 14.70 million tonnes in 1980, if 90 per cent capacity of the steel plants is utilised. However, it is observed that at present as against the capacity to produce 6.75 million tonnes of steel, the actual production is about 4.5 million tonnes only. The Government should keep these realities in view while planning for development and can total capacity at the end of 1975 and 1980 so that the demand can be met in full.

6.9. In view of the wide gap between the present production and demand projections by National Council of Applied Economic Research for 1975 and 1980 about various categories of steel, it is recommended that a perspective plan with a time bound schedule should be prepared by Government for achieving the production in time.

6.10. To know precisely the consumers requirements the Committee attach great importance to market study. The Iron and Steel Controller has valuable data about the present requirements of the country. The Committee would suggest that all the available data with the Iron and Steel Controller and other Government Organisations should be carefully analysed and demand projections over the next 5 to 10 years developed systematically so that the product mix for the new steel plants and the expansion programmes of existing plants is realistically framed in order to meet the requirements in full.

6.11. The need for achieving increased capacity of steel was felt at the beginning of the Third Five Year Plan and that in 1962 the Steering Group on the formulation of the Fourth Five Year Plan for Iron and Steel had recommended the study of Goa-Hospet and Bailadila-Visakhapatnam areas for setting up the new steel plants. Similarly in 1962 a Technical Committee was also appointed by the Government to consider setting up a steel plant in the Salem-Neyveli region. The Committee are unhappy to note that Government took nearly eight years in announcing its decision for setting up steel plants in these areas. As the gestation period for integrated steel plants is between 7-8 years, the Committee would urge Government that final decision about the product mix etc. of the Steel Plants should be taken expeditiously and high priority should be given for commissioning of the steel plants within the shortest period. It is apprehended that any undue delay in final decision about the product-mix and commissioning of the steel plants would not only deprive the counrty's economy of reaping the benefits of additional steel capacity, but will also result in higher cost for setting up the steel plants.

6.12. While deciding the capacity and product mix of the steel plants, Government should make adequate provision for increasing the capacity and varying the product-mix of the steel plants to meet the anticipated increase in the demand for steel in the coming years.

6.13. The Committee are convinced that in a basic industry like Steel, Government's policy should deliberately aim at a surplus rather than achieving mere self-sufficiency. It need hardly be pointed out that besides providing a cushion against unexpected shortfalls, surpuls steel would afford the greatest encouragement to the devolpment of engineering and other allied industries which require steel in large quantities and on assured basis. In this connection, the example of several leading countries like the U.S.S.R., U.S.A. and Japan can be cited where steel production has increased several fold during the last two decades, thus providing a strong base for development of industry to meet the home demand as well as exploit the export opportunities. It may be pointed out that U.S.S.R., U.S.A. and Japan been able to increase their production in steel several fold and they are able to add several millions of additional capacity in steel manufacture practically every year. There is no reason why the gestation period either for installation of new steel plants or for expansion of the existing steel plants should be spread over five to seven years. The Committee would like Government to

compress this period so that the production from the new steel plants or expanded steel plants materialises at the earliest.

6.14. It is noted that since the announcement of new Licensing Policy in February, 1970, Government have issued letters of intent to four State Industrial Development Corporations with total capacity of 2,80,000 tonnes and eleven units in the private sector with total capacity of 5,10,000 tonnes for production of billets based on continuous casting process and further licensing of continuous casting units is pending decision by Government on the findings, of the Report of the Departmental Working Group on the availability of scrap within the country. It is also noted that so far only one sponge iron unit has been given letter of intent and further licensing of such units is pending success of this unit.

In the context of shortages experienced in steel production and in view of the low gestation period with comparatively smaller capital requirement, the Committee feel that the scrap based electric furnaces-*cum*-continuous casting plants have obvious advantages as they would make for decentralised production and distribution besides putting scrap to productive use.

The Committee would like Government to continuously review the position and takes timely decisions so that we may increase our total indigenous production in the shortest possible time to meet the present requirements and save precious foreign exchange which is being spent on imports. The Committee hope that Government would bring the production of electric furnace-*cum*-continuous casting plants under the purview of the Joint Plant Committee to make for a most rational allocation.

6.15. It is noted that demand exceeds production in respect of ferro-alloys like ferro-silicon, Ferro-molybdenum, Ferro-tungston, Ferro-vanadium and Ferro-titanium etc. and that letters of intent for creating additional capacity have been granted to certain parties to fill the gap between the demand and production. Government should keep a close watch that the additional capacity in respect of these ferro-alloys is established at the earliest and till the requisite capacity of these ferro-alloys is established, Government should take steps to arrange timely and adequate imports to meet the industrial requirements. The Central Government should persuade the State Governments to supply electricity to the ferro-alloys manufacturing units at lower tariff rates so that the units may be able to utilise their capacity fully and reduce the cost of production, to compete

with other countries where similar tariff concessions are being given. It may be added that if such concessional rates are made available to the ferro-alloys manufacturing units, it should be obligatory on them to sell the ferro-alloys at more competitive prices so that the benefit is passed on to the industrial users of ferro-alloys.

6.16. The Committee are perturbed to note that due to variety of reasons like shortage of steel, delay in delivery of equipment and labour unrest, the production of steel at the end of the Fourth Five Year Plan would fall short of the target by about 1.4 million tonnes. Government should make concerted efforts to improve the utilisation of existing plants to make up this shortage. It is also urged that the expansion programmes for Bokaro and Bhilai should be implemented on priority basis.

6.17. It is a matter of concern that the gap between the estimated requirements and the production of finished steel in the country which was 6.2 million tonnes in 1969-70 has risen to 1.5 million tonnes in 1971-72. As steel is the basic raw material for a large number of industries, it is imperative that adequate supplies are made available for sustaining and accelerating industrial development. Government should take timely measures to arrange for imports of steel to meet the gap between the assessed requirements and estimated production.

6.18. It is noticed that it takes normally between three to nine months for imports to materilalise. Due to decline in indigenous production, shortage of steel has become a serious constraint to industrial development. There is, therefore, imperative need for reducing the time lags involved in securing supplies through imports or increased indigenous production. It is suggested that there should be a time-bound programme for receipt of imports and its distribution to the industry.

6.19. At present Government do not maintain precise statistics about the foreign exchange expended on the actual imports of steel. In order to arrive at a correct judgement on the level of import necessary to bridge the gap between demand and supply there should be a proper procedure for obtaining information from the licencees so that the Ministry may be able to know how much import has actually materialised and what further action, if any, is required to be taken to sustain the tempo of industrial production

6.20. It is appreciated that a decision has been taken to set up a Steel Bank which would maintain stocks of critical categories of

steel to meet the shortages experienced by priority users. The Government should make concerted efforts for setting up the Steel Bank at the earliest. The procedure for obtaining raw materials should be streamlined so that it is free from unnecessary red-tape and does not defeat the very purpose of obtaining raw materials in time.

It is also stressed that where a manufacturer desires to import a matching section on the ground that it is not available indigenously, the applications should be checked up expeditiously and either the matching section made available from indigenous source or the import allowed without delay so as not to hold up the manufacturing programme.

6.21. At present the steel imports are canalised through Hindustan Steel Ltd. and the Mines and Metals Trading Corporation. The Committee do not see any ostensible advantage in importing steel through two public sector agencies. Government should examine whether the steel imports cannot be entrusted to a single canalising agency which has the best expertise and distributive arrangements to serve the industry.

6.22. It is noted that steel is imported from various countries under different credit conditions and the industry finds wide differences of prices for identical materials offered by the same canalising agency. In order to deal with this difficulty, Government should consider the feasibility of charging a pool price for imported steel.

6.23. The Committee have gathered the impression that because of the constraint on available supplies, indentors, particularly those in the public sector and in small scale industries are apt to inflate their demands so as to secure larger quota even after scaling down which may take place in the Joint Plant Committee discussions or in the allocations by the Steel Priority Committee. It has been admitted by the official representatives of Government that there is at present no fool-proof check if the inflation is of the order of 20-25 per cent. It is considered that the Iron and Steel Controller should be able to exercise stricter scrutiny of the indents so as to take out any elements of inflation. It need hardly be pointed out that when a party is found to have indulged in grossly inflating its indent, deterrent action should be taken so as to act as an example to others.

6.24. The Committee would also like Government to impress on all Government Departments, public sector and others, who have

been given the authority to sponsor priority allocation that a great responsibility lies on them to carefully yet the demand in order to reduce it to the minimum necessary. It is considered that if every one, particularly the Government sponsoring authorities, exercised due care and vigilance in sponsoring indents, it would before long reduce the demand to realistic levels and make for more rational and equitable allocations.

6.25. It is noted that there are no definite guidelines for fixing priorities for allotment of steel to various indentors except that the priorities are allotted on merits of each case determined at the discretion of the Steel Priority Committee. As there is an acute shortage of steel, discretion has of necessity to be exercised. However well intentioned, the dispensing body might be, the public are entitled to have definite indications as to how and on what basis a demand is preferred to another. It is suggested Government should evolve guidelines for fixing priorities in the light of experience gathered so far.

6.26. It is noted that the Steel Priority Committee have been making continuous efforts in recent months to ensure that at least indentors who are allotted Category 'A', are able to receive steel within the quarter. Even so, the official representatives had to admit before the Committee that in the case of Durgapur Steel Plant, the compliance has varied between 55 per cent and 84 per cent. The Committee consider that as Category 'A' allottees are obviously in need of timely supplies of steel, the objective is defeated if the supplies do not materialise in full and in time. It is also on record that once an indentor fails to get his quota either in full or in part in a particular quarter his earliest chance to get it would occur after an interval of 3 to 6 months. It is, therefore, no wonder that manufacturers who need steel as raw material have to resort to open market in order to sustain their production programmes and it may well be that they may be disposing of the steel which they get long afterwards in the open market. It is this compulsion of circumstance which has given rise to a widespread open market. Government should analyse the reasons which have given rise to this malpractice and devise measures by which manufacturers and others engaged in priority works get their quota of steel in full and in time.

6.27. It is noted that the products of re-rolling industry *viz.*, rods and bars, etc. meet to an appreciable extent the national requirement. It has been brought to the notice of the Committee that 52

per cent to 60 per cent of capacity of steel re-rolling industry is lying idle for want of adequate supplies of billets. The Committee understand Government are examining the feasibility of importing larger quantities of billets to meet the internal demand. The Committee suggest that Government should carefully review the position and so allocate the billets that the consumers' requirements are met on a decentralised basis to the maximum extent feasible.

6.28. The Committee recognise that the small scale industries occupy an important developmental role in national economy and it is Government's policy to extend the necessary assistance to them. While the Committee are in full agreement with this objective and consider that small scale industries should be extended every help, they feel that a duty is also cast on Government to see that the benefit goes only to those units which are actively engaged in production. An impression was given to the Committee that the Committee that the requirements of small scale industries for scare raw materials particularly for steel are apt to be inflated and that some units in fact exist only for the purposes of getting benefits of scarce raw materials without engaging themselves in production. The Committee note that as far as the Iron and Steel Controller is concerned, the indents are required to be sponsored either through the Director of Industries or through the Small Scale Industries Corporation. Government should take effective measures in consultation with the Development Commissioner for Small Scale Industries and the State authorities to ensure that the requirements for steel are sponsored after careful scrutiny and checking and that there is a follow-up to see that the scarce raw materials are in fact put to productive use. Government should also publish factual information about allocation of steel and other scarce raw materials to the small scale industries and their production effort so as to dispel suspicion that it is not being put to productive use.

6.29. The Committee take note of the difficulties and apprehensions of the small scale sector in regard to the new procedure for distribution of steel materials to it through the State Small Industries Corporations. Government should take note of the difficulties and ensure that the new procedure of distribution of steel to small scale sector does not result in excessive burden or hardship.

6.30. It is noted that at present the stockyard remuneration ranges from Rs. 60 to Rs. 380 per tonne on various items of steel sold through stock-yards. Govenment should review carefully the margin of remuneration allowed for sales from stock-yards so as to reduce it to

the minimum in respect of categories of steel which are used mostly by the small scale industries.

6.31. Hitherto the Railways have been disposing of their used steel materials like rails etc. by public auction and it has been fetching them high prices. The Committee consider that as there is acute shortage of steel in the country at present and as the Railways had obtained steel originally on priority basis from Government allocations, it would be more equitable if used steel materials like rails etc. were placed at the disposal of the Joint Plant Committee, who could allocate it in best public interest. It is also recommended that other Government Departments/organisations/public undertakings and organised sector who have large quantities of used steel materials or scrap should be similarly brought within the purview of the Joint Plant Committee so that the used steel materials, scrap etc. could be allocated in the best public interest.

6.32. It is noted with concern that in 1970-71, 12.6 per cent of the total production of Indian Iron and Steel Company was classified as 'defectives' and 10.2 per cent of the total finished steel production of Durgapur Steel Plant was classified as 'scrap'. This percentage is considered on the high side especially in the context of acute shorttages of steel being felt all over the country. As the higher percentage of 'scrap' and 'defectives' etc. ultimately result in higher cost of ages of steel being felt all over the country. As the higher cost of production in the steel plant, the Government should impress upon the steel plants to make concerted efforts to reduce this percentage to the minimum possible.

Government may get the matter examined by a high-powered independent technical committee to find out the precise reasons for such high percentage of production in various steel plants being classified as 'defectives', 'cuttings' and 'scrap' and suggest remedial measures for improving the performance.

6.33. The Committee are surprised to note that due to stockyard's remuneration and overhead charges etc. defectives and scrap materials sold through producers' stockyards are available to the small scale sector on a higher price than the price of the prime materials made available to the large scale sector from the steel plants. That the small scale sector should not be placed at a dis-advantageous position as compared to the organised sector the Government should critically examine the remuneration and overhead charges of the stockyards which are being recovered on defectives and scrap materials sold to small scale industries so as to reduce the burden on the Small Scale Sector.

6.34. At present interest is not paid on the earnest money deposited by the indentors. As there is no assurance of definite delivery period by the steel plants, there is need for examining the justification for keeping a substantial amount without paying interest on the same.

It is noted that Regional Offices of Iron and Steel Controller have been set up to check misutilisation and leakages of steel and that each Zone covers as area of five to eight States. Ast he success of policy depends upon its effective implementation, the Committee urge that the Regional Offices should effectively check malpractices and misutilisation of steel by allottees.

At present it is not obligatory on the Directors of Industries Small Scale Industries Corporations, stockyards etc. to furnish information about the steel distributed through them to the Regional Iron and Steel Controller. In order that the Regional Steel Controller could discharge their responsibilities effectively, there is a need to make it obligatory on the steel distributing institutions and stockyards etc. to furnish such information regularly to the Regional Steel Controllers.

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

NEW DELHI;
April 24, 1972
Vaisakha 4, 1894 (*Saka*).

APPENDIX I

(*Vide* para 1·32 of the Report)

CRUDE STEEL PRODUCTION

(Thousand Metric Tonnes)

Country	1948	1953	1960	1965	1966	1967	1968	1969
Australia	1,245	2,076	3,753	5,496	5,892	6,264	6,480	7,000
Belgium	3,920	4,497	7,188	9,168	8,916	9,720	11,568	12,331
Brazil		1,016	2,260	2,983	8,780	3,732	4,452	4,850
Canada	2,903	3,734	5,270	9,096	8,796	8,796	10,212	9,600
Chile		313	422	442	540	596	526	590
China	..	1,776	18,450	15,000	16,000	..	..	..
Czechoslovakia	..	4,366	6,768	8,592	9,120	9,996	10,560	10,780
France	7,236	9,997	17,281	19,608	19,584	19,656	20,412	22,509
Germany (W)	5,661	10,103	34,100	36,816	35,316	36,744	41,160	45,316
India	1,277	1,531	3,287	6,412	6,600	6,384	6,444	6,700
Japan	1,715	7,662	22,133	41,160	47,784	62,148	66,888	82,144
Pakistan	..	11	12	13	..	..	..	..
Poland	1,955	3,604	6,681	9,084	9,852	10,452	11,004	11,160
U.S.S.R.	18,639	38,128	65,293	90,996	96,915	1,02,180	1,06,536	1,10,000
U. K.	15,116	17,891	24,695	27,444	24,708	24,276	26,280	26,856
U. S. A.	80,413	1,01,250	90,067	1,19,256	1,21,656	1,15,404	1,19,256	1,30,800
Yugoslavia	..	515	1,442	1,764	1,872	1,836	1,992	2,170

APPENDIX II

(*Vide* para 3.35 of the Report)

Statement showing the details of the applications for industrial licences received by Government from State Government Undertakings and private entrepreneurs for the manufacture of steel billets/ingots from ferrous scrap by conventional or continuous casting process.

Party	Item	Capacity in Tonnes	Location	Letter of intent issued on	Industrial Licences issued on	Remarks
A. SCHEMES APPROVED BY GOVERNMENT						
I. *State Government Undertakings* :						
1. The Orissa Industrial Dev. Corpn. Ltd.,	Steel billets	80,000	Orissa	8-9-70		Continuous casting process
2. The Puniab State Ind. Dev. Corpn.	Do.	50,000	Ludhiana		24-12-70 (C.O.B.) Licence)	Do.
3. The Haryana Ind. Dev. Corpn. Limited.	Do.	50,000	Mahindra garh	18-6-71		Do.
4. The U. P. State Ind. Dev. Corpn. Ltd.,	Do.	100,000	U. P.	28-6-71		Do.
II. *Private Entrepreneurs*						
5. M/s. Electrosteel-Castings Limited.	Do.	40,000	Ghaziabad	1-7-70		Do.
6. M/s. Steel Complex Ltd.,	Do.	50,000	Kerala	24-7-70		Do.
7. M/s. Rathi Alloys and Steel Ltd.	Do.	40,000	Ghaziabad	1-1-71		Do.
8. Shri S. N. Agarwal	Do.	50,000	Bangalore	15-5-71		Do.
9. M/s. Krishna Steel Industries.	Do.	50,000	Bombay	18-5-71		Do.

	Party	Item	Capacity in Tonnes	Location	Letter of Intent issued on	Industrial Licences issued on	Remarks
10.	M/s. Tata Iron and Steel Co.,	Steel Ingots	30,000	Adityapur	18-5-71	18-5-71 (C.O.B.) (Licence)	Conventional process
11.	M/s. Andhra Steel Corpn.	Steel Billets	50,000	Bangalore	18-5-71		Continuous Casting process
12.	M/s. Vardhman Spinning and General Mills Limited.	Do.	50,000	Faridabad	25-6-71		Do.
13.	M/s. Amrit Vanaspati.	Do.	50,000	Ghaziabad	22-6-71		Do.
14.	M/s. Usha Martin Black (Wire Ropes)	Do.	50,000	Ranchi	28-6-71		Do.
15.	M/s. Shanker Estates (P) Ltd.,	Do.	50,000	M. P.	1-7-71		Continuous casting
16.	M/s. Hindustan Dev. Corpn. Ltd.	Do.	50,000	Mahrashtra or U.P.	L/I withhold		Do.

	Party	Item	Capacity	Location	Remarks
	B. SCHEMES PROCESSED AND SUBMITTED TO L. C.				
	Private Entrepreneurs.				
1.	M/s. Motilal Padampat Sugar Mills Co. Ltd.	Ingot	28,000	Kanpur	Conventional Process.
2.	M/s. Bridge and Roof .	Steel Billets	50,000	Bihar or U.P.	Continuous casting process.
3.	M/s. J. K. Synthetic Ltd. .	Steel/ Ingots/ billets	50 000	Kota	Do.
4.	M/s. J. K. Steel and Industries .	Steel billets	50,000	Bihar or Orissa	Do.
5.	M/s. Modi Industries Limited	Do.	50,000	U.P.	Do.
6.	M/s. Special Steels Ltd. .	Do.	50,000	Maharashtra	Do.

Party	Item	Capacity	Location	Remarks
C. SCHEMES UNDER CONSIDERATION AND PROCESSING				
I. *State Government Undertakings* :				
1. M/s. Andhra Pradesh Ind. Dev. Corpn.	Steel billets	50,000	Andhra Pradesh	Continuous casting process
II. *Private Entrepreneurs* :				
2. M/s. Vinod Gupta .	Do.	50,000	Delhi, Haryana, or U.P.	Do.
3. M/s. Baldev Steel Ltd.	Do.	18,500	Bahadurgarh (Haryana)	Do.
4. M/s. Delhi Iron and Steel Co., (Private), Limited.	Do.	50,000	Ghaziabad	
5. Shri J. N. Mehrotra .	Do.	33,000	Unnao (U.P.)	Continuous process
6. Shri Binod Kumar Kanoria	Do.	22,500	U.P.	
7. Shri Bala Krishan Somani	Do.	40,000	U.P.	
8. M/s. U. P. Steel Limited .	Steel Ingots	12,000	U. P.	
9. M/s. Kamani Engg. Co. .	Steel billets	1,20,00	Not known	Continuous casting process
10. M/s. Rainbow Steel Ltd., .	Ingots/ billets	15,000	U. P.	
11. M/s. Devidayal Rolling and Refineries (P) Limited.	Steel ingots	20,000	Mahrashtra	
12. M/s. Central India Machinery Mfg. Co. Ltd.,	Do.	6,000	M. P.	
13. M/s. Indian Rolling Mills .	Steel billets	50,000	U. P.	Continuous casting process
14. M/s. Rathi Ispat Ltd. .	Steel ingots/ billets	48,000	U. P.	Do.
15. M/s. Northern Indian Iron and Steel Co.,	Steel Ingots and billets	35,000	Haryana	
16. M/s. Ishar Alloy Steels (P) Ltd.,	Steel Ingots	15,0000	Haryana	

Party	Items	Capacity	Location	Remarks
17. M/s. Concast (P) Ltd., .	Steel billets/ Ingots	50,000	Bhavnagar	Continuous casting process
18. M/s. Paliwal Steel (P) Limited .	Ingots	83,000	U. P.	
19. M/s. H. L. Malhotra and Sons .	Ingots	6.000	Haryana	
20. M/s. Kothari Plantation and Ind. Limited.	Billets	50,000	Bihar	
21. M/s. Indian Steel Corporation .	Steel billets	1.00,000	Mahrashtra	
22. M/s. Indian Steel Equipment	Do.	1,00,000	West Bengal	

APPENDIX III

(*Vide* para 4.50 of the Report)

JOINT PLANT COMMITTEE

(*Constituted by the Government of India*)

18 RABINDRA SARANI, CALCUTTA-1

No. ES-(1)|PS|70 *March 1, 1971*

SUB: *Distribution Policy for Steel Materials from Producers' Stockyards*

The procedure for issuance of materials from Producers' Stockyards was laid down vide reference No. ES-(1)|70 dated 17-10-1970. After further consideration of certain aspects of this system, some modifications have become necesseary. Therefore, JPC has finalised the following comprehensive revised procedure incorporating the modifications. This procedure will be effective from 1-3-1971 in supersession of the earlier instructions on the subject.

I. *SPC Allocations*

The Steel Priority Committee may make allocations for small tonnages to various parties against their specific sale-works orders for issue of material from the nearest Stockyard. Intimations to Consumers, Stockyards and Producers will be issued in the form of allotment letters before commencement of the period in accordance with which despatches from Plants and sale from Stockyards may be arranged.

1.2. The Producers' Steel Plants shall also supply residual tonnages of SPC allocations where the indentor has signified his willingness to accept such small tonnage through Stockyards at Stockyard prices and where such supply is feasible from operaional| Rail movement point of view.

1.3. It shall be ensured that such materials are only issued to the allottees of the SPC. In the event of the allottees not making the payment and not lifting the materials within the stipulated time,

the Stockyards shall distribute such unlifted materials according to the procedure and basis laid down hereunder.

II. *PRIME QUALITY MATERIALS* (Other than Pipes and Pig Iron)

2.1. Out of the total arrivals in a Stockyard in a quarter, 20 per cent shall be offered to the Directors of Industries of the States in the Zones served by the Stockyards to ensure equitable distribution against the requirements of Small Scale Industries with the exception provided in para 4.2 below. Tistrong bars and cold twisted bars, viz. torsteel and grip bars need not be offered to the Directors of Industries. All State Governments in the Zone will be requested to nominate an Officer to receive such offers and preferably the officer should be stationed at the station in which the stockyard is located to facilitate expeditious exchange of correspondence. The Officer nominated by the Director of Industries shall issue recommendations to actual consumers in the small scale industries Sector in the State or to SSI Corporation within 14 days from the date of issue of intimation from Stockyard and also send a consolidated statement of allocations to the Branch Manager of the Stockyard.

Note:— (a) Allocation to individual party should not be less than 2 tonnes per section.

(b) Demands of industrial consumers looked after by all State Government Departments *e.g.* Director of Agriculture, Director of Consumers Goods etc., shall be coordinated by the Director of Industries or the officer nominated by the State Government so that the Stockyard may make correspondence only with one Officer in each State. On receipt of recommendation from the State Government, the Stockyard shall send offers to the allottees to pay for and lift the materials within the stipulated period after which the same will lapse.

(c) If one Stockyard serves more than one State, 20 per cent of the materials received at this Stockyard will be distributed in accordance with the percentage indicated in the para 3.2 of the circular.

2.2. The balance of the materials plus the quantities not lifted by the allottees of the Directors of Industries within the prescribed time limit shall be sold, as a general rule and normal practice, in order of preference as mentioned below:—

(i) Against allotment letters from Iron & Steel Controller. These allotment letters will normally not exceed 20 tonnes.

per party and will remain valid for 90 days from the date of issue.

(ii) Against pending JPC authorisation letters, each supply not exceeding 10 tonnes per month. JPC will not issue such authorisation letters in future.

(iii) Against demands placed by fabricators executing orders of main producers and Bokaro Steel Limited.

(iv) Against demands placed by Central & State Government Deptt|Undertakings, Government bodies and foreign embassies|consulates.

(v) Against old quota certificates subject to the total sales in a month against such quota certificates not exceeding 10 per cent of the total quantity of such materials received during the month in the concerned Stockyard.

(vi) Against demand placed by fabricators|contractors executing orders of Government Departments|Public Sector Undertakings, offers will be made to contractors|fabricators only on receipt of Essentiality Certificate in the Form enclosed at Annexure 'A' Stockyards will register demands of parties falling under this category and send offers if the material asked for is available in the Stockyard, after meeting higher priority orders.

(vii) Against demands placed by medium and large scale units. Stockyards will not, however, register demands of parties falling under this category but send offers only if the material asked for is available in the Stockyard either in ready stock or known to be in transit, after meeting higher priority orders.

(viii) Upto 30 per cent of Bars, Rods, light structurals and G. C. Sheets received in a Stockyard shall be reserved to be given to genuine private citizens|institutions for building houses on production of approved plan by the Corporation|Municipality|Notified Area Committee|any recognised Local Body along with a Certificate from an Architect|Engineer indicating the requirement in different sizes.

(ix) Materials left over after meeting demands falling under the aforesaid categories including those not lifted within

the stipulated periods may be sold by the Branch Manager to trade, keeping in view the provisions of para 4.4.

Explanatory Notes

(a) The demands fallng under (i), (iii), (iv) and (vi) shall be duly registered by the Stockyards in advance. Pending demands falling under (ii) and (v) are already on the books of Stockyards.

(b) Demands falling under (iii) shall be taken on books only on receipt of letters of recommendation (showing the section and tonnage recommended) from an officer not below the rank of a Controller of Stores & Purchase or Chief Engineer. Such letters shall be sent direct to the Branch Manager of the Stockyard and not through the allottees.

(c) Allotment orders of the Iron & Steel Controller, *vide* (i) above shall be signed by a duly authorised officer.

(d) Essentiality Certificates under (vi) above would be honoured only if received direct by the Branch Managers and not through the allottees.

(e) If no supply can be made by the Stockyard within 90 days of the date of recommendation|essentiality certificates, pertaining to demand falling under (iii) (iv) and (vi) above, the registration will automatically lapse and the demand may be renewed, if it still exists.

(f) If a customer does not pay for and lift the materials within the stipulated time, the allocation will lapse.

(g) As regards bookings under (iii), (iv) and (vi) above, the supplies on account of same department|party may not be more than 20 M|T per section per quarter. If the priorities (i) and (viii) have been met, supplies in excess to these limits may be made under (iii), (iv) and (vi), if the demand exists.

(h) If the authority placing an order or issuing the recommendation or essentiality certificate under (iii), (iv) and (vi) above and the contractor to whom the supply is desired are stiuated under the jurisdiction of different Stock-

yards, the Stockyard within the jurisdiction of which the site of fabrication falls will accept the essentiality certificate.

III. *Defective Plates, Defective GP|GC|BP|CR Sheets and Cuttings, Defective HR|CR Coils, Defective Skelp, Defective Electrical Sheets.*

3.1. The entire arisings of the above will be distributed through the Producers' Stockyards at the Stockyard prices. However, till such time the outstanding Sale Orders are liquidated, 10 per cent of the arisings will be directly despatched to the parties from the plant against outstanding orders. To that extent the materials available to the Stockyards will be reduced. No further orders will be booked for direct despatches from the Plant.

3.2. The despatches to different Stockyards will be made by the Steel Plants to ensure the following Statewise percentage allocation:—

Region/State	*Percentage*
Southern Region	
(1) Andhra Pradesh	10·1
(2) Kerala	1·5
(3) Mysore	1·8
(4) Tamil Nadu	5·0
(5) Pondicherry	0·2
	18·6
Western Region	
(6) Gujarat	4·8
(7) Mahrashtra	10·5
(8) Madhya Pradesh	5·3
(9) Goa, Daman & Diu	0·2
(10) Dadra & Nagar Haveli	0·1
	20·9

Region/State	*Percentage*
Eastern Region	
(11) Assam	1·4
(12) Bihar	4·3
(13) Meghalaya	1·0
(14) Nagaland	0·1
(15) Orissa	1·2
(16) West Bengal	11·6
(17) Manipur	0·1
(18) Tripura	0·1
	19·8
Northern Region	
(19) Jammu & Kashmir	0·8
(20) Punjab	8·9
(21) Chandigarh	0·3
	10·0
(22) Haryana	4·4
(23) Delhi	6·5
(24) Himachal Pradesh	0·6
(25) Rajasthan	5·0
	16·5
(26) Uttar Pradesh	14·2
TOTAL	100·00

Note: Statewise percentage is subject to alteration on the recommendation of the DC SSI, New Delhi.

3.3. The following procedure will be followed by the Producers' Stockyards for sale of the subject materials under this group, with the exception of those listed under para 4.2.

3.3.1. 90 per cent of the receipt of these materials in the Stockyards will be offered to the State Small Scale industries Corporation/Director of Industries of State Government.

3.3.2. While majority of the Small Industries Corporations or similar State-owned organisations buy and sell materials from their own Stockyards and Depots, in a few States, the Small Industries Corporations do not undertake buying and selling, nor do they physically handle the materials.

3.3.3. In those States where the Small Scale Industries Corporation or similar State-owned organisations buy and sell materials, the materials will be sold only to such Corporation|Organisations under the condition that they must pay the full value in advance to the Stockyards within 7 days in case of local offers and 10 days in case of outstation offers and lift the materials within 7 days from the date of delivery orders, failing which the offers|sale made to the Small Scale Industries Corporations will be treated as cancelled and the Producers' Stockyards will be free to sell the materials to the actual consumers in accordance with procedure.

3.3.4. In the States where the Small Scale Industries Corporation do not undertake buying and selling the materials and the State in which no such Corporation of State-owned organisation eixsts, the materials will be offered to the concerned Director of Industries for nominating the parties and making allocations to the nominees. The Director of Industries must make the nomination and allocations within 14 days from the date of the intimation and local nominees must make payment in advance within 7 days (within 10 days by outstation nominees) of the offer and lift the materials within 7 days from the date of delivery order failing which the allocation will lapse.

3.3.5 The Stockyards will be free to sell the balance 10 per cent of their receipt to the parties of their choice.

3.3.6 At present IISCO do not have Stockyards spread over throughout the country. In the States where they do not have the Stockyards, they may nominate Stockists in consultation with the Iron & Steel Controller to receive and distribute materials at the Stockyard prices as per the Procedure stated herein. These nominated Stockists will act as IISCO's Stockyard in this respect.

4.1. The stipulated time for payment against offers will be 7 days for local parties (10 days for outstation parties) and for lifting the materials 7 days from date of delivery orders.

IV. *General*

4.2. For compact Industry Groups, namely, Bright Bar Industry Wire Drawing Industry, Tube Mills, Fabricators of Electrical laminations, each Stockyard may prepare a list of consumers, Small Scale, medium and large by reference to Directors of Industries and varification, where necessary, with other sponsoring authorities. Materials, prime, defective and cuttings particularly meant for these Industries, after meeting priorities indicated in para 2.2 except 202 (vii) may be offered in uniform lots of 5 tonnes to each SSI Unit and 8 tonnes to each DGTD Unit in rotation. In the case of HR|CR Coils, these limits may be exceeded as it is not possible to cut the Coils to keep the delivery within the limits mentioned in this clause.

This exception applies to the following materials:—

(1) HR Coils and Skelp and Defective thereof.

(2) Wire Rods in Coils Prime and Defectives.

(3) Rounds in dia. 27, 30, 33.5, 42, 47, 53 & 60 mm. (Prime).

(4) Electrical Steel Sheets, Prime and Seconds.

Supplies to a party in the above referred groups in rotation may be made notwithstanding the limits placed *vide* para 4.6.

Out of Wire Rod Coils received, 50 per cent may be kept aside for direct allocation to wire drawing units, and the balanced for meeting other demands under para 2.

Rounds in ISI rationalised diameters are not covered by this exception.

4.2.1 If any of the units in the above specified groups require for construction and maintenance purposes any materials to which they are entitled to by virtue of para 4.2, no extra allocations on this account will be made. However, for other materials required for construction, maintenance, etc. the normal procedure will apply.

4.2.2 Till such lists, as mentioned above, are ready, para 4.2 may not be operated and the requirements of various sectors may be met as hitherto. Thereafter, items indicated above may not be offered to Directors of Industries|SSI Corporations.

4.2.3 If the materials offered to parties in the above specified groups are not paid for and lifted within the stipulated time, the

same will become available for sale to others, whether in the same group or otherwise.

4.3 The requirements for construction|expansion|maintenance of factories and premises emanating from SSI Units would be catered for out of the share meant for Directors of Industries. For other units, whether the supply is made for construction|expansion|maintenance or for production, the same should be within the over-all limits prescribed in para 4.6.

4.4. Out of the materials remaining unsold after 30 days of receipt (except those in the process of lifting and for which the stipulated time-limit is not yet over), the items enjoying premium may be sold preferably to the consumers.

4.4.1 To a maximum extent, 10 per cent of each category of the materials received in a Stockyard in a quarter can be reserved by the Branch Manager for disposal at his discretion alongwith non-moving and slow-moving items.

4.4.2. Before entering into deals for bulk disposal of non-moving and slow-moving items from the Stockyards a list of such materials shall be prominantly exhibited on the Notice Boards at the Branch Sales Offices offering the materials for sale at the Stockyard prices to any partly interested in buying the materials within ten days of the date of the notice. After the lapse of the notice period in regard to the materials left over, the Branch Manager will be free to sell the same to the parties of his choice, preferably those registered with the Stockyards.

4.4.3. For the purpose of co-ordinated sales, preferably defective and scrap materials enjoying a premium should be utilised as incentive items. However, in certain cases the quantum of defective scrap available may not be sufficient and some prime materials enjoying premium may also have to be utilised.

4.5. Actual consumers should be given only such materials which are required by them for fabrication and manufacture of the products for which they are registered and licensed. This is necessary to avoid resale.

4.6. In view of the acute shortage of steel materials and to serve as many customers as possible, issue of materials to an individual party should be limited as follows; with the exception laid down in para 4.2 above.

	Tonnes per Sections	
	Maximum	*Minimum*
(*i*) Consumers other than allottees of Director of Industries (per consumer per quarter) . . .	10	2
(*ii*) Allottees of Director of Industries	As per allotment	
(*iii*) Traders . .	No restriction (being risidual quantity)	

Note: The ceiling may be exceeded in special cases with the specific approval of the Central Sales Organisation of the Producer concerned.

4.7. The materials may not be disposed of offered to trade before 30 days of the date of receipt of the same in the Stockyard, except for such quantities as may be required to be offered as incentive items for sale of non-moving stocks.

4.8. If the SSI Corporations or Directors of Industries convey their refusal in writing to accept any categories of materials, the same may not be offered to them till they again ask for such materials in writing. Out of materials so refused, the non-moving|slow-moving materials may be dealt with as per para 4.4 straightaway without waiting for a period of 30 days to lapse.

4.9. In case of materials offered to SSI Corporation and Raw Materials Depots of State Governments, the delivery should be taken by those agencies. If, however, they issue delivery orders or permits on the Stockyards requiring the materials to be delivered to parties, the Branch Manager would be free to treat the allocation in favour of those agencies as cancelled.

4.10. Out of the defective bars and structuals received, 20 per cent should be offered to the Directors of Industries in the same manner as prime materials. Defective Wire will be sold as per para 4.2 to wire drawing units. The balance materials may be sold preferably to consumers.

V. *Materials not covered by instructions in foregoing paragraphs*

Such materials received by the Stockyards may be sold, direct to customers preference being shown to actual consumers. There

will be no restriction as to the quantity to be sold to individual parties.

VI. A separate procedure has been issued in respect of Re-rollable materials.

VII. Areas served by each of the Stockyards are set out in Annexure 'B'.

By Order of the Committee,
Sd|- K. F. MOGAL,
Executive Secretary,
Joint Plant Committee,

ANNEXURE—A

GOVERNMENT OF .....
DEPARTMENT OF .....

No. Date

To

The Branch Manager

HSL|TISCO|IISCO Stockyard

.....

.....

Re: Our Contract|Purchase Order No.
Dated ..... placed with Messrs.
..... for
construction of .....

Dear Sir,

We have placed the above contract which is to be executed by the contractor within ..... For the execution of this contract, our contractor|fabricator will require the following materials:—

Material	Sections|Size	Quantity in Metric Tonnes	Quality

We are aware that the Stockyards are not in a position to cater to large requirements as the same have to be obtained directly from the Plants. We shall be grateful if small quantities are made available to the contractor as per the Stockyard procedure subject to the availability of stock.

This is to certify that at the time of placing the contract|purchase order we have taken into account the fact that steel materials will be made available to the contractor at the Stockyard prices and, therefore, the financial benefit of any supplies made by the Stockyard to this contractor will accrue to this Department|Project and will not benefit the contractor financially in any way.

Yours faithfully,

ANNEXURE—B

State-wise Jurisdiction of Producers Stockyards

State to be served	Which Stockyard will serve	Percentage*		
		Tisco	HSL	Iisco
1	2	3	4	5
West Bengal	Calcutta	11·6	11·6	11·6
Meghalaya	Do.	1·0	1·0	1·0
Manipur	Do.	0·1	0·1	0·1
Tripura	Do.	0·1	0·1	0·1
Nagaland	Do.	0·1	0·1	0·1
Assam	Do.	1·4	..	1·4
-do-	Gauhati		1·4	..
Bihar	Clacutta			4·3
Orissa	Do.	..	..	1·2
Bihar	Dhanbad	4·3	4·3	..
Orissa	Do.	1·2	..	
Orissa	Bhuvaneswar	..	1·2	..
Tamil Nadu	Madras	5·0	5·0	
Pondicherry	Do.	0·2	0·2	..
Mysore	Bangalore	1·8	1·8	
Goa, Daman & Diu	Do.	0·2	0·2	
Kerala	Cochin	1·5	1·5	..
Andhra Pradesh	Vijayawada	3·0		
-do-	Secunderabad	7·1	10·1	..
Mahrashtra	Bombay	9·5	10·5	10·5
	Nagpur	1·0	..	..
Dadra & Nagar Haveli	Bombay	0·1	0·1	0·1
Gujarat	Bombay		..	4·8
	Ahmedabad	4·8	4·8	..
Rajasthan	Ahmedabad	4·0	4·0	..
	Delhi	1·0	1·0	..

*The above percentages will be adhered to in regard to offering prime materials to the Director of Industries of the State concerned.

1	2	3	4	5
Madhya Pradesh	Indore	..	5·3	..
	Nagpur	5·3	..	
Uttar Pradesh	Kanpur	12·2	12·2	
	Delhi	2·0	2·0	3·96
Delhi	Delhi	6·5	6·5	5·94
Haryana	Delhi	4·4	4·4	2·86
Punjab	Delhi	..	..	9·24
	Jullundur	8·9	8·9	..
Chandigarh	Delhi	..	..	0·3
	Jullundur	0·3	0·3	
Jammu & Kashmir	Jullundur	0·8	0·8	..
	Delhi	..	..	0·8
Himachal Pradesh	Jullundur	0·6	0·6	..
	Delhi	..	..	0·6

APPENDIX IV

Summary of Recommendations|Conclusions contained in the Report

Sl. No.	Reference to para No. of the Report	Summary of Recommendation| conclusion
1	2	3
1	1.33	The Committee note that the India has maintained its share at about 1 per cent in the world production of steel. The Committee are constrained to observe that while nature has been abundantly generous in endowing India with all the necessary inputs for a flourishing steel industry, like iron ore, coal, lime stone, manganese and other ingredients and above all plentiful labour, our steel production forms only a hundredth part of the world production. On the other hand, Japan, which suffers from disadvantage of having no basic raw material for its steel industry and has to depend upon iron ore imports from other countries has converted this disadvantage into a visible advantage and is today producing nearly 93 million tonnes of steel against 1.7 million tonnes it produced in 1948. On the other hand India is manufacture of iron and steel has risen from 1.3 million tonnes in 1948 to 6.3 million tonnes only.
2	1.34	As the rapid growth of iron and steel Industry is indispensable for the country's developmental industrialisation and export programme, the Committee urge that Government should take necessary measures to step up production of steel in order to achieve the targetted capacity of the steel plants envisaged in the Plan.

1	2	3
3	1.35	As recommended by the Committee elsewhere, there should be a perspective plan for production of iron and steel for the next ten to fifteen years aiming at a surplus in this key sector so that timely steps can be taken to bring about the desired increase and generate a climate of optimism that this basic raw material required by engineering and other industries would be available indigenously on assured basis.
4	2.7	The Committee are concerned to note that the gap between the estimated requirements and the production of finished steel in the country which was 0.2 million tonnes in 1969-70 has risen to 1.5 million tonnes in 1971-72. The Committee consider that as steel is the basic raw material for a large number of industries, it is imperative that adequate supplies are made available for sustaining and accelerating industrial development. The Committee would therefore, urge Government to take timely measures to arrange for imports of steel to meet the gap between the assessed requirements and estimated production.
5	2.14	The Committee note that demand exceeds production in respect of ferro-alloys like Ferro-silicon, Ferro-molybdenum, Ferro-tungsten, Ferro-vanadium and Ferro-titanium etc. and that letters of intent for creating additional capacity have been granted to certain parties to fill the gap between the demand and production. The Committee would urge Government to keep a close watch that the additional capacity in respect of these ferro-alloys is established at the earliest. Till the requisite capacity of these ferro-alloys is established, the Committee would suggest that Government should take steps to arrange timely and adequate imports to meet the industrial requirements.

1	2	3
6	2.15	The Committee would also recommend the Central Government should persuade the State Governments to supply electricity to the ferro-alloys manufacturing units at lower rates so that the units may be able to utilise their capacity fully and reduce the cost of production, to compete with other countries where similar tariff concessions are being given.
7	2.16	The Committee need hardly add that if such concessional rates are made available to the ferro-alloys manufacturing units, it should be obligatory on them to sell the ferro-alloys at more competitive prices so that the benefit is passed on to the industrial users of ferro-alloys.
8	2.28	The Committee note that it takes normally between three to nine months for imports to materialise. Due to decline in indigenous production, shortage of steel has become a serious constraint to industrial development. There is, therefore, imperative need for reducing the time lags involved in securing supplies through imports or increased indigenous production. The Committee suggest that there should be a time-bound programme for receipt of imports and its distribution to the industry.
9	2.29	The Committee note that at present Government do not maintain precise statistics about the foreign exchange expended on the actual imports of steel. The Committee are of the view that in order to arrive at a correct judgment on the level of imports necessary to bridge the gap between demand and supply there should be a proper procedure for obtaining information from the licencees so that the Ministry may be able to know how much import has actually materialised and what further action, if any, is required to be taken to sustain the tempo of industrial production.

1	2	3
10	2.30	The Committee note that it has been decided to set up a Steel Bank which would maintain stocks of critical categories of steel to meet the shortages experienced by priority users. The Committee would like concerted efforts to be made in the interest of setting up the Steel Bank at the earliest. The Committee would also like that the procedure for obtaining raw materials should be streamlined so that it is free from unnecessary red tape and does not defeat the very purpose of obtaining raw materials in time. The Committee would like to be informed within three months of the operational details of the Bank and how far it has been able to help the industry in resolving their problems of getting matching sections.
11	2.31	The Committee would also stress that where a manufacturer desires to import a matching section on the ground that it is not available indigenously, the application should be checked up expeditiously and either the matching section made available from indigenous source or the import allowed without delay so as not to hold up the manufacturing programme.
12	2.42	The Committee note that while the decision for canalising the imports of steel was taken on the 1st May, 1971, the agencies for canalisation were notified on the 28th July, 1971. The Committee have received representations that due to delay in the announcement and setting up of the canalising agencies, the Engineering Industry suffered for lack of imports in time. The Committee are unhappy to note that during this period, when there was acute shortage of steel, there was no import of raw materials and the industry had to suffer. Hhe Committee feel that had there been better advance planning the industry would not have suffered for want of steel.
13	2.43	As steel is imported from various countries under different credit conditions, the industry

1	2	3
		finds wide differences of prices for identical materials offered by the same canalising agency. In order to deal with this difficulty, the Committee would like Government to consider the feasibility of charging a pool price for imported steel.
14	2.44	The Committee note that at present the steel imports are canalised through Hindustan Steel Ltd. and the Mines and Metals Trading Corporation. The Committee do not see any ostensible advantage in importing steel through two public sector agencies. The Committee would like Government to examine whether the steel imports cannot be entrusted to a single canalising agency which has the best expertise and distributive arrangements to serve the industry.
15	2.59	The Committee take serious note of the fact that the steel production has been around 65 to 70 per cent of the installed capacity and that in none of the Plan periods i.e. from 1955-56 onwards the production targets have been achieved. The Committee fail to understand the rationale of the production targets when there is shortfall in year after year.
16	2.60	Considering that the public sector in steel now commands a dominating position and has experience of more than a decade to its credit, it should certainly be within our reach to take remedial measures on priority basis and in a coordinated manner so as to achieve the maximum output from these Steel Plants in which have been invested large amounts of scarce resources of the country.
17	2.61	The Committee would like Government to bring out a comprehensive White Paper on the existing state of production in each of the Steel Plants and the measures that they have taken or are proposed to be taken to improve their performance. This Paper may be placed on the Table of the House so that Members have an opportunity to go into the matter in detail.

1	2	3
18	3.6	The Committee note that due to variety of reasons like shortage of steel, delay in delivery of equipment by suppliers and labour unrest, first stage of 1.7 million tonnes of Bokaro Plant has been delayed. Similarly the revised Bhilai Expansion Scheme is now likely to be completed by 1976-77. The Committee are purturbed to note that due to the above factors the production of steel at the end of the Fourth Five Year Plan would fall short of the target by about 1.4 million tonnes. The Committee would urge that Government should make concerted efforts to improve the utilisation of existing plants to make up this shortage. The Committee would also urge that the expansion programmes for Bokaro and Bhilai should be implemented on priority basis.
19	3.15	The Committee note that according to National Council of Applied Economic Research the demand for finished steel in 1975 and 1980 will be 7.6 million tonnes and 12.8 million tonnes respectively. It has been contended by the Department that at the rate of 90 per cent capacity utilisation of the steel plants, from the present capacity of 6.74 million tonnes the estimated production of finished steel will go up to 11.50 million tonnes in 1975 and to 14.70 million tonnes in 1980. The Committee are, however, constrained to observe that although at present there is a capacity to produce 6.75 million tonnes of steel, actual production is about 4.5 million tonnes only. The Committee would, therefore, like to remind Government to keep these realities in view while planning for development of total capacity at the end of 1975 and 1980 so that the demand can be met in full.
20	3.16	In view of the wide gap between the present production and demand projections by National Council of Applied Economic Research for 1975 and 1980 about various categories of steel, the

1	2	3
		Committee recommend that a perspective plan with a time bound schedule should be prepared by the Government for achieving the production in time.
21	3.17	The Committee attach great importance to market study so as to know precisely the consumers' requirements. The Committee consider that the Iron and Steel Controller has valuable data about the present requirements of the country. The Committee would suggest that all the available data with the Iron and Steel Controller and other Government Organisations should be carefully analysed and demand projections over the next 5 to 10 years developed systematically so that the product mix for the new steel plants and the expansion programmes of existing plants is realistically framed in order to meet the requirements in full.
22	3.29	The Committee note that the need for achieving increased capacity of steel was felt at the beginning of the Third Five Year Plan and that in 1962 the Steering Group on the formulation of the Fourth Five Year Plan for Iron and Steel had recommended the study of Goa-Hospet and Bailadila-Visakhapatnam areas for setting up the new steel plants. Similarly in 1962 a Technical Committee was also appointed by the Government to consider setting up a steel plant in the Salem-Neyveli region. The Committee are unhappy to note that Government took nearly eight years in announcing its decision for setting up steel plants in these areas. The Committee further note that while the Government's decision about the steel plants was announced in April, 1970 the techno-economic feasibility report in respect of only Salem Plant has been received from the Consultant which is under examination of the Government and that the techno-economic feasibility reports in respect of Vijayanagar (Hospet) and Visakhapatnam Steel Plants are still awaited. As the gestation period for integrated steel plants is between 7-8 years, the

1	2	3
		Committee would urge Government that final decision about the product mix etc. of the Steel Plant should be taken expeditiously and high priority should be given for commissioning of the Steel plants within the shortest period. The Committee apprehend that any undue delay in final decision about the product-mix and commissioning of the steel plants would not only deprive the country's economy of reaping the benefits of additional steel capacity, but will also result in higher cost for setting up the steel plants.
23	3.30	The Committee would also urge the Government that while deciding the capacity and product mix of the steel plants, adequate provision should be made for increasing the capacity and varying the product-mix of the steel plant to meet the anticipated increase in the demand for steel in the coming years.
24	3.31	The Committee are convinced that in a basic industry like steel, Government's policy should deliberately aim at a surplus rather than achieving mere selfsufficiency. The Committee need hardly point out that besides providing a cushion against unexpected shortfalls, surplus steel woud afford the greatest encouragement to the development of engineering and other allied industries which require steel in large quantities and on assured basis. The Committee would, in this connection, like to cite the example of several leading countries like the U.S.S.R., U.S.A. and Japan where steel production has increased several fold during the last two decades, thus providing a strong base for development of industry to meet the home demand as well as exploit the export opportunities.
		The Committee would like to point out that U.S.S.R., U.S.A. and Japan have been able to increase their production in steel several fold and they are able to add several millions of additional capacity in steel manufacture practi-

1	2	3
		cally every year. The Committee therefore, see no reason why the gestation period either for installation of new steel plants or for expansion of the existing steel plants should be spread over five to seven years. The Committee would like Government to compress this period so that the production from the new steel plants or expanded steel plants materialises at the earliest.
25	3.47	The Committee note that since the announcement of new licensing policy in February, 1970, Government have issued letters of intent to four State Industrial Development Corporations with total capacity of 2,80,000 tonnes and eleven units in the private sector with total capacity of 5,10,000 tonnes for production of billets based on continuous casting process and further licensing of continuous casting units is pending decision by Government on the findings of the Report of the Departmental Working Group on the availability of scrap within the country. The Committee also note that so far only one sponge iron unit has been given letter of intent and further licensing of such units is pending success of the unit. The Committee feel that in the context of shortages experienced in steel production and in view of the low gestation period with comparatively smaller capital requirement the scrap based electric furnaces-cum-continuous casting plants have obvious advantages as they would make for decentralised production and distribution besides putting scrap to productive use. The Committee would like Government to continuously review the position and take timely decisions so that we may increase our total indigenous production in the shortest possible time to meet the present requirement and save precious foreign exchange which is being spent on imports. The Committee have no doubt that Government would bring the production of electric furnace-cum-continuous casting plants under the purview of the Joint Plant Committee to make for a most rational allocation.

1	2	3
26	4.26	The Committee have gathered the impression that because of the constraint on available supplies, indentors, particularly those in the public sector and in small-scale industries are apt to inflate their demands so as to secure larger quota even after scaling down which may take place in the Joint Plant Committee discussions or in the allocations by the Steel Priority Committee. It has been admitted by the official representatives of Government that there is at present no foolproof check if the inflation is of the order of 20—25 per cent. The Committee consider that the Iron and Steel Controller should be able to exercise stricter scrutiny of the indents so as to take out any elements of inflation. The Committee need hardly point out that when a party is found to have indulged in grossly inflating its indent, deterrent action should be taken so as to act as an example to others.
27	4.29	The Committee note that there are no definite guidelines for fixing priorities for allotment of steel to various indentors except that the priorities are allotted on merits of each case determined at the discretion of the Steel Priority Committee. As there is a nacute shortage of steel, discretion has of necessity to be exercised. However, well intentioned, the dispensing body might be, the public are entitled to have definite indications as to how and on what basis a demand is preferred to another. In this connection the committee would like to draw attention to the legal maxim that it is not enough to do justice but it must also appear that justice has been done. The Committee, therefore, suggest that Government should evolve guidelines for fixing priorities in the light of experience gathered so far.
28	4.38	The Committee note that the Steel Priority Committee have been making continuous efforts in recent months to ensure that at least indentors who are allotted category 'A' are able to receive steel within the quarter. Even so, the official

1	2	3
		representatives had to admit before the Committee that in the case of Durgapur Steel Plant, the compliance has varied between 55 per cent and 84 per cent. The Committee, consider that as Category 'A' allottees are obviously in need of timely supplies of steel, the objective is defeated if the supplies do not materialise in full and in time. It is also on record that once an indentor fails to get his quota either in full or in part in a particular quarter, his earliest chance to get it would occur after an interval of 3 to 6 months. It is, therefore, no wonder that manufacturers who need steel as raw material have to resort to open market in order to sustain their production programmes and it may well be that they may be disposing of the steel which they get long afterwards in the open market. It is this compulsion of circumstance which has given rise to a widespread open market. The Committee would like Government to analyse the reasons which have given rise to this malpractice and devise measures by which manufacturers and others engaged in priority works get their quota of steel in full and in time.
29	4.43	The Committee note that the Steel Plants take about 45 days to issue work orders after the indents are received from the Joint Plant Committee. The Committee are of the view that the period of 45 days for issuing of work orders is excessive, especially during the periods of scarcity. The Committee stress that all-out efforts should be made to reduce the time of 45 days taken at present for issue of work orders by the Steel Plants to minimum.
30	4.45	The Committee are of the view that the position regarding the booking of orders on each of the steel plants should be publicised widely so that the indentors know the precise position before placing the order. This would obviate complaints later from the indentors that they

1	2	3
		had booked the order without realising the extent of booking that had already taken place in the steel plants.
31	4.49	The Committee have expressed elsewhere their concern about placing of inflated indents by indentors with the Joint Plant Committee. The Committee consider this tendency to be reprehensible in any indentor but more so if he belongs to a Government organisation or public sector. The Committee would like the Iron and Steel Controller to exercise great vigilance in the scrutiny of these indents with a view to effectively check this tendency to inflate the requirement to secure a larger quota. The Committee would also like Government to impress on all Government Departments, public sector and others, who have been given the authority to sponsor priority allocation that a great responsibility lies on them to carefully vet the demand in order to reduce it to the minimum necessary. The Committee need hardly point out that if every one, particularly the Government sponsoring authorities, exercised due care and vigilance in sponsoring indents, it would before long reduce the demand to realistic levels and make for more rational and equitable allocations.
32	4.53	The Committee note that at present the stockyard remuneration ranges from Rs. 60 to Rs. 380 per tonne on various items of steel sold through stock-yards. The Committee note that the remuneration has been deliberately kept high so as to compensate the steel plants for the rising costs which they have been experiencing and bringing to the notice of the Government from time to time. The Committee, however, consider that if it is the intention to compensate the steel plants for this increase in costs, then it may be so done as not to pass on he entire burden to the small scale industries whose requirements are largely met from the stock-yards. The Committee would, therefore, recommend that Gov-

1	2	3
		ernment should review carefully the margin of remuneration allowed for sales from stock-yards so as to reduce it to the minimum in respect of categories of steel which are used mostly by the small scale industries.
33	4.55	The Committee note that steps are being taken for providing additional storage space to stockyards. The Committee would like Government to ensure that the Regional Iron and Steel Controllers while carrying inspections of the stockyards, also furnish reports that adequate and proper storage facilities exist in the stockyards. The Committee would like to be apprised in due course of the steps taken in this regard.
34	4.63	The Committee note that the steel rerolling industry has now been brought under the control of the Billet Re-rollers' Committee. The Committee also note that the products of re-rolling industry *viz.*, rods and bars, etc., meet to an appreciable extent the national requirement. It has been brought to the notice of the Committee that 52 per cent to 60 per cent of capacity of steel re-rolling industry is lying idle for want of adequate supplies of billets. The Committee note that Government are examining the feasibility of importing larger quantities of billets to meet the internal demand. The Committee recommend that Government should carefully review the position and so allocate the billets that the consumers' requirements are met on a decentralised basis to the maximum extent feasible.
35	4.70	The Committee recognise that the small scale industries occupy an important developmental role in national economy and it is Government's policy to extend the necessary assistance to them. While the Committee are in full agreement with this objective and consider that small scale industries should be extended every help, they feel that a duty is also cast on Government to see that the benefit goes only to those units which are

1	2	3
		actively engaged in production. During the course of tour by Study Groups of the Committee, as well as in informal discussions, an impression was given that the requirements of small scale industries for scarce raw materials particularly for steel are apt to be inflated. It was represented that some units in fact exist only for the purpose of getting benefits of scarce raw materials without engaging themselves in production. The Committee note that as far as the Iron and Steel Controller is concerned, the indents are required to be sponsored either through the Director of Industries or through the Small Scale Industries Corporation. The Committee would like Government to take effective measures in consultation with the Development Commissioner for Small Scale Industries and the State Authorities to ensure that the requirements for steel are sponsored after careful scrutiny and checking and that there is a follow-up to see that the scarce raw material are in fact put to productive use. The Committee would also like Government to publish factual information about allocation of steel and other scarce raw materials to the small scale industries and their production efforts so as to dispel suspicion that it is not being put to productive use.
36	4.72	The Committee take note of the difficulties and apprehensions of the small scale sector in regard to the new procedure for distribution of steel materials to it through the State Small Industries Corporations. In view of the difficulties stated in paragraph 4.71, the Committee are of opinion that if the cost of steel material is higher or the procedure is more cumbersome, the small scale industries especially those in comon production with large units are bound to be at a competitive disadvantage. The Committee would urge Government to take note of the difficulties and ensure that the new procedure of distribution of steel to small

1	2	3
		scale sector does not result in excessive burden or hardship.
37	4.75	The Committee note that in the case of scrap re-rollers, a principal raw material was "used rails" which unfortunately remained frozen under a court injunction for over two years. However, the Committee have been given to understand that this case has now been decided and about 2 lakh tonnes of used rails will now be available for distribution. This will substantially augment raw material availability in near future. The Committee note that hitherto the Railway have been disposing of their used steel materials like rails etc. by public auction and it has been fetching them high prices. The Committee consider that as there is acute shortage of steel in the country at present and as the Railways had obtained steel originally on priority basis from Government allocations, it would be more equitable if used steel materials like rails etc. were placed at the disposal of the Joint Plant Committee, who could allocate it in best public interest. The Committee would also recommend that other Government|Departments|Organisations|public undertakings who have large quantities of used steel materials or scrap should be similarly brought within the purview of the Joint Plant Committee so that the used steel material, scrap etc. could be allocated in the best public interest. The Committee would further suggest that organised sector which has lot of used steel materials and scrap to dispose of should be similarly brought under the purview of the Joint Plant Committee.
38	4.81	The Committee note that at present 3—5 per cent of the total production of the steel plants is available to the trade and that the volume of backlog in respect of trade is 8.3 million tonnes. The Committee also note that with a view to clear the outstanding orders of steel from traders,

1	2	3
		it has been decided to allow conversion of the old orders into new orders carrying 'two-year cancellation clause' at the rate of 25 per cent of the quantity surrendered for conversion.
39	4.84	The Committee hope that the Government have by now carried out the review of the scheme for distribution of steel materials to house builders in Delhi. The Committee would like to be apprised of the decision taken in the matter and whether the Delhi Scheme is found to be satisfactory and whether it is being extended to other cities with or without modifications.
40	4.90	The Committee are concerned to note that in 1970-71, 12.6 per cent of the total production of Indian Iron and Steel Company was classified as 'defectives' and 10.2 per cent of the total finished steel production of Durgapur Steel Plant was classified as 'scrap'. The Committee are of the view that this percentage is rather on the high side especially in the context of acute shortages of steel being felt all over the country. As the higher percentage of 'scrap' and 'defectives etc. ultimately result in higher cost of production in the steel plant, the Committee would urge Government to impress upon the steel plants to make concerted efforts to reduce this percentage to the minimum possible.
41	4.91	The Committee recommend that Government may get the matter examined by a high-powered independent technical committee to find out the precise reasons for such high percentage production in various steel plants being classified as 'defectives', 'cuttings' and 'scrap' and suggest remedical measures for improving the performance. The Committee would like to be informed of the action taken by Government within three months.

1	2	3
42	4.95	The Committee are surprised to note that due to stockyard's remuneration and overhead charges etc. defectives and scrap materials sold through producer's stockyards are available to the small scale sector on a higher price than the price of the prime materials made available to the large scale sector from the steel plants. The Committee consider it anomalous that the prices of the defective and scrap materials should rule higher than the prices of the raw materials in the country.
43	4.96	The Committee are of the view tha the small scale sector should not be placed at a disadvantageous position as compared to the organised sector and recommend that Government should critically examine the remuneration and overhead charges of the stockyards which are being recovered on defectives and scrap materials sold to small scale industries so as to reduce the burden on the Small Scale Sector.
44	4.102	The Committee note that at present interest is not paid on the earnest money deposited by the indentors. Under the new indenting procedure the sale orders are valid only for two years and these sale orders are issued after the indents supported by certain documents|certificates are scrutinised by the Joint Plant Committee about the genuineness of the demand. As there is no assurance of definite delivery period by the Steel Plants, the Committee are of the opinion that there is need for examining the justification for keeping a substantial amount without paying interest on the same. The Committee would also like the Government to consider that the indents which are made on behalf of their agencies and indents of the export oriented industries may also be exempted from the deposit of earnest money.

1	2	3
45	5.27	The Committee note that Regional Offices of Iron and Steel Controller have been set up to check misutilisation and leakages of steel. Each Zone covers an area of five to eight States. They further note that misuse of steel has been declared as a penal offence under the Essential Commodities Act. As the success of policy depends upon its effective implementation, the Committee urge that the Regional Offices should effectively check malpractices and misutilisation of steel by allottees.
46	5.28	The Committee note that at present it is not obligatory on the Directors of Industries Small Scale Industries Corporations, stockyards etc. to furnish information about the steel distributed through them to the Regional Iron and Steel Controller. In order that the Regional Steel Controllers could discharge their responsibilities effectively, the Committee are of the view that there is a need to make it obligatory on the steel distributing institutions and stockyards etc. to furnish such information regularly to the Regional Steel Controllers.
47	5.29	The Committee would like Government to take effective measures to see that steel is put to proper use by the allottees and not surreptitiously sold in the market thereby vitiating he amosphere.

APPENDIX V

(*vide* Introduction)

Analysis of Recommendations/Conclusions contained in the Report.

I. CLASSIFICATION OF RECOMMENDATIONS

A. *Recommendations for improving the organisation and working.*

2, 3, 8, 10, 11, 12, 15, 16, 17, 18, 19, 20, 21, 25, 26, 27, 28, 29, 31, 34, 35, 36, 37, 41, 45, 46, 47.

B. *Recomemndations for effecting economy.*

9, 14, 40.

C. *Miscellaneous Recommendations* :

1, 4, 5, 6, 7, 13, 22, 23, 24, 30, 32, 33, 38, 39, 42, 43, 44.

II. ANALYSIS OF THE RECOMMENDATIONS DIRECTED TOWARDS ECONOMY

Sl. No.	S. No. as per summary of recommendations Appendix IV.	Particulars
1	2	3
1	9	Need for maintaining precise statistics about foreign exchange expended an actual imports of steel in order to arrive at a correct judgment on the level of imports necessary to bridge the gap between demand and supply of steel.
2	14	Government to examine whether steel imports cannot be entrusted to a single canalising agency which has the best expertise and distributive arrangements to serve the country.
3	40	Need to reduce the percentage of 'defectives,, 'cuttings, and 'scrap, in the steel plants, as the higher percentage ultimately results in higher cost of production in the steel plant.

GMGIPND—528LSL—S I I—1100—29-5-72

Sl. No.	Name of Agent	Agency No.
	DELHI	
24.	Jain Book Agency Connaught Place, New Delhi.	11
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi	3
26.	Atma Ram & Sons, Kashmeri Gate, Delhi-6.	9
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
28.	The Central News Agency, 23/90 Connaught Place, New Delhi.	15
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23
31.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	63
34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
36.	Hind Book House, 82, Janpath, New Delhi.	95
37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
	MANIPUR	
38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal	77
	AGENTS IN FOREIGN COUNTRIES	
39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	59

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.