

**14.05 hrs.**

**Title:** Regarding situation arising out of non-revival of IISCO (Indian Iron and Steel Company) by the Central Government raised by Shri Basudeb Acharia.

MR. CHAIRMAN : Now, the House shall take up item no. 9 – Calling Attention by Shri Basudeb Acharia.

SHRI BASU DEB ACHARIA (BANKURA): Mr. Chairman, Sir, I call the attention of the hon. Minister of Steel to the following matter of urgent public importance and I request that he may make a statement thereon:

"Situation arising out of non-revival of Indian Iron and Steel Company by the Central Government."

THE MINISTER OF STATE OF THE MINISTRY OF STEEL (SHRI BRAJA KISHORE TRIPATHY): Mr. Chairman, Sir, Shri Basudeb Acharia, the hon. Member of Parliament, has called the attention of the House on the situation arising out of non-revival of IISCO by Government. I would like to make the following statement of facts before the House:

The Indian Iron and Steel Company (IISCO), a wholly owned subsidiary of Steel Authority of India Limited (SAIL) was incorporated in 1918. After a series of mergers in 1952, IISCO became a vertically integrated steel company with its steel making unit at Burnpur, captive iron ore mines at Gua and Chiria, coal mines at Chasnalla, Jitpur and Ramnagore, a captive foundry and pipe making plant at Kulti and a marketing set up. The Government of India took over the management of the company in 1972, followed by taking over of IISCO shares in 1976. In 1978-79, the shares of IISCO were transferred to SAIL and IISCO became a wholly owned subsidiary of SAIL.

IISCO has continued to make losses over the years due to technological obsolescence, ageing of plant and equipment, outmoded technology, lack of necessary capital inputs etc. Although several proposals were drawn up for modernisation of IISCO, none of the schemes could be taken up for implementation for want of funds.

With the amendment of the Sick Industrial Companies Act (SICA), IISCO was referred to Board of Industrial and Financial Restructuring (BIFR) in June 1994 and was declared a sick industrial company in August 1994. Several schemes for revival of IISCO were envisaged but none could fructify.

During the last meeting held on 1<sup>st</sup> April, 2002, BIFR noted that Ministry of Steel had sought further time of six months to finalise a rehabilitation proposal for the revival of the company. BIFR was, however, agreeable to grant three months time to SAIL to submit a fully tied up revival proposal to the operating agency for the revival of the company, failing which the winding up notice issued earlier would be confirmed without further hearing.

Government of India, in February 2000, approved a Financial and Business Restructuring package for SAIL which, *inter alia* envisaged write-off of loans and advances of SAIL/Government of India to IISCO for Rs. 1,946.17 crore as on April 1, 1999. As a part of the restructuring plan of SAIL, Government of India approved conversion of IISCO into a joint venture with SAIL holding minority shareholding.

With a view to converting IISCO into a joint venture, SAIL invited "Expression of Interest" from suitable companies. Three parties, namely, BHP Minerals Marketing, Australia; M/s Mitsui Company Limited, Japan; and M/s Tyzhpromexport (TPE), Russia responded. The parties carried out due diligence. However, M/s BHP and M/s Mitsui later indicated that they were not interested in the steel works of IISCO. This left TPE as the sole contender for the joint venture.

A proposal was submitted by TPE, the only party remaining in the fray, for joint venture for revival of IISCO. The matter was taken up during the VIII Session of the Indo-Russian Working Group on Ferrous and Non-ferrous Metallurgy held in February 2002, and it was decided to set up a Task Force which will examine all relevant issues including the economic viability of the proposed joint venture and recommend the parameters for the formation of a viable joint venture.

Meanwhile, SAIL has proposed an alternative revival package for IISCO which has been based on the report from MECON. At present, this proposal is under consideration of the Government.

MR. CHAIRMAN : You can put only one question now.

SHRI BASU DEB ACHARIA : Sir, this is unfortunate that IISCO has been referred to BIFR in 1994 and that during the last eight years, the Government has not taken any decision in regard to its revival.

IISCO is one of the best-located steel plants in the country. Best quality of iron ore is available in East Coast captive mines in Gua, Manoharpur, Chasnala, Jitpur and Ramnagore. The washery at Chasnala produces the best quality of coal with only 17 per cent of ash content. With its captive iron ore mines at Gua and Manoharpur, collieries at Chasnala, Jitpur and Ramnagore – all with huge reserves – the integrated steel plant at Burnpur, a captive foundry and spun pipe plant at Kulti and with a marketing network spread all over the country, IISCO has the advantage of a complete linkage from raw material to the marketing state. By exploiting the potential of its collieries and with a minimum capital investment at Burnpur Steel Plant, IISCO can turn around to become a profit-making organisation and has the potential of becoming the best integrated steel plant in our country.

When IISCO was taken over in 1972, the then Steel Minister, late Mohan Kumaramangalam had assured the House. He received the support from all sides of the House. I have seen the debate on IISCO Nationalisation Bill. He assured the House by saying that 'the Government is taking it over and the Government will nationalise IISCO which is the oldest steel plant in our country in order to modernise it'.

When it was nationalised in 1972, it became a part of the wholly owned subsidiary of SAIL. Since 1978 or even since 1972, no investment has been made to modernise IISCO; and thus, it became sick. You will be surprised to know this. I have seen some of the plants and equipments. The plants which were set up 30-40-50 years ago are still functioning.

It has a workforce of about 23,000 persons as of today, including the workers of collieries and iron ore mines. This is with regard to direct employment. There are hundreds of other small scale units also. There are about 30 cement plants which are small and medium sized in and around Burnpur. Depending on the slag supplied by IISCO, there are hundreds of ancillary units where hundred thousands of workers are employed.

If IISCO is wound up, what will happen to the economy of that area? Not only the State of West Bengal, but also the neighbouring State of Jharkhand will get adversely affected.

We have been receiving the same replies from the hon. Minister. Today, the Minister, in his statement, has not categorically stated what he is going to do. He reiterated what he stated earlier. Three months back I received a reply from the hon. Minister. He said the same thing in his reply. In reply to an Unstarred Question, he said that the Government is still considering the viability package submitted by the SAIL, which was prepared by MECON.

MECON is an organisation under the Ministry of Steel. In the statement which he made today, it was stated that it was decided to set up a task force which will examine all relevant issues including economic viability of the proposed joint venture and recommend the parameters for the formation of viable joint venture. In the concluding paragraph he again stated that SAIL has proposed an alternative revival package for IISCO which has been based on the report of MECON. This viable package was submitted to the Ministry long back, at least one year back, by the Steel Authority of India. What is the Government doing? Why is it not taking a final decision in regard to the revival of IISCO?

I am told that the Minister of Finance is providing Rs.540 crore for Voluntary Retirement Scheme. What is the intention of the Government? They are providing Rs.540 crore for Voluntary Retirement Scheme, which means that they want to throw away the workers. Majority of the workers will take voluntary retirement and then the Government will decide to close this premier, oldest and most important steel-manufacturing unit of West Bengal. If the Government has the fund of Rs.540 crore for Voluntary Retirement Scheme, why can it not have fund for revival of IISCO? What is the proposal of MECON or the Steel Authority of India Limited which is pending for months together with the Ministry of Steel?

Sir, the total cost for revival as per MECON's Report will be Rs.1042 crore. The Government has the fund of Rs.540 crore due to Voluntary Retirement Scheme. As per MECON's or Steel Authority of India's proposal, this Rs.1040 crore or Rs.1080 crore is not required in one year. This fund will be required within three years. My question is, whether the Government will utilise the fund of Rs.540 crore, which the Ministry of Finance has agreed to provide for VRS, for revival of IISCO. Minimum fund will be required for the first year and the rest of Rs.500 crore

will be required for the second and third year. I would like to know whether the Government of India will consider the proposal of the Steel Authority of India Limited seriously.

During one or two decades thirteen proposals were made but nothing fructified. The so-called Russian proposal, TPE, will also not fructify. Why then is the task force again being appointed? I would like to know whether it is the intention of the Government to delay it so that it will have a natural death. Before the 1<sup>st</sup> of April, I had sent a letter to the Prime Minister.

Sir, the representatives of all the political parties met the Prime Minister. We pleaded before him that on 1<sup>st</sup> of April, when the Government representative will be before BIFR, he should categorically say there that the Government is seriously thinking to revive IISCO. Sir, we were assured by the hon. Prime Minister. But in BIFR's meeting of 1<sup>st</sup> April, that was not stated by the Government's representative. Rather the Government representative asked for extension of time. I was told by the Minister before 1<sup>st</sup> of April that the Government would ask for six months' extension. At that time, I told him that BIFR will not give six months' extension. If you are not in a position to submit a revival package, BIFR will not give extension.

MR. CHAIRMAN : Are you asking the question?

SHRI BASU DEB ACHARIA : Sir, I am the only Member who have given notice for this Calling Attention. Therefore, you should give me some time.

MR. CHAIRMAN: The Minister has made the statement.

SHRI BASU DEB ACHARIA : Sir, I know the Rule regarding Calling Attention. But please give me some more time. It is a question of thousand and thousand of workers.

**श्री थावरचन्द गेहलोत (शाजापुर)** : सभापति जी, इन्हें नियम के बारे में मालूम है फिर भी जानबूझकर नियम का उल्लंघन कर रहे हैं, इन्हें सज़ा मिलनी चाहिए।

**श्री बसुदेव आचार्य** : आप बैठिये, आप चैयरमैन नहीं हैं। आप जब बोलेंगे, उस समय ध्यान रखियेगा।

The Government representative asked for six months' extension but three months' extension was given with a stricture that if the revival package is not submitted by 1<sup>st</sup> of June, BIFR will not call any further meeting, but BIFR will unilaterally declare Indian Iron and Steel Company as closed.

I would like to know from the Minister whether before 1<sup>st</sup> of June, the Government of India will submit a revival package to BIFR.

MR. CHAIRMAN: Shri Acharia, please sit down for a minute. As per Rule 197, after the Minister made a Statement, you can ask only one question. However, since you are the only Member who have given this Calling Attention notice, I am exercising the residuary power under Rule 389 to relax the Rule only today. The rules are made to exercise.

SHRI BASU DEB ACHARIA : Sir, I thank you very much. My second question is that whether the Government will consider providing Rs.540 crore – which is being provided for VR – for the revival of IISCO. It is because money is there. The fund is there to throw out workers. But the Government has no fund to revive a very important steel manufacturing unit in the State of West Bengal.

Thirdly, I would like to know whether the Government will positively take a decision in this regard. I am not talking of the TPE proposal; I am talking of the SAIL proposal, which is both short-term and long-term. I would request the Minister to kindly consider and approve the SAIL proposal for the revival of IISCO. I hope the Minister of Steel would positively respond to all these questions. I know his problems; I know his difficulties also. He will have to fight with the Minister of Finance. He knows where are the hurdles and difficulties. This is not a question of one political party. The demand to revive IISCO is the demand of the entire House. The Minister of State for Communications is sitting behind the Steel Minister; he is also nodding his head. That means he is also supporting me. So, this is the demand of the entire House.

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI TAPAN SIKDAR): There is only one thing. VRS is also necessary for revival. You can demand additional funds.

KUMARI MAMATA BANERJEE (CALCUTTA SOUTH): We do not agree for VRS. We are agreed that this company should be revived.

SHRI TAPAN SIKDAR: No industry can be revived at present without VRS, without modernisation and without addition. ...(*Interruptions*)

SHRI BASU DEB ACHARIA : I would request the Minister to assure this House that the Government would take positive steps in regard to the revival of IISCO.

SHRI BRAJA KISHORE TRIPATHY: Hon. Member Shri Basu Deb Acharia has made some valuable suggestions. Kumari Mamata Banerjee also had raised a question during the Question Hour in this respect. In fact, the Government is quite serious for the revival of IISCO. At the moment we know the entire steel scenario of the world. Even in our country no financial institution is agreeable for investment and modernisation in any steel plant. Already the financial institutions in the country have invested about Rs.30,000 crore in new steel plants. The total investment of the financial institutions is about Rs.90,000 crore and in the modern new steel plants alone, their investment is Rs.30,000 crore where they are not getting any return because of the recession world over in the steel sector. So, no financial institution will come forward for investment in IISCO for modernisation.

We know the age-old plant of IISCO. Its technology is to be changed and a lot of money is necessary for this purpose. Whatever proposal is submitted by SAIL is not just a revival package, but I can say it is a survival package. This survival package is the first step for the revival of IISCO. It includes whatever the hon. Member has told this House. This survival package also includes VRS. Even MECON has also recommended for the VRS because the work force is much more as compared to the requirement of production in IISCO.

You know the situation in Kulti. At the moment whatever we are producing in Kulti has no market either in the country or outside. Therefore, after we made several requests to the West Bengal Government, they have taken up marketing of some materials and they are taking some materials for their own purpose. So far whatever is being produced that is kept in the godowns because there is no market for it. At Kulti alone the work force is more than three thousand. Naturally, the number of employees is much more than what is required for the unit. If you take IISCO as a whole, its work force is quite large and therefore VRS is quite necessary to make it viable. At this moment the entire expenditure on the employees and workmen alone is about 19 per cent.

In a new steel plant, they require 4-5 per cent as establishment expenses whereas we are making an expenditure of about 19 per cent towards labour cost. It has to come down to the international benchmark of 4-5 per cent in establishment expenses. That is why, VRS is quite necessary to make it viable. The revival package will not be very much viable if VRS will not be included in the revival package.

So far as TPE is concerned, the Government has taken a decision for a Joint Venture. Three parties had expressed interest and at the moment, only TPE remains. The other two parties have left. As regards the TPE, the hon. Member has raised a point on why there is a large Work Force. This decision has been taken in the VIII Session of the Indo Russian Working Group on Ferrous and Non-Ferrous Metallurgy and they should examine the entire economic viability and other things. That is the decision taken by the Russian Government and the Indian Government jointly in that VIII Session. With that decision, this Task Force has been set up and the Ministry of Steel has sent a group to Russia to examine the TPE's proposal. At this moment, the Russian Government has not agreed with TPE to use the rupee-ruble escrow account. The Russian Government has so far not agreed to utilise the Russian escrow account. So, that is standing in the way and although TPE is not expressing that they are very much interested, they are dilly-dallying.

There is another alternative proposal that is pending with the Government. I have just now told you that SAIL has submitted a package with the recommendation of MECON, and VRS and other things are part of that proposal. It is not just pending with the Ministry of Steel. A lot of consultations is required with the Ministry of Finance and other Ministries. The proposal has to be sanctioned totally by the Government and the Cabinet. The proposal is under active consideration of the Government. I can assure that to the House.

SHRI BASU DEB ACHARIA : Sir, he has not replied to my question as to whether before 2<sup>nd</sup> June, he will submit the revival proposal to the BIFR or not. You tell us positively on that point. What is your intention?

SHRI BRAJA KISHORE TRIPATHY: The date has already been given. We shall have to give a reply. We shall have to take a decision on that. I hope the Government will take a decision before that.

SHRI BASU DEB ACHARIA : Will the Government submit the revival package or not? I want that the Government should submit a revival package before 2<sup>nd</sup> June.

SHRI BRAJA KISHORE TRIPATHY: I cannot assure on that because it is not the decision of this Ministry alone. We shall have to consult the Ministry of Finance, and the Cabinet shall have to take a decision. I can tell you that we will take a decision before 1<sup>st</sup> July about the revival package which is pending with the Government.

SHRI BASU DEB ACHARIA : Are you going to submit the revival proposal or not?.....(*Interruptions*)

SHRI BRAJA KISHORE TRIPATHY: The BIFR has given time upto 1<sup>st</sup> July and not 1<sup>st</sup> June. Before 1<sup>st</sup> July, the Government will definitely take a decision.

SHRI BASU DEB ACHARIA : I am not specific on the decision. I want to know whether, before 1<sup>st</sup> July, the Government will submit the revival package or not. You may take a decision to close down IISCO or to submit a proposal. Sir, he has not replied to this point.

SHRI BRAJA KISHORE TRIPATHY: It is pending with the Government. (Interruptions)

SHRI BASU DEB ACHARIA : Sir, will he assure the House?.. (Interruptions)

MR. CHAIRMAN : Shri Acharia, I have been very lenient to you. I relaxed the rule and allowed you to speak.

SHRI BASU DEB ACHARIA : I want a categorical reply from the Minister on whether any revival package will be submitted by the Government to the BIFR before 1<sup>st</sup> July. Please tell us on this point. (Interruptions)

SHRI PRIYA RANJAN DASMUNSI : I just want to help the Minister. I am not going to put a question.

MR. CHAIRMAN: You have not given notice and your name is not found in the list. However, I am allowing you to speak.

SHRI PRIYA RANJAN DASMUNSI : I always abide by the ruling of the Chair.

I would like to address the Minister through you Sir, that he has cited a case of Russia escrow utilisation and Russian Government not agreeing to it.

Is it not a fact – if the Minister knows about it he can reply, otherwise he need not – that Government of India along with Russian Government is exploring possibilities of investing our money in petroleum sector of Sakhalin, and in the Defence sector to buy TU tanks? When the Russian Government is extremely liberal with all these arrangements, why do you not include IISCO escrow account matter also in that? You are not including it because it is West Bengal! If Government of India can submit a package before BIFR for IBPL, then why can the Government of India not submit a proposal before BIFR for IISCO also, before it rings the death knell on first July? The Prime Minister, in his meeting with the delegation of all parties – I should not take the name of the Prime Minister – in our presence, directed the Secretary of Steel, to work out a proposal and submit it. What is preventing you to do that? Who is preventing you to submit this proposal till this date? I shall not take the name of the Prime Minister. But the hon. Prime Minister gave a direction in our presence. The Minister may please answer as to why this proposal has not been submitted. As Shri Basu Deb Acharia stated, will you enquire, if the Russian money and Russian Agreements are being encouraged in other sectors at their terms, then why IISCO could not be included in that package for utilisation of escrow account? What is wrong in that?

श्री रामदास आठवले (पंढरपुर) : सभापति महोदय, मैं वाक-आउट करता हूँ।

**14.37 hrs.**

(तत्पश्चात् श्री रामदास आठवले, माननीय सदस्य सभा से बाहर चले गए।)

KUMARI MAMATA BANERJEE : Sir, this is a burning issue. This morning also I raised this issue. There is a feeling among the working class that ultimately VRS will be given and this will be closed. If the worker is willing he can take VRS. But if the Government itself decides about the VRS package right now, then a message will go that the Government is not interested in modernising this Company, instead the Government is interested in closing down this Company. As Shri Priya Ranjan Dasmunsi stated, if Russian project could be included in Defence and Petroleum sectors, then why not IISCO. It is not just today we are shouting. We are shouting since eight or ten years. IISCO's modernisation package is pending since long. I do not know who are the people who are misleading the Government to sell out this Company? We are the last to tolerate it. IISCO is the pride of our country. That is why, either through the Russian proposal or SAIL's proposal the Government must sanction the package. Instead of giving the money for VRS, the Finance Minister can give the money for revival package and modernisation of IISCO. If you want Members of Parliament from West Bengal are ready to give Rs. 50 lakh from the MPLADS Fund. There are totally forty-two Members from West Bengal. We are ready to give the money, if you want. But see to it that IISCO is not closed and that IISCO is modernised. We are always talking of VRS. I am sorry to say that we are always talking about VRS of working class. That sends a wrong message. Let us start Voluntary Retirement Scheme for the politicians and nor for the working class! That is why I would request that it should not be closed.

SHRI PRIYA RANJAN DASMUNSI : Sir, the workers are angry. They say that railway tracks will be blocked and nothing will move. It will invite serious problems.

MR. CHAIRMAN : Shri Acharya, I have given you maximum time.

SHRI BRAJA KISHORE TRIPATHY: I have not said anything in my statement regarding VRS.

When the hon. Member Shri Basu Deb Acharya has raised it, I told him that this is a part of the revival package. It is not a separate proposal. No proposal has come for VRS. Or, it is not that the Finance Minister has not agreed to VRS. The entire revival package includes the VRS. It will not be treated separately. It will not be considered separately.â€ (Interruptions)

SHRI BASU DEB ACHARIA : Why? You call it a revival packageâ€ (Interruptions)

SHRI BRAJA KISHORE TRIPATHY: I have told you that this is a revival package....(Interruptions) It is for the rehabilitation of the workers....(Interruptions)

MR. CHAIRMAN : Shri Acharya, you have taken forty minutes for one Call Attention. I have given maximum time to you.

SHRI BASU DEB ACHARIA : We can take more than one hour. You know the problems of the people.

MR. CHAIRMAN: If one Member takes one hour, then it would mean that 544 Members will take 544 hours.

...(Interruptions)

SHRI BRAJA KISHORE TRIPATHY: The hon. Member Kum. Mamata Banerjee raised an issue. The Government is quite serious about it I have told you.

SHRI BASU DEB ACHARIA : The Government is not at all serious about it.

SHRI BRAJA KISHORE TRIPATHY: The hon. Prime Minister was kind enough. During his Russian visit, he raised this issue and he discussed this issue with his Russian counterpart to help this Steel Plant, to allow to utilise the Russian Escrow Account. It is the hon. Prime Minister who was kind enough to request his Russian Government counterpart there. So, with that request, the Eighth Session of the Indo-Russian Working Group on Ferrous and Non-Ferrous Metallurgy went on discussing the issue. He discussed a part of this issue with his Russian counterpart....(Interruptions)

SHRI BASU DEB ACHARIA : How long will you continue this discussion? Unless you take a final decision, it will not work.

SHRI BRAJA KISHORE TRIPATHY: If you realise what is happening, you will not say so. The Russian Government is not interested in it because steel production has already over-supplied ...(Interruptions)

SHRI PRIYA RANJAN DASMUNSI: The Russian Government is interested in our investment in the Sakhalin Project and other defence deals but not in respect of the Escrow Account for utilisation of the IISCO. ...(Interruptions) The Government of India spends a lot of money on junk projects which America has not done. Why are you investing in such projects?....(Interruptions)

SHRI BRAJA KISHORE TRIPATHY: This proposal is not just pending with the Steel Ministry. I have told you about it. But this is a confidential matter. How can I say where it is now pending? However, I can tell you that this is not just pending with the Steel Ministry.

SHRI PRIYA RANJAN DASMUNSI : Russia is compelling us to buy their tanks, technology and compelling us to invest in their projects. We are not compelling them to do this in our project.

SHRI BRAJA KISHORE TRIPATHY: The proposal has already been sent. I hope the Government would take a decision before the last date.

SHRI BASU DEB ACHARIA : It is unfortunate that the hon. Minister has not replied to any of our questions. We wanted to know whether a proposal for the revival of IISCO would be submitted to the BIFR before 1<sup>st</sup> July? He has not stated about it. So, we are walking out in protest.

**14.42 hrs**

*(At this stage, Shri Basu Deb Acharia and some other  
hon. Members left the House.)*

KUMARI MAMATA BANERJEE : I think the hon. Minister has assured us that he would submit it.

SHRI PRIYA RANJAN DASMUNSI : Are you assuring us? I think he has assured us that the proposal would go before the BIFR.

SHRI BRAJA KISHORE TRIPATHY: I have assured that the decision of the Government would be taken before 1<sup>st</sup> July.

SHRI PRIYA RANJAN DASMUNSI : Are you not giving the package?

SHRI BRAJA KISHORE TRIPATHY: How can I do it? It is pending with the Government. ...*(Interruptions)* The revival package is pending with the Government for consideration. A decision will be taken before 1<sup>st</sup> July.

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