

[*Translation*]**Modernisation of Steel Plants**

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*700 SHRI YURAJ:
SHRI Y. S. RAJA SEKHAR
REDDY:

Will the Minister of STEEL AND MINES be pleased to state:

(a) whether Government propose to modernise Durgapur, Rourkela and Burnpur steel plants and if so, when the expenditure for each of the plants will be sanctioned;

(b) whether there is offer of foreign aid for the modernisation programme of these plants;

(c) if so, the details thereof, plantwise;

(d) when the work for the modernisation of these plants will commence; and

(e) the reasons for the delay in the modernisation programmes of these plants?

[*English*]

THE MINISTER OF STEEL AND MINES AND MINISTER OF LAW AND JUSTICE (SHRI DINESH GOSWAMI): (a) to (e). A Statement is laid on the Table of the House.

STATEMENT

(a) Yes, Sir. Government have already sanctioned the modernisation projects of the Durgapur (DSP) and Rourkela (RSP) Steel Plants of the Steel Authority of India Ltd. (SAIL). The investment decision for modernisation of Burnpur works of the Indian Iron & Steel Co. Ltd. (IISCO) is presently under consideration.

(b) and (c) Credits both on commercial and concessional terms to cover the major portions of the foreign equipment and services for the modernisation of DSP amounting to approximately Rs. 577 crores have

been offered from West Germany, Finland, USSR and Switzerland.

The West German Government had offered a mixed credit of DM 660 million to meet the foreign exchange component of the funds required for the modernisation of RSP.

While Japanese OECF loan of 5.46 billion Yen has been availed of for preparation of Basic Engineering Report of IISCO modernisation, indication of possibility of Japanese EXIM Bank credit being available to cover part requirement of the foreign exchange exists.

(d) Work on modernisation of DSP and RSP have already commenced. Preliminary works in respect of the IISCO plant are also in progress; the main works can start only after the project is sanctioned.

(e) The investment decision for the IISCO Modernisation project has been somewhat delayed mainly due to the Japanese estimates being substantially higher than those indicated earlier. The questions of choosing the appropriate product-mix and adopting the most cost effective strategy for project implementation are expected to be finalised shortly.

[*Translation*]

SHRI YUVRAJ: Mr. Speaker, Sir, the Government has come out with a statement about the modernisation programme of all the Steel Plants of Durgapur Rourkela and Burnpur. I would like to know the total amount of money to be spent on them and the amount that has been mobilised so far and the names of the countries with which our Government has entered into agreement regarding the renewal and modernisation of these plants. How much amount has been arranged till now and what is the progress in this regard?

[*English*]

SHRI DINESH GOSWAMI: It is not

possible at this stage to give the exact figures because the second phase of Rourkela and the modernisation of Burnpur IISCO are still under the consideration of the Government. Till a final investment decision is taken, it is not possible for us to give a very definitive cost projection before the House.

So far as Durgapur is concerned, the definitive cost estimate is Rs. 2,667 crores. Now in Rourkela, the problem has been that the approved estimate cost for the whole project was Rs. 2461 crores with a foreign exchange outlay of Rs. 396 crores. But in the tenders that SAIL have got for the three foreign packages, under the second phase of Rourkela, the bids have come to Rs. 3,366 crores which is three-times more than the original cost projection.

So far as the Burnpur is concerned, well the cost projection that has been given by the Japanese firm, JCC is Rs. 6857 crores. Now, we are examining this proposal. Therefore, it will not be possible for me to give a definitive cost projection. But our work in Durgapur is going ahead and work on the first phase of Rourkela is going ahead.

So far as the second phase of Rourkela and the Burnpur IISCO modernisation is concerned, we are now taking into account and considering the various proposals before us.

[*Translation*]

SHRI YUVRAJ: Mr. Speaker, Sir, I would like to know from the Government the extent of our domestic requirement is met by indigenous production and the quantity of high quality steel imported by us and the amount of foreign exchange spent on it?

[*English*]

SHRI DINESH GOSWAMI: I will require a special notice about the foreign exchange that we have spent but I can give a projection which I have given before the House itself that at the present moment we have got today in between estimated demand and

supply a gap of around 2 million tonnes. We have made a projection also that by the end of the terminal year of the two Five Year Plans, we may have a gap of 2 million tonnes between the supply and demand and, that is why, even earlier I answered the question by saying that I have asked the Planning Commission to let us go for increased steel production and now the proposal is before the Planning Commission. We are waiting for the Planning Commission's finalisation of the Approach Paper so far as the next Plan is concerned.

SHRI VASANT SATHE: In view of the fact that India is really having shortage of steel compared to the need and the projections made earlier and that even today in some States we are required to import steel, will the Government consider allowing steel plants to be set up with modern technology of what is called direct reduction process, K. R. process and many other processes which have come in vogue so that we are able to convert our rich raw material of iron ore to steel and even if you do not want to use it here, we can export steel rather than export iron ore. What is the policy of the Government on this issue? When are you having this plant modernisation? Would you encourage starting of steel plants even if it is in private sector? People are willing to invest in view of the fact that we are short of resources ourselves. Will the Government consider encouraging steel plants coming up in the country in whatever sphere they may be?

The second question I would like to put is this. Salem is one of the best alloy stainless steel plants that we have and there was a proposal of backward integration. I would like to know what has happened to that. Is it still on, approved or, are there not different ideas about that?

SHRI DINESH GOSWAMI: I am happy that the hon. Member has put this question which I consider is an important one. So far as the Department of Steel and the Ministry of Steel is concerned, we feel that we must increase our production because the per capita consumption of steel in our country is

very poor compared to some of the developed countries. Unfortunately, in the Seventh Five Year Plan, there was not much of effort made for increased steel production by way of having new steel plants. Only Rs. 10 crores were allocated in the entire Seventh Five Year Plan for the new steel plants. Therefore, we have gone to the Planning Commission for giving us money for two new steel plants and we do hope that when the plan is finalised, we will get some positive response in fact because one of the steel plants we have suggested comes from your State, Mr. Speaker, in which you are interested. I would like that you may exercise your interest as a Speaker to see that the Planning Commission accedes to our request.

So far as the private sector is concerned, the hon. Member will be happy to note that we have liberalised and we have encouraged the private sector to come in a number of spheres for increased steel production and the private sector responded positively that. But so far as the involvement of the private sector in the integrated steel plants is concerned, that is a matter which requires a major policy decision and we have not finalised it as yet. But we will definitely take this matter into consideration.

We can also point out that this has been our view that instead of exporting high quality iron-ore, we should now concentrate on the production of steel because when we export high quality iron-ore, we lose lot of money. In fact, I had to fight with my colleague Shri Arun Kumar Nehru on that in the Ministry of Commerce because I said that I am not interested in exporting high quality iron-ore even though that may mean that we may have some less foreign exchange in the sport ran and we are trying to do it in that direction.

So far as Salem is concerned, I think you have been prompted by our colleague who is sitting by your side.

MR. SPEAKER: Shri Vasant Sathe himself has raised it.

SHRI DINESH GOSWAMI: He has been prompted, I know. He may be interested in the question but I know that the prompting has come from the hon. Member by his side because not only he asks the question here, but even I cannot pass through the Central Hall without his raising with me here. This is under active consideration of the Government.

SHRIMATI GEETA MUKHERJEE: Sir, from the reply of the hon. Minister to part (e) of the question, I find that IISCO Modernisation seems to be a very far-fetched thing. It says:

"The investment decision of the IISCO Modernisation project has been somewhat delayed mainly due to the Japanese estimates being substantially higher than those indicated earlier. The questions of choosing the appropriate product-mix and adopting the most cost-effective strategy for project implementation are expected to be finalised shortly."

I am not pestering Dinesh-ji when he goes to the Central Hall. But he knows very well that the workers of IISCO are pestering all the time. Unless the modernisation thing is done very quickly it may go sick. May I know from the hon. Minister what is the time frame of this modernisation that he is thinking of so that it does not go sick.

SHRI DINESH GOSWAMI: Sir, I know the interest of the hon. Member in this question because I think earlier also she tabled a question which for one reason or the other did not come up for answer. In fact, I also know that the workers and the employees are very much concerned. In fact, I can inform the hon. Member that I invited all the Trade Unions to Delhi and had a very fruitful discussion with the Trade Unions. Now the position is that when the original Japanese International Cooperation Agency did the feasibility study, the estimated cost projection was Rs. 2928 crores with Rs. 900 crores approximately foreign exchange out-go. But

the investment projection that has been now given to us by Japanese consulting companies is Rs. 6857 crores, virtually an amount which the Government will find very difficult to provide. But what is more important is that even if we spend Rs. 6857 crores then the internal rate of return is as small as 1.6 per cent. In view of that, I asked another consultants the Dastur & Co. to make an alternative evaluation particularly keeping in view the factors whether we can bring down the cost; whether we can go for greater indigenisation etc. The four factors which we actually asked the Dastur & Co. to examine are: the most appropriate product-mix; whether there can be an alternative strategy; whether it can include global tendering; whether we should go for turn-key project, whether we can think in terms of non, turn-key project; whether the capital cost can be brought down. The Japanese concept is virtually to scrap vast of IISCO Plant. We have to further examine to what extent the existing facilities can be retained and upgraded because I feel that to demolish entirely an existing plant may be a concept which an advanced country can accept. As far as we are concerned, we have to consider whether a country which has got so much of resource constraint can go in for it. I know now there is a lot of anxiety on the part of the employees there and the general public of West Bengal. I made it a point that the Dastur & Co. must give their report by 31st March. I gave the shortest possible time. The report has been presented to us within that time. Now, we have asked the SAIL to examine this report. I can give a comparative idea of some salient features of the Dastur & Co. proposal and the J. C. C. Proposal. According to the Dastur & Co. proposal the investment required is Rs. 4894 crores as against the JIC proposal of Rs. 6857 crore. The foreign exchange outgo would be Rs. 953 crores as against Rs. 1946 crores. But the most important point is that the internal rate of return according to the Dastur & Co. proposal- if accepted according to them-will be 10.3 per cent as against 0.6 per cent of J.C.C. We have now asked the SAIL to examine it. I have told them that they must do it expeditiously. SAIL has given me a time-table that they will give

their own comments and projections on this proposal by the third week of May. If it is given by the third week of May, that is good. But I do not want to bind myself to the timetable. I will try to finish my evaluation of this within the shortest possible time-may be a couple of months which I am trying to bring down. I hope that we will be able to take some final decision by middle of July or by the end of July or I will try to make it even earlier than that.

SHRI BASUDEB ACHARIA: On this particular question, half an hour discussion was also allowed. But because of the non-availability of the hon. Minister, discussion could not take place. Modernisation of IISCO has a long history. This plant is one of the oldest plants and still the main plant of our country. The production method is out-dated-duplex method. Nowhere in the world steel is produced with this method. So, modernisation is a must. Already two plants have been phased out and are incurring huge losses. And for modernisation, already Rs. 130 crores has been spent for levelling of the ground and clearing of the area. Japanese have done this work. May I know from the Minister by what time modernisation proposal will be finalised by the Government? I want the particular time because already three to four years have been elapsed.

SHRI DINESH GOSWAMI: The hon. Member will appreciate that there has been a debate in this House and the other House on the question of the methodology and the technique of modernisation..... (*Interruptions*).....

Because I would like that my answer should be understood by you also. But points have been made that in this modernisation, we should try to reduce the cost, we should try to involve more and more parties catering to indigenisation, foreign exchange outgo should be minimised and also that the absorption of technology should be effective and quicker. Keeping these aspects in view, an alternative evaluation was made by the Dastur Company I am not a technical man. I am a layman. Therefore, as a lay man deal-

ing with the steel industry, obviously, I would like to have alternative reports before me so that I can evaluate. I had given the minimum of time to the Dastur Company and I must compliment them that they have given me their own evaluation at the minimum of time. I have answered this in reply to Geetaji's question. I do hope that SAIL would give their report by 30th of May. And I do hope that I will be able to take the decision on that thereafter. I have taken an outside time limit up to July end. But I do hope to have a final evaluation time-table before that date. I have taken the outside time so that I may not have to come again and tell the House that though I gave the time-table, I could not keep it up. I do hope that I will be able to take a decision before that.

[*Translation*]

SHRI KARIA MUNDA: Mr, Speaker, Sir, in the steel sector in our country, there are mainly two companies which are engaged in manufacture of steel—one is the Hindustan Steel Construction Limited and the second is MECON. The latter takes up projects in India as well as overseas. Ever since, there was a proposal to modernise the steel plants, this company also submitted its tender. According to my information, the contract was awarded to a foreign company and not to MECON as the former would pay higher commission. I would like to know if this is true.

[*English*]

SHRI DINESH GOSWAMI: I will not accept the statement made that this has been done with some consideration. I have got nothing before me. But this is precisely the reason as to why I have gone for an alternative evaluation because Members do complain that you have given the job to a foreign country when our own technology is capable of handling it. So, I can satisfy the House why I have gone for the alternative technology. Even in Burnpur I would make it very clear that it is not that we have rejected the Japanese offer. Our decision will be based on the alternative evaluation. So far

as this Government is concerned, I can assure the House that whatever is in the best interest of the country and in the best interest of our own scientists, engineers and plants, that decision alone will be taken.

SHRI SAMARENDRA KUNDU: The hon. Minister has said in his answer that the modernisation of Rourkela Steel Plant he has got foreign money promised-aid or contribution I do not know-of about DM 660 million. I am informed that that amount is too small now. This has been promised long back. Besides, the Government of India had promised that the Rourkela Steel Plant should be extended to 2.5 million tonne capacity; but in this modernisation it will not reach that level. Will the hon. Minister tell us whether this modernisation first of all makes the price of our steel products equivalent to the international price and whether this modernisation will increase the production to 2.5 million tonnes?

Besides that, we are very keen to have a second steel plant which has been denied to Orissa. inspite of Dastur committees' reports that Orissa should have the second steel plant, this was denied in 1970 when Mrs. Indira Gandhi out of sheer political considerations announced the location of the steel plant outside Orissa.

I would like the hon. Minister to give an assurance here in the House that the second steel plant would be located in Orissa, and this modernisation scheme will increase the production to 2.5 million tonnes. The money which has been promised by Germany is too small but the work should not stop. We should see that we get the money from the Germans in respect of this steel plant.

SHRI DINESH GOSWAMI: The hon. Member has asked three questions. So far as the modernisation is concerned, in the Rourkela Steel Plant, after the modernisation, the capacity would be 1.9 million tonnes. The work on the first phase is going on. So far as the second phase is concerned, as I told in answer to another supplementary, though the total approved estimated cost

was Rs. 2461 crores with foreign exchange outflow of Rs. 396 crores, the three package bids by German firms alone amounted to Rs. 3356 crores, with foreign exchange outflow of Rs. 1795 crores. It means that there is escalation of three times of the original estimation of Rs. 1153 crores for these packages and there is an escalation of 6 1/2 times in so far as the foreign exchange outflow is concerned. Therefore we are examining these proposals at this stage and we take our investment decision immediately after the examination is over. I can assure the hon. Member that I have also told SAIL that like Burnpur, SAIL that like Burnpur, so far as Rourkela is concerned, they must give their report within 15th of May. I am informing this date to the House because I want to bind my own SAIL that date to the House because I want to bind my own SAIL that it is a commitment given to this House which the SAIL must fulfil. After that is given, obviously I will take some time. I would not like to bind myself to a time-table except by saying that I will try to examine it at the fastest and will come to an investment decision at the earliest.

I can also inform the hon. Member that it is not correct that our steel production price and cost is higher than the international cost. It is comparable and in fact it is lower than the international cost.

So far as the second steel plant is concerned, if I had been in position to commit, I would have been the most happiest person to commit. But I cannot; because there is the Planning Commission and the Ministry of Finance for to examine the proposals. The matter is before the Planning Commission and I do hope that they will take a positive decision.

SHRI AJIT PANJA: I would refer to the hon. Minister's answer to part (d) of the question. He has stated that work for modernisation of DSP and RSP has commenced. May I know from the hon. Minister, as he has given some time frame for other units, whether there is any specific time frame for the completion of the modernisation of Dur-

gapur Steel Project and the Rourkela Steel Project? This project, the hon. Minister knows, was sanctioned by the earlier Government and the money was also provided for it. And there was a time limit fixed. I would like to know whether the Minister is going to keep up that time limit and also as he had given as assurance and commitment about other units, a specific commitment should be made so far as DSP and RSP are concerned

The second part of my question is this. Although the Minister has said that so far as the second Steel Plant for Orissa is concerned, it is not in his hands, there is a great need for that. Potentiality and survey report are also there for having a second Steel Plant in Orissa. Therefore, would the hon. Minister, if he is satisfied for himself, take it up with the Planning Commission so that the second Steel Plant for Orissa is sanctioned immediately?

SHRI DINESH GOSWAMI: So far as the estimated date of completion of the Durgapur Steel Plant is concerned, it is March 1993. The work is going on there. In Rourkela, because of the evaluation etc, there may be some time gap from the estimated time. I can assure you that we are trying our best to expedite the matter as far as possible. I am convinced that there should be a second Steel Plant in Orissa. But the hon. Member has been a Minister and knows as to how the matters are processed with the Planning Commission and the Finance Ministry. However, I will try my best to carry this proposal through and I would seek the support of the entire House on this to convince the Planning Commission.

Rehabilitation of Retrenched Workers of Gandhamardan Bauxite Project of Bharat Aluminium Company Limited

*701. SHRI BHABANI SHANKAR HOTA: Will the Minister of STEEL AND MINES be pleased to state:

(a) whether Government are considering any time-bound programme to absorb/provide alternative employment to the re-