

[Shri Swaran Singh]

on simultaneously. The matter has been considered in consultation with the Government of Bihar, who have now advised that the charges against the two Cabinmen of Dumraon have not yet been framed. The Government of Bihar are taking steps to withdraw the criminal case. The Commission will recommence their hearings as soon as the necessary formalities connected with the withdrawal of the case are completed.

STATEMENT RE. RETENTION
PRICES OF PIG IRON AND STEEL

The Minister of Steel and Heavy Industries (Shri C. Subramaniam): Sir, with your permission I would like to make a statement on the important subject of the fair ex-works retention prices of pig iron and steel payable to the main producers of iron and steel for the period 1st of April 1960 to the 31st March, 1962. The uniform retention prices for steel payable to the Tata Iron and Steel Co. Ltd. and the Indian Iron and Steel Co. Ltd. were enquired into by the Tariff Commission in 1955. In their resolution No. SC(A)-2(149)/55 dated the 1st of February, 1956, Government accepted the Tariff Commission's recommendation that the average retention price payable to the two major producers should be fixed at Rs. 393 per ton. Government also agreed to examine, on merits, claims for escalations in retention prices resulting from changes in railway freights, changes in statutory prices of coal and other fuel etc. As a result of the escalations allowed, the basic retention prices fixed in 1956 were increased under the Escalator Clause four times and the average escalated retention price in force on the 31st of March, 1960 was Rs. 474.59 per ton including excise duty. The prices then fixed were for a period of five years from 1955-56 to 1959-60.

A reference was made to the Tariff Commission by the Government on the

13th of March 1961 to enquire and recommend, having regard to the various agreements with the steel companies, (i) what the normal retention prices of steel should be for the period from the 1st of April, 1960 to the 31st of March 1962; and (ii) the special element that should be allowed in the price in addition for payment by the Tata Iron and Steel Co. Ltd., and the Indian Iron and Steel Co. Ltd. of interest on and repayment of the special advances made to those companies by Government.

A similar reference regarding the fixation of pig iron prices for the period 1-4-1960 to 31-3-1962 was made on the 1st of August 1961. Meanwhile, after having a preliminary cost examination of the Tata Iron and Steel Co. Ltd. and the Indian Iron and Steel Co. Ltd. undertaken by the Cost Accounts Branch of the Ministry of Finance, Government decided to increase the retention prices of steel to an average of about Rs. 512 per tonne. This price was purely provisional and was subject to adjustments in the light of Government's decision on the recommendations of the Tariff Commission.

The Commission having conducted an enquiry submitted their report at the end of April 1962. The main recommendations of the Commission are as follows:

- (i) The average fair retention price of saleable steel (inclusive of the special element for payment of interest on and repayment of special advances) for 1960-62 should be Rs. 550 per tonne. This recommendation was based on an assessment of a fair or standard block on the basis of a comparative study of the capital blocks of the existing units. The Tariff Commission recommended that for the price period 1960-62, a capital block of Rs. 1300 per tonne of saleable steel should be reasonably representative;

- (ii) A return at 8 per cent on the representative block of Rs. 1300 per tonne of saleable steel and interest on an estimated working capital at six months works cost equivalent at 5 per cent should be allowed;
- (iii) Based on an equated payment spread over a period of 20 years, the special element allowed in the retention price for payment of interest on and repayment of the special advances should be Rs. 8 per tonne of saleable steel (this element is included in the price of Rs. 550 per tonne);
- (iv) The fair retention price of steel ingots for 1960—62 should be Rs. 344 per tonne, inclusive of the special element of Rs. 8 per tonne for payment of interest on and repayment of the special advances;
- (v) The price of pig iron recommended by the Commission means roughly an increase of Rs. 3 per tonne over the existing prices.

There are other recommendations of a general kind which the Commission have made with the object of improving the production of iron and steel in the country.

After carefully examining the recommendations of the Commission, the Government have come to the conclusion that for the period 1960—62 there is insufficient justification for accepting a block of Rs. 1300 per tonne. The Government have, therefore, decided to base the retention prices on a block of Rs. 1176 per tonne. This figure has been arrived at on the basis that the plants should have worked at 100 per cent of capacity instead of 90 per cent optimum mentioned by the Tariff Commission and after excluding from the capital block the special advances paid to the

companies by Government. The Government also consider that the working capital provision allowed at six months of the works cost equivalent is rather high and feel that a provision on the basis of four months works cost should be adequate. Finally, in revision of their earlier decision taken in 1959, the Government consider that it is not necessary at this stage to provide an element in the retention price for the payment of interest and the repayment of the special advances. The agreements with the companies provide for an alternative method of repayment of a part of the special advances with interest, namely an issue of share capital by the companies, at such time or times as the Government of India, may in agreement with the companies, decide. This will be considered further by Government. Government have accordingly decided to exclude the element of Rs. 8 per tonne recommended by the Commission on this account from the retention price to be fixed. As a result of these decisions, the average retention price of steel produced by the main producers, whether in the private or in the public sector, will be fixed at a uniform rate of Rs. 522.50 per tonne for the period 1st of April 1960 to the 31st of March 1962, which means an increase of Rs. 10.50 per tonne over the provisional price fixed earlier, instead of the increase of Rs. 38 per tonne recommended by the Tariff Commission. The detailed retention prices recommended by the Commission for different categories of steel will be scaled down suitably in accordance with the above decision. Lest there should be any misunderstanding, I should like to make it clear that the controlled price of various categories of steel for sale to the public will not be raised as a result of this decision to increase the retention price payable to the main producers.

As regards the retention price of steel ingots, for similar reasons Government propose to fix this price at

[Shri C. Subramaniam]
Rs. 326 per tonne. Similarly for pig iron, after making a deduction on account of the reduced provision for working capital, Government propose to fix a retention price which is Re. 1 per tonne lower than the price recommended by the Commission.

The Government have also considered the other general recommendations of the Commission regarding regular supply of raw materials (particularly coal), improvement of sintering and ore handling facilities, more regular transport arrangements for both raw materials and finished products, adoption of latest technological advances etc. They have accepted these and will also commend them to the steel plants for implementation.

The recommendations of the Commission related only to the period 1st of April, 1960 to 31st March 1962. We are already in September 1962. A view has, therefore, to be taken of the prices to be fixed after the 1st of April 1962. Government have decided that the prices to be fixed for the period 1960-62 should also be applicable provisionally beyond the period 1st April 1962 subject to certain changes which are necessary on account of (a) the recent increase in the statutory price of coal and (b) the increase in the railway freight from July 1st, 1962. The effect of these changes will be announced shortly. The final prices to be fixed for the period after 1st April, 1962 will be decided after further consideration.

Government regret the delay in the announcement of their decisions on the reports of the Tariff Commission which was mainly due to the complexities of the problems involved. A government resolution on the subject announcing these prices is being issued today.

Shri A. C. Guha (Barasat): May I know how the present price will compare with the price of imported steel?

Shri C. Subramaniam: I cannot give an immediate answer.

Shri A. C. Guha: Will it be costlier than the imported steel?

Shri C. Subramaniam: Yes... (Interruptions).

Shrimati Renu Chakravartty (Barackpore): May I know whether the question of reviewing the way the Tariff Commission has been calculating the costs, whether in steel or in cement or other basic industries, whether that entire question is being gone into by the Government and secondly, whether in the case of steel plants the refusal to give them Rs. 8 extra over the repayment of their Rs. 20 crores loans . . .

An Hon. Member: It has not been given.

Shrimati Renu Chakravartty: Whether the question of permitting them to float extra shares has been considered along with the fact they have not paid even a pice back by way of the loan.

Shri C. Subramaniam: The question has not been very clear to me anyhow. The repayment has not been done so far and the agreement was for the repayment of this. A special element will be included in the retention price. It is on that basis that the Tariff Commission made a recommendation that Rs. 8 per ton should be included in the retention price, but now, we have negated that recommendation and we are proposing to take advantage of another clause in the agreement by which it should be possible, by agreement with the company, to ask them to reduce the equity capital and pay back this loan.

Shri Tyagi (Dehra Dun): I want to put one question for the sake of clarification.

Shrimati Renu Chakravartty: My question has not been answered. I want to know whether they are going into the entire calculation of the Tariff Commission.

Mr. Speaker: It may be that the hon. Members can have recourse to some other method in such matters.

Shri Tyagi: This is the last day of this session.

Shri S. M. Banerjee (Kanpur): The hon. Minister stated that this increase is not going to affect the consumers. I want to know whether definite instructions will be issued or whether this will be embodied in the resolution that the Government are going to issue today.

Shri C. Subramaniam: There will be no change in the selling price and therefore the hon. Member may be assured that this will not increase the price.

Shri Tyagi: I want to have one clarification. After this retention price has been announced, may I know how much margin does the Indian Iron receive and how much margin does the Tata Iron receive, between the cost price and the price which we have settled?

Shri C. Subramaniam: For the calculation of the retention price, we have a certain notional block. What is their actual cost now has been worked up. As far as the manufacturing cost of the company is concerned, we have not interfered with the recommendation of the Tariff Commission which has been accepted. Apart from that, we have interfered with the recommendation of the Tariff Commission only in respect of the return to be provided on the capital of the companies, and therefore, that is a matter for calculation.

Shri Tyagi: My question was this.

Mr. Speaker: The question is whether the Tariff Commission made any assessment of the margin of profit to be left with the companies.

Shri C. Subramaniam: That is what I am stating. The Tariff Commission made the recommendation that a return of eight per cent should be made on the basis of Rs. 1,300. But the Government have come to the conclusion that Rs. 1,300, as the block, is not necessary on the basis of 90 per

cent performance. If there was any shortfall which is due to inefficiency of the concern, we need not pay for the inefficiency. Therefore, 100 per cent performance should be taken into account.

Shri A. C. Guha: Will that eight per cent be available to the public sector factories? Will the same margin of profit be available both to the public sector and the private sector?

Shri C. Subramaniam: This is a common retention price which is being fixed both for the public and the private sectors.

Shri Tyagi: Then there is a contradiction.

Shri Morarka (Jhunjhunu): The Minister said just now that for fixing this price, Rs. 1,176 has been taken as the capital cost of the block as the basis. The capital cost differs from plant to plant. For example, in the public sector, the capital cost is much more than in the old plants. May I know whether the Government has considered the desirability of taking the actual cost of the block rather than the notional cost for all the plants on an equal basis?

Shri C. Subramaniam: As a matter of fact, the Tariff Commission took 90 per cent performance and then on that basis calculated the capital block. The Government came to the conclusion that there is no justification, for the purpose of ensuring a return, to take 90 per cent performance, but only 100 per cent performance should be taken. On that basis, it has been worked out.

Shri Morarka: Whether it is 90 per cent or 100 per cent, the capital cost in the new plants is quite different, and is much higher than in the old plants. Some are new and some are old. Therefore, the question is whether the Government have considered the desirability of making any distinction between these aspects in respect of the basis for the fixation of the retention price.

Shri C. Subramaniam: There is an agreement that there will be a common retention price for all the plants, in the public sector as well as in the private sector—old and new. Therefore, we cannot make such a distinction. (*Interruption*).

Mr. Speaker: Order, order.

Shri C. Subramaniam: But that agreement lasts only up to 31st March, 1962 Hereafter, it is open to us to make a variation if it is found necessary.

Shri Tyagi: I had read in some newspapers that the Indian Iron earned a profit of Rs. 12 crores out of their total block of Rs. 12 crores. Under these circumstances, I was anxious to know how much margin is given. There are three main iron steel producing units: one is the Indian Iron; another is Tata; and the third comes under the public sector. After fixing this basic, retention price, I want to know how much is the margin which is calculated by the Tariff Commission, how much of the margin of profit goes to each of these three units.

Shri C. Subramaniam: Any hon. Member can work out the arithmetic. I do not expect the hon. Member to have it done by me.

12.55 hrs.

MOTION RE: JOINT COMMITTEE

The Minister of Law (Shri A. K. Sen): I beg to move:

"That in the motion adopted on Wednesday, September 5, 1962 concurring in the recommendation of Rajya Sabha that Lok Sabha do join in the Joint Committee of the Houses on the Bill to consolidate and amend the law for the limitation of suits and other proceeding and for purposes connected therewith, the names of the following Members who are in excess of the number of the Members of Lok Sabha to be nominated to serve on the said Joint Committee be omitted and a message sent

to Rajya Sabha making the necessary correction in the message sent to that House on the 5th September, 1962: Shri P. C. Borooah, Shri Bhola Raut, Shrimati Subhadra Joshi, Shri Virbhadra Singh, Shri Gopal Dutt Mengi, Shri T. Abdul Wahid, Shrimati Sangam Laxmi Bai, Shri Bishen Chander Seth, Shri Frank Anthony and Shri Tridib Kumar Chaudhuri."

I apologise for this mistake which occurred the other day through the in advertence of the several people concerned in drawing up the list of names. What happened was, the Rajya Sabha passed a motion requesting the Lok Sabha to nominate 20 Members for the Joint Committee on the Limitation Bill. They nominated ten from their own House. when the subject came in here, the motion that we adopted was that we concur with that motion for nominating 20 names, but 30 names got into the list which was put in. Therefore, unfortunately, we have to drop out ten of the excess names which got into the list and the correction has to be done. The excess names were included sheerly by an inadvertence and the mistake was not detected here at the time of the motion nor even at the time when it was transmitted.

Shri Hari Vishnu Kamath (Hoshangabad): Sir, I raise a point of order. This, in all conscience, is a serious matter. I do not like to say that it is an affront to the House, but certainly this is not the way in which the House ought to be treated. The hon. Members of this House could, if the opportunity offered itself, raise it as a matter of privilege. But there is no time nor is this the occasion for it. But this is a serious matter. We would like to know from the Minister as to who was incharge of the Bill on that particular day. Well, he is not listening to what I am saying. It is wrong for a Minister to engage himself in conversation now. I would request you to tell him not to engage himself in conversation.