

ESTIMATES COMMITTEE

(1972-73)

(FIFTH LOK SABHA)

THIRTY-SECOND REPORT

MINISTRY OF STEEL AND MINES
(Department of Steel)

**[Action taken by Government on the Recommendations
contained in the Twentieth Report of the Estimates
Committee (Fifth Lok Sabha) on the Ministry
of Steel and Mines—Planning, Development,
Production, Distribution etc., of Iron and
Steel and Ferro-Alloys.]**



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA

To

Thirty-second Report of Estimates Committee
(1972-73) on the Ministry of Steel and Mines
(Department of Steel).

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(1972-73)

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(1972-73)

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14. Shri Krishnarao Thakur.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present the Thirty-second Report on action taken by Government on the recommendations contained in the Twentieth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Steel and Mines—Planning, Development, Production and Distribution etc. of Iron and Steel and Ferro-Alloys.

2. The Twentieth Report of Estimates Committee (Fifth Lok Sabha) was presented to the Lok Sabha on the 26th April, 1972. Replies indicating action taken on the various recommendations contained in the Report were furnished by Government on the 1st August, 1972 and 18th October, 1972. The Study Group 'F' of Estimates Committee considered the replies received from the Ministry on the 2nd February, 1973 and approved the draft Report on the same day. The report was subsequently adopted by the Committee on the 23rd February, 1973.

3. The Report has been divided into the following Chapters:

- I. Report;
- II. Recommendations which have been accepted by Government;
- III. Recommendations which the Committee do not desire to pursue in view of the Government's replies;
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee; and
- V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Twentieth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix II to this Report. It would be observed therefrom that out of 47 recommendations made in the said Report, 29 recommendations i.e. 61.8 per cent have been accepted by Government. The Committee do not desire

(viii)

to pursue to recommendations i.e. 21.2 per cent. Final replies of Government in respect of 8 recommendations i.e. 17 per cent are still awaited.

NEW DELHI;

February 26, 1973.

Phalguna 7, 1894 (Saka).

KAMAL NATH TEWARI,

Chairman.

CHAPTER I

REPORT

The Estimates Committee are glad to observe that the recommendations contained in their Twentieth Report (Fifth Lok Sabha) on the Ministry of Steel and Mines—Planning, Development, Production and Distribution etc., of Iron and Steel and Ferro-Alloys—have been replied to by the Government generally to their satisfaction.

2. The Committee desire that the final position regarding implementation of some of the recommendations on which action has been initiated already by the Ministry may be intimated to the Committee.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1) Para No. 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, limestone, 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 advantage 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.

Reply of Government

Noted.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 2) Para No. 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 targeted capacity of the steel plants envisaged in the Plan.

Reply of Government

Noted. In order to step up production in Hindustan Steel Plants Government have introduced a number of measures which have been detailed in Government's reply to recommendation No. 16 (Para 2.60). A reference is also invited to Government reply to Recommendation No. 15 (Para 2.59).

As regards Steel Plants in the private sector, production in the plant of Tata Iron and Steel Company Limited, cannot be stated to be unsatisfactory as compared to be rated capacity. Assistance is being rendered to the plant, wherever required in procuring the necessary inputs.

The management of Indian Iron and Steel Company Limited, has been taken over by Government with effect from the 14th July, 1972 to arrest the decreasing trend of production. A Plant rehabilitation Scheme is being implemented to enable Indian Iron and Steel Company to achieve its rated capacity.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 3) Para No. 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.

Reply of Government

Considering the massive size of integrated steel plants and the huge volume of work involved in every stage right from project formulation to the commissioning stage and the fact that it takes about 7 to 8 years to commission large integrated steel plants in this country after decisions are taken on locations, it has been decided to draw up a perspective plan up to 1985, so that detailed pre-investment studies can be made and investment decisions can be taken after a thorough study of the economics of expansion of existing steel works|new capacities in green field sites. With this object in view, a Study Group has been set up by the Ministry of Steel and Mines (Department of Steel) for creating additional capacity in steel in the most economical manner, either by way of expansion of capacity of existing steel plants and|or setting up new steel plants in green field sites. Detailed studies would be undertaken after the report of the Study Group which is expected to be submitted by the end of September, 1972 becomes available.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 4) Para No. 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.

Reply of Government

The import of steel is governed by the import policy provisions. The import policy is framed taking into account estimated demand, indigenous availability and gap. The import is made by canalising agencies|actual users| nomination holders under REP and Export Houses.

The Steel Bank under the operational management of Hindustan Steel Limited has been set up. It will cater to the urgent needs of critical items of steel of Public Sector agencies, and priority industries. Its import will be only a small fraction of total import. The Steel Bank will partly reduce the production gap with process plant industry resulting from delay in supply of steel due to procedure bottlenecks.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020|4|72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 5) Para No. 2.14

The Committee note that demand, exceeds production in respect of ferro-alloys like Ferro-silicon, Ferro-molybdenum, Ferro-tungsten, 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.

Reply of Government

Government have taken note of the recommendations of the Committee to ensure the establishment at the earliest of additional

capacity for ferro-alloys which are, at present, in short supply. The import policy already provides for import of ferro-alloys to the extent of short-fall between the indigenous availability of the material and the demand.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020|4|72-Parl., dated the 18th October, 1972].

Comments of the Committee

The Committee may be informed of the improvement made in creating the additional capacity in respect of Ferro-alloys.

Recommendation (Serial No. 8) Para No. 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. This 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 timebound programme for receipt of imports and its distribution to the industry.

Reply of Government

Noted. Necessary measures are being taken to implement the suggestion.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020|4|72-Parl., dated the 18th October, 1972].

Comments of the Committee

The Committee may, however, be informed of the measures taken by the Government to implement the suggestions made by the Committee.

Recommendation (Serial No. 9) Para No. 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 judgement 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.

Reply of Government

Chief Controller of Imports and Exports has already initiated action to collect actual import statistics against licences issued.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 11) Para No. 2.31

The Committee would also stress that where a manufacturer desires to import a matching sections 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.

Reply of Government

Noted. The line of action suggested is already being practised.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 12) Para No. 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.

Reply of Government

Noted.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 15) Para No. 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.

Reply of Government

Noted. Government is greatly concerned about the shortfalls in production and lower capacity utilisation. A number of measures have been and are being taken to overcome the various impediments and constraints standing in the way of reaching capacity levels of production. These are briefly mentioned in relation to public sector steel plants in Government reply to Recommendation No. 16. These will be brought out in greater detail in the White Paper to be laid on the Table of the House with reference to Recommendation No. 17. [Ministry of Steel and Mines (Department of Steel) O.M. No. H-11020/4/72-Parl., dated 18th October, 1972].

Recommendation (Serial No. 16) Para No. 2.60

Considering that the public sector in steel now commands a dominating position and the 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.

Reply of Government

Government as well as the management of Hindustan Steel Limited are equally conscious of the urgent need to step up production from the steel plants and to reach capacity level production as rapidly as possible. Within the limitations imposed by the special problems faced by the plants, such as trouble in the coke ovens, the unfortunate roof collapse at Rourkela and a disturbed industrial relations situation at Durgapur, the management of the Company is making all possible efforts in this direction. These include: specialised repairs to coke ovens, use of alternative fuels to supplement gas availability, oil firing in certain furnaces to augment fuel resources, improved maintenance aimed at better equipment availability, speeding up of capital programmes required to correct existing imbalances in production facilities and planned procurement of spares, refractories and other essential materials. In the area of industrial relations, efforts continue to be made to ensure that industrial disputes are settled by negotiations and the cooperation and participation of workers in the production effort is not hampered. With the cooperation and assistance of the State Government an agreement has been recently signed between the Unions and the managements of the Durgapur Steel Plant and the Alloy

Steel Plant for the establishment of Joint bodies in the Plants and a State-level Consultative Council for the speedy resolution of industrial disputes. Hindustan Steel Limited has also evolved new production incentive schemes designed to motivate labour productivity, discourage absenteeism and reduce overtime payments.

The Government also keep constant watch on, and review the performance of, the units and the Company through periodical Task Force meetings and render all the assistance that is required.

It may also be added that Government have since decided to set up a Holding Company for steel and associated input industries like coking coal, iron ore, manganese ore, etc. The Holding Company will own all the shares in public sector corporations dealing with these industries and guide their work. It will also own all Government shares in the relevant joint sector companies and will also act as the nominee of the public sector financial institutions which possess shares in private sector steel companies, mining companies, mining iron ore and manganese ore, refractory units and smaller steel producing organisations. The Holding Company will formulate long-term programmes of development, arrange for effective channelling of surpluses into further expansion of the industries, finance necessary technological changes and innovations and coordinate and supervise the operations of these companies in the connected sectors. This decision has been taken basically for the achievement of the following two objectives:

- (a) Rapid growth of the industrial sector of the economy with the State as the leading agent of the growth process;
- (b) Acquisition of ability by Govt. to direct investment into areas which are strategic from the point of view of future development.

The Holding Company is expected to achieve economies of vertical integration and ensure coordinated growth at least cost. The details of the scheme are being worked out at present.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11020/4/72-Parl., dated 18th October, 1972].

Recommendation (Serial No. 17) Para No. 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.

Reply of Government

Noted. As desired, a White Paper will be placed on the Table of the House as soon as possible.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 19) Para No. 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 of steel.

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.

Reply of Government

Noted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th December, 1972].

Recommendation (Serial No. 20) Para No. 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.

Reply of Government

Based on the Report of the N.C.E.A.R. submitted in August, 1971 and assuming 90 per cent utilization of the capacity in the existing integrated steel plants and a growth rate of 10 per cent compound for projecting the steel demand for the period from 1980 to 1985, it

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has been estimated that it would be necessary to set up a capacity equivalent to about 37 million ingot tonnes in order to meet the demand for steel in 1985.

At present, there is an installed capacity of 8.9 million ingot tonnes in the integrated steel plants. With the completion of the schemes included in the Fourth Plan Development Programme, i.e. 4 million tonne stages of Bokaro and Bhilai and the two integrated steel plants at Vijayanagar and Visakhapatnam, each with a capacity of about 2 million ingot tonnes, there will be, by the end of Fifth Plan, a capacity equivalent to about 18.5 million ingot tonnes in the country, leaving a gap of about 18.5 million tonnes to be covered during the next 7-years period.

To keep pace with the growing demand, the following steps are being taken to augment the steel making capacity in the country.

- (i) efforts are being made to see that the first stage of 1.7 million tonnes of the construction of Bokaro Steel Plant is completed by the middle of 1973, the intermediate stage of 2.5 million tonnes (introduced at the beginning of 1971 to expedite the utilization of installed capacity) by March, 1974 and the next stage of 4 million tonnes by the end of 1975.
- (ii) the possibility of further expansion of Bokaro is also being examined. The Central Engineering and Design Bureau of Hindustan Steel have already prepared a feasibility report on further expansion of capacity of Bokaro to 4.75 million ingot tonnes. They have been asked to examine the possibility of its further expansion to 5.5 million ingot tonnes.
- (iii) further expansion of capacity at Bhilai from 2.5 to about 4 million tonnes to be commissioned by the end of 1976.
- (iv) expansion of IISCO beyond 1 million tonnes is also under examination.
- (v) The techno-economic feasibility reports on the Vijayanagar and Visakhapatnam Steel Plants have been received and are under examination.
- (vi) For setting up additional capacities in the eighties, studies are in hand for assessing the scope for expansion of existing steel plants (Durgapur and Rourkela).
- (vii) It is proposed to take up preparation of Techno-economic Feasibility Reports on a few new locations.

(viii) Letters of Intent|Industrial Licences have been issued in respect of 20 units for manufacture of about 1 million tonnes of steel ingots|Billets by electric furnaces and conventional|continuous casting process. These units will be in addition to those already in operation.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020|4|72-
Parl., dated the 18th October, 1972].

Recommendation (Serial No. 23) Para No. 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 plants to meet the anticipated increase in the demand for steel in the coming years.

Reply of Government

The recommendations of the Estimates Committee regarding provision for increasing the capacity and varying the product-mix of the new steel plants to meet the anticipated increase in the demand for steel in the coming years is noted. In fact, the Consultants have already been advised to make provision for expansion of the Visakhapatnam and Vijayanagar steel plants, even though, to start with, both these plants are likely to have a capacity of only two million ingot tonnes per annum each.

For the Salem Steel plant also, the Consultants have made necessary provision in the plant layout for expansion of capacity. The Salem plant, to start with, would have a capacity of about 195,000 tonnes of finished alloy and special steels.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020|4|72-
Parl., dated the 18th October, 1972].

Recommendation (Serial No. 24) Para No. 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 un-expected 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 USSR, USA, 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 USSR, USA 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.

Reply of Government

The recommendation of the Committee is noted. Preparatory work on the Fifth Plan steel development programme has already been taken in hand. A working Group has been constituted to examine the question of expansion of the capacity of existing integrated steel plants as also suitable locations, based on techno-economic considerations, for setting up new steel plants. Insofar as the plants at Visakhapatnam, Vijayanagar and Salem are concerned, every effort would be made to see that the production from these materialises at the earliest.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th October, 1972].

Recommendation (Serial No. 27) Para No. 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.

Reply of Government

Accepted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl.
H-11020/4/72 dated 18th Oct., 1972]

Comments of the Committee

The Committee may be informed of the specific action taken by the Government to evolve guidelines for fixing priorities for allotment of steel to various indentors.

Recommendation (Serial No. 29) Para No. 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.

Reply of Government

Accepted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl.
H-11020/4/72 dated 18th Oct., 1972]

Recommendation (Serial No. 30) Para No. 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 indentors that they had booked the order without realising the extent of booking that had already taken place in the Steel Plants.

Reply of Government

Accepted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl.
H-11020/4/72, dated 18th Oct., 1972]

Recommendation (Serial No. 31) Para No. 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 indenter 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 indentments 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, exercise due care and vigilance in sponsoring indentments, it would before long reduce the demand to realistic levels and make for more rational and equitable allocations.

Reply of Government

It is presumed that the recommendation refers to priority requisitions and not 'indentments' as it is the priority allocations which really govern despatches. On this assumption, the recommendation is accepted. In fact, at the periodical meetings with the sponsoring authorities as well as at the meetings of the Steel Priority Committee, the sponsoring authorities have been repeatedly advised to exercise careful scrutiny while sponsoring. In a few cases, separate letters have also been written to the Secretaries of the Departments concerned. These appear to have had some effect as, for the first time, the total sponsored demand (for July-Sept. 1972 period) has shown a downward trend.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72, dated 18th Oct., 1972].

Recommendation (Serial No. 33) Para No. 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.

Reply of Government

Accepted

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72, dated 18th Oct., 1972].

Recommendation (Serial No. 34) Para No. 4.63

The Committee note that the Steel Re-rolling 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.

Reply of Government

Accepted.

(The reference in this paragraph is to Registered Billet Re-rollers)

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72, dated 18th Oct., 1972].

Recommendation (Serial No. 36) Para No. 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 common production with large units are bound to be at the 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 burdens or hardship.

Reply of Government

As mentioned against recommendation No. 32, the question of charging a suitable concessional price from S.S.I. Corporation is under consideration.

The procedure is being discussed periodically by the Iron and Steel Controller with the Directors of Industries and Small Scale Industries Corporations to ensure that the procedure works smoothly. [Ministry of Steel & Mines (Department of Steel) O.M. No. **Parl.** H-11020/4/72 dated 18th Oct., 1972].

Recommendation (Serial No. 38) para No. 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 backlong in respect of trade is 7.3 million tonnes. The Committee also note that with a view to clear the outstanding order of 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 per cent of the quantity surrendered for conversion.

Reply of Government

Noted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. **Parl.** H-11020/4/72 dated 18th Oct., 1972].

Recommendation (Serial No. 40) Para No. 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.

Recommendation (Serial No. 41) Para No. 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 the Government within three months.

Reply of Government

Government have accepted the recommendation. A Technical Committee consisting of the following persons has been constituted

to investigate the reasons for high arising of defectives, rejects and scrap in the rolling mills in the Steel Plants and to suggest measures to remedy this situation:—

- | | |
|--|----------|
| (i) Shri Hari Bhushan Senior Industrial Adviser
Ministry of Steel & Mines (Department of Steel) | Chairman |
| (ii) Dr. S. R. Pramanik, Chief Metallurgical Adviser, Central Engineering and Design Bureau, Ranchi. | Member |
| (iii) Shri P. Majumdar, Assistant General Superintendent (Mills) Tata Iron & Steel Co. Ltd., Jamshedpur. | Member |

A copy of the Resolution constituting the Committee is enclosed.
*The Committee is expected to submit its report by the end of September 1972.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72 dated 1st August, 1972].

Comments of the Committee

The report of the Technical Committee may be furnished to the Committee along with the reaction of the Government with regard to the recommendations made by the Committee.

Recommendation (Serial No. 45) Para No. 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 State. They further note that misuse of steel has been declared as a panel 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.

Reply of Government

Noted. In the short span of about a year since they started functioning, they have already carried out about 700 inspections. 88 cases

*At the time of factual verification the Ministry of Steel and Mines have stated as under :

"The report of the High Powered Committee has been received and the action taken report will be finalised shortly. The report and action taken thereon will be sent in due course."

of suspected misutilisation of steel have come to light so far and 33 cases have been referred to CBI for investigation.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72 dated 18th Oct., 1972].

Recommendation (Serial No. 46) Para No. 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.

Reply of Government

Accepted. Iron and Steel Controller is being advised to issue suitable instructions.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72 dated 18th Oct., 1972].

Recommendation (Serial No. 47) Para No. 5.29

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

Reply of Government

Accepted. As already observed by the Committee, the Iron and Steel (Control) Order has been suitably amended and Regional Offices of the Iron and Steel Controller have been set up. The position is under constant review and such further measures as may be necessary will be taken.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72 dated 18th Oct., 1972].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Serial No. 14) Para No. 2.44

The Committee note that at present the steel imports are canalised through Hindustan Steel Limited and the Minerals 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.

Reply of Government

At present both Hindustan Steel Limited and Minerals & Metals Trading Corporation are the canalising agencies. Much of the items are canalised through Hindustan Steel Limited. Semis and Stainless Steel are suited best for barter imports against export of other items which are handled by Mineral & Metals Trading Corporation. The present arrangement is working satisfactorily. This suggestion will be examined again at the time of framing the import policy for 1973-74.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11020/4/72 Parl. dated 18th Oct., 1972].

Recommendation (Serial No. 18) para No. 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 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 con-

certed 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.

Reply of the Government

The Expansion of Bhilai Steel plant to 4-MT capacity is scheduled to be commissioned by the end of 1976. The expansion programme is being implemented on priority basis.

The expansion of Bokaro Steel Plant has already been taken up on a priority basis. According to the present schedule, the expansion is to be completed by the end of December, 1975. All efforts would be made to complete the expansion in time.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11020/4/72 Parl. dated 18th Oct., 1972].

Recommendation (Serial No. 22) para No. 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 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 time 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.

Reply of the Government

Due to developments such as, the financial difficulties to support the programme in the draft outline of the Fourth Plan which had crept in on account of the after-effects of the hostilities with Pakistan in 1965 and the two successive years of drought as well as economic recession during the years 1966-67 and 1967-68, the commencement of the Fourth Plan itself (originally scheduled to commence in the year 1966-67) had to be postponed to 1969-70. There was also the question that for purposes of a meaningful decision regarding setting up of new steel capacity, a study on the demand for steel at least up to 1975-76, if not for a later date, should be made. The report of the National Council for Applied Economic Research who were commissioned for making a long-term projection of steel demand up to 1975 and 1980 was received only in September, 1968.

Decisions with regard to the location of the new steel works had, therefore, to be deferred.

Since the announcement in April, 1970, of Government decision in regard to the setting up of three new steel plants in the south substantial progress has been made on preliminary items of work on these three new steel plants. In respect of Salem, Government have already taken an investment decision and negotiations are currently being held with the Consultants for the preparation of the Detailed Project Report and for Engineering of the Project. Meanwhile, 1,355 acres of land for the plant proper have been acquired. Topographical surveys and soil investigations have been completed. Preliminary survey for the construction of the railway exchange yard, sidings, etc., has also been completed by the Railways; and site levelling work has also been taken up on the advice of the Consultants. A scheme for meeting the water requirements of the plant has been drawn up by the Government of Tamilnadu and it is under scrutiny.

The techno-economic feasibility reports on the Vijayanagar and Visakhapatnam steel plants were received on January 29, 1972, and February 16, 1972, respectively. On account of the high capital and operating costs, the Consultants for both these projects reported that there would be substantial losses in these plants every year even on 100 per cent utilisation of capacity. These feasibility reports are, therefore, under detailed scrutiny with a view to reducing costs, wherever possible, and to improve the economics of the projects. A Special Study Group was set up for this purpose in May, 1972, and its report is expected shortly. An investment decision will be taken after the Report of the Study Group is received and the scope for economies is fully assessed. Meanwhile,

the plant areas have been demarcated and land acquisition proceedings are being speeded up. Topographical surveys and soil investigations have been completed. The Railways have completed their preliminary survey for the exchange yard, sidings, etc. Water supply schemes have also been prepared. Preliminary work on a number of other items has also been taken up.

[Ministry of Steel & Mines (Deptt. of Steel O.M. No. H-11020/4/72-11020/4/72 Parl. dated 18th Oct., 1972)].

Recommendation (Serial No. 25) para No. 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 510,000 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 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.

Reply of the Government

Setting up of a electric furnace-cum-continuous/conventional casting unit for manufacture of steel ingots/billets in the country both in private/joint sector is one of the measures taken by Government to meet the current shortage of steel. So far 21 units with an aggregate capacity of about 10.75 lakh tonnes per annum have been granted letters of intent/licences.

2. As a result of the review made by Government recently, based on the recommendations of the Working Group Report, it has been decided that further licensing of about 200,000 tonnes could be possible every year for the next 2 or 3 years, taking into account certain basic considerations.

The question of bringing the production of steel from electric-furnace under suitable regulation has been examined. It was considered that since, at present, their production is in a nascent stage deserving encouragement and as it is not very significant as compared to the total steel production, any regulation of electric-furnace steel is likely to stifle initiative and curb production, necessitating more imports. It has, therefore, been felt that no regulation of electric-furnace steel is called for at this stage.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11020/4/72 Parl. dated 18th Oct., 1972].

Comments of the Committee

The Committee may be informed how many units of the 21 granted letters of intent have actually commenced production and what is their actual production as compared to the installed capacity.

Recommendation (Serial No. 26) para No. 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 discussion or in the allocation 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. 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.

Reply of Government

Presumably the reference is to priority requisitions. In view of the voluminous work involved, it would not be possible for the Iron and Steel Controller to exercise stricter scrutiny unless his staff is considerably strengthened. This may not be desirable as

the problem may be of short-term duration. Once overall availability improves, these problems will cease to exist.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-
Parl., dated 18th Oct., 1972.]

Recommendation (Serial No. 28) para No. 4.38

The Committee note that the Steel Priority Committee have been making continuous efforts in recent months to ensure that atleast 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 compliances have 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 failed 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 circumstances 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.

Reply of Government

It is expected that at least indentors having 'A' list allocation must get them in full in the quarter concerned. The recent reason why this does not happen sometimes is mainly because of production difficulties, particularly at Durgapur. When such short-falls occur, the allocations are automatically carried over to the next Quarter but one and fulfilled.

In taking the availability for purpose of allocation, particularly at Durgapur, allowance is made for such special difficulties. At the same time, it is not considered advisable to take the 'firm commitments' at too low level, because that might encourage a complacent attitude and efforts to improve production may not be vigorous.

As regards manufacturers getting their steel long 'afterwards', normally allocations are given and despatches made in the period for which the application has been made. In the case of the small percentage of cases where unfulfilled 'A' list are carried over to the next Quarter but one, if the party is no longer in need of the materials, he should surrender the same and not dispose of it in the open market. It is a violation of the Control Order to use steel for any purpose other than that for which it is applied for or allotted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-
Parl., dated 18th Oct., 1972.]

Recommendation (Serial No. 32) para No. 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 raising 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 stockyard so as to reduce it to the minimum in respect of categories of steel which are used mostly by the small scale industries.

Reply of Government

The Committee's views have been noted. It is, however, pointed out that the stockyards cater to small needs, not only of the small scale units, but also of large scale units. Further, consequent on the acceptance of the recommendations of the Balachandran Committee, supplies to small scale units are now mostly channelised through the Small Scale Industries Corporations. A proposal is under consideration to supply materials to those Corporations at a concessional price, so that, after adding their margin, the price to the unit taking material from them will be roughly same as that at which the units obtaining material directly from the steel plants, get them.

[Miny. of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/74-
Parl., dated the 18th Oct., 1972.]

Recommendation (Serial No. 35) para No. 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 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 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.

Reply of Government

In accordance with the revised policy, supplies to Small Scale units are now mostly channelled through the State Small Scale Industries Corporations. The Corporations make their own assessment of the requirements of the units under them and place their indents on the Joint Plant Committee. The materials received by them are distributed by them to the different units. The recommendation for publishing the actual allocations is being conveyed to the DC SSI to be brought to the notice of the SSI Corporations.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th Oct., 1972.]

Recommendation (Serial No. 43) para No. 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 defective and scrap materials sold to small scale industries so as to reduce the burden on the Small Scale Sector.

Reply of Government

Please see action taken against S. No. 32.

[Ministry of Steel & Mines (Deptt of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th Oct., 1972.]

Recommendation (Serial No. 44) para No. 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.

Reply of Government

The earnest money regulations have already been liberalised sufficiently and it should be possible for any unit to have sufficient sale orders to cover more than one year's normal production. It is only in case of units who want to have sale orders in excess of this liberal ceiling that the earnest money provisions are attracted. Since, as pointed out above, indents for the normal functioning of a unit may not require earnest money deposit at all, it makes no difference whether a part of the production is export oriented or not. In these, circumstances, further liberalisation of the provisions regarding earnest money do not appear necessary.

[Ministry of Steel & Mines (Deptt of Steel) O.M. No. H-11020/4/72-Parl., dated the 18th Oct., 1972.]

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY COMMITTEE**

—NIL—

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 6) para No. 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.

Reply of Government

The data on the prevailing power rates for the electro-metallurgical industry is being collected with a view to find out the relative rates of power tariff of various States and the concessions offered by them. After collecting the data, further discussions will be arranged with the Ministry of Irrigation and Power.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-
Parl., dated the 18th Oct., 1972.]

Comments of the Committee

The Committee may be informed of the Final outcome in the matter.

Recommendation (Serial No. 7) para No. 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.

Reply of Government

While considering the power rates, it should also be examined whether we can persuade the ferro-alloy manufacturers to sell their products at competitive prices.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11020/4/72-
Parl. dated 18-10-1972].

Comments of the Committee

The Committee may be informed of the steps taken by the Government to persuade the ferro-alloy manufacturers to sell their products at more competitive price and the outcome thereof.

Recommendation (Serial No. 10) Para No. 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 machine sections.

Reply of Government

The Bank has started ordering materials. Materials will be released against release orders. The impact on industry will be known after the Bank has supplied physically at least for six months. The report will be sent after 6 months, as it is now too early to evaluate the functioning of the Bank.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. Parl. H-11020/4/72 dated 1st August, 1972].

Comments of the Committee

The Committee may be informed of the evaluation of the functioning of the steel Bank.

Recommendation (Serial No. 13) Para No. 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.

Reply of Government

Recommendations are being examined and a final decision will be taken shortly.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11020/4/72-Parl. dated the 18th October, 1972].

Comments of the Committee

Final decision, if any, taken with regard to the feasibility of charging a pool price for imported steel may be intimated to the Committee.

Recommendation (Serial No. 21) Para No. 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.

Reply of Government

The Study Group set by the Ministry of Steel and Mines (Department of Steel) to examine the question of expansion of existing integrated steel plants and suitable locations for new steel plants on techno-economic considerations mentioned in reply to the recommendation at Serial No. 3 of Appendix IV (Para 1.35) of the Report, has generally adopted the demand projections for 1980 based on N.C.A.E.R.'s estimates and projected them for 1985, for the purpose of its study. As for determining the product-mix for additional capacity to be commissioned during the Sixth Plan period, the Study Group has suggested that this aspect should be examined in depth by an expert team. It has further recommended that the demand projection category-wise and size-wise for 1985 should be reviewed annually so that updating can be carried out with reference to the conditions actually prevailing.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11020/4/72-Parl. dated the 18th October, 1972].

Comments of the Committee

The Committee may be informed if the position has since been examined in depth by an Expert Team as recommended by the Study Group.

Recommendation (Serial No. 37) Para No. 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 that about 2 lakh tonnes of used rails will not 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 material like rails etc. by public auction and it has been fetching them high prices. The Committee consider that as there is actual shortage of steel in the country at present and as the Railways had obtained steel originally on priority basis from Government allocation, 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 gave 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 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.

Reply of Government

So far as the used rails released from injunction are concerned the procedure has already been finalised. These will be distributed through the stockyards of the main producers to scrap re-rollers on the basis of conversion charge and the rolled products would also be distributed by the stockyards. Some quantities have been earmarked for forging units and agricultural implements manufacturers as well as Government Departments/Public Undertakings.

The recommendation regarding regulation of the distribution of the scrap arisings of other Departments/Undertakings/Organisations has been noted and is being examined.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. Parl. H-11020/4/72-dated the 18th October, 1972].

Comments of the Committee

The Committee may be apprised of the final action taken by the Government on its recommendation.

Recommendation (Serial No. 39) Para No. 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 with our modifications.

Reply of Government

Preliminary examination showed that, in cities like Bombay and Calcutta, the emphasis was more on construction of multistoried apartments and requirements for these apartments could not be catered for by the stockyards. The Billet Rerollers Committee was entertaining applications for direct allotment for such multi-storeyed buildings of over 8 storeys. However, the requirements for individual house builders and for buildings of less than 8 storeys are being investigated further, with special reference to Bombay and a decision will be taken when full facts are available.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. Parl. H-11020/4/72-dated the 18th October, 1972].

Comments of the Committee

The Committee may be apprised of the final decision taken by the Government as a result of the investigations carried out to review the scheme for distribution of steel material to house builders.

Recommendation (Serial No. 42) Para No. 4.95

The Committee are surprised to note that due to stockyards' remuneration and over-head 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 defective and scrap materials should rule higher than the prices of the raw materials in the country.

Reply of Government

The reason behind routing supplies through stockyards of defectives and scrap is that thereby a larger number of consumers can be satisfied than if despatches were made directly from the Plants. However, as explained against Serial Number 32 a scheme is under consideration for supplying materials to Small Scale Industries Corporation at a concessional price.

[Ministry of Steel & Mines (Department of Steel) O.M. No. Parl. H-11020/4/72 dated 18th Oct., 1972].

Comments of the Committee

The Committee may be apprised of the final decision taken in the matter.

NEW DELHI;

KAMAL NATH TEWARI

February 26, 1973.

Chairman.

Phalguna 7, 1894 (Saka).

Estimates Committee.

APPENDIX I

Vide Government replies to recommendations at Serial Nos. 40 and 41 to be published in Part I Section 1 of the Gazette of India

GOVERNMENT OF INDIA

MINISTRY OF STEEL & MINES

(Department of Steel)

No. DUR-18(5)/72

New Delhi, 1st August, 1972.

Resolution

In their 20th Report on Ministry of Steel and Mines (Department of Steel)—Planning, Development, Production and Distribution of Iron and Steel and Ferro-Alloys, the Estimates Committee have observed that they 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 on the high side especially in the context of the 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 have urged that Government should impress upon the steel plants the need to make concerted efforts to reduce this percentage to the minimum possible. The Committee have also recommended 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.

2. Government have accepted this recommendation of the Estimates Committee and have accordingly decided to appoint a Technical Committee consisting of the following officers:—

- (1) Shri Hari Bhushan,
Senior Industrial Adviser,
Ministry of Steel & Mines
(Department of Steel)

Chairman.

- (2) Dr. S. R. Pramanik,
Chief Metallurgical Adviser,
Central Engineering and
Designs Bureau,
Ranchi.

Member.

- (3) Shri P. Majumdar,
Assistant General Superintendent
(Mills),
Tata Iron and Steel Co. Ltd.,
Jamshedpur.

Member.

3. The terms of reference of the Committee will be as under:—

- (i) To investigate the reasons for high arising of defectives, rejects and scrap in the rolling mills in the steel plants; and
- (ii) to suggest measures to remedy this situation.

4. The Committee will submit its report to Government by the end of September, 1972.

K. V. RAMANATHAN,
Joint Secretary.

ORDER: Ordered that this may be published in the Gazette of India for general information.

K. V. RAMANATHAN,
Joint Secretary.

To

Manager,
Government of India Press,
Faridabad.

Copy forwarded to:

1. Senior Industrial Adviser (Shri Hari Bhushan), Department of Steel.
2. Dr. S. R. Pramanik, Chief Metallurgical Adviser, Central Engineering and Designs Bureau, Ranchi.
3. Shri P. Majumdar, Assistant General Superintendent (Mills), Tata Iron and Steel Co. Ltd., Jamshedpur.
4. Chairman, Hindustan Steel Ltd., Ranchi.

5. Managing Director, Tata Iron and Steel Co. Ltd., Jamshedpur.
6. Custodian, Indian Iron and Steel Co. Ltd., Martin Burn House, Calcutta-1.
7. Managing Director, Mysore Iron and Steel Ltd., Bhadravati.

Nos. 4 to 7

[They may kindly furnish to the Senior Industrial Adviser data on the yield of defectives, rejects and scrap from each of their mills over the last five years, the reasons for increase in the yield of these year by year and steps taken to reduce the high yields. The reasons for high yield may be explained in detail and it may be defined whether the high yield has been due to quality of steel at ingot stage or raw materials used for steel making or during rolling and finishing stages.]

R. MALLIKARJUNAN,
Under Secretary.

APPENDIX II

(Vide Introduction to Report)

Analysis of the action taken by Government on the recommendations contained in the 20th Report of the Estimates Committee (Fifth Lok Sabha)

1. Total number of recommendations	47
2. Recommendations which have been accepted by Government (<i>vide</i> recommendations Nos. 1, 2, 3, 4, 5, 8, 9, 11, 12, 15, 16, 17, 19, 20, 23, 24, 27, 29, 30, 31, 32, 33, 34, 36, 38, 40, 41, 45, 46, 47)	
Number	29
Percentage to total	61·8
3. Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>vide</i> recommendations Nos. 14, 18, 25, 26, 28, 32, 35, 42, 44)	
Number	10
Percentage to total	21·2
4. Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendations Nos. 6, 7, 10, 13, 21, 37, 39, 42)	
Number	8
Percentage to total	17