

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1982-83)**

**(SEVENTH LOK SABHA)**

**SEVENTY-SIXTH REPORT**

**ON**

**THE MINERALS AND METALS TRADING  
CORPORATION OF INDIA LTD.—  
EXPORT OF IRON ORE**

**(Ministry of Commerce—Department of Commerce)**

*Presented to Lok Sabha on  
Laid in Rajya Sabha on } 29 April, 1983*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1983 / Vaisakha 1905(S)*

*Price : Rs. 1.45*

Corrigenda to  
the 76th Report of CPU(1982-83) on Minerals &  
Metals Trading Corporation of India Ltd.

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(1982-83)

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## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 76th Report on Minerals and Metals Trading Corporation of India Ltd. —Export of Iron Ore.

2. The Committee also examined the Report of the Comptroller and Auditor General of India, Union Government (Commercial) 1981, Part IX on the Minerals and Metals Trading Corporation of India Ltd.

3. The Committee took evidence of the representatives of the Minerals and Metals Trading Corporation of India Ltd. on 1 and 2 March 1983 and of the Ministry of Commerce (Department of Commerce) on 5 April, 1983.

4. The committee considered and adopted the Report at their sitting held on 26 April, 1983.

5. The Committee wish to express their thanks to the Ministry of Commerce (Department of Commerce) and Minerals and Metals Trading Corporation of India Ltd. for placing before them the material and information which they desired in connection with the examination of the subject. They wish to thank in particular the representatives of the Ministry of Commerce (Department of Commerce) and Minerals and Metals Trading Corporation of India Ltd. who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India.

NEW DELHI :

April 27 ; 1983.  
Vaisakha 7, 1905 (Saka).

MADHUSUDAN VAIRALE,

*Chairman,*  
*Committee on Public Undertakings.*

## REPORT ROLE AND OBJECTIVES

1.1. In regard to the role of MMTC and achievement of objectives, the Additional Secretary, Ministry of Commerce stated in evidence as follows :

“As far as the role of the MMTC is concerned, I would like to put it like this. The objectives are to explore new markets, increase the quantum of exports, improve the unit value realisation for the iron ore exported, and help develop infrastructural facilities whether they be in the ports or in railways, including loading and unloading facilities and even in roads and lastly to assist the mine owners financially as well as technically, supplying scarce items of equipment and machinery. Against this background we will have to see how far MMTC is instrumental in achieving these objectives.

Taking up the quantum of exports, I would, at the outset, mention that after the Corporation took over the exports, there has been increase in the total volume of exports made by the MMTC and the percentage of total share of exports which has gone up. In 1977-78 the MMTC had exported about 12.3 million tonnes which constituted nearly 57 per cent and in 1978-79 it increased to 64 per cent or 13.66 million tonnes. In 1981-82 in absolute terms they had increased. The exports rose to as much as a little over 16 million tonnes. This is as far as total exports are concerned.

As far as the earning of foreign exchange is concerned in the first full year of its operation, viz. 1964-65, the Corporation had earned for the country Rs. 23 crores, whereas in 1981-82 export earnings for the Corporation by the export of iron ore were as much as Rs. 267 crores which is almost 11-fold increase in earnings. In unit value realisation per tonne, in 1964-65 the unit value on an average was about Rs. 166/. Therefore, the Corporation had increased both the foreign exchange earnings and the unit value realisation resulting from the exports.

Thirdly, about the development of new markets, there was a time when Japan was primary market for MMTC, but for the last three years MMTC had also developed certain new markets.. They had started exports to countries like Malaysia, Abu Dhabi, Dubai, North Korea, Pakistan and Saudi Arabia.

They had also exported to USSR and China. This is the position so far as the new markets are concerned.

As far as development of infra-structural facilities are concerned, at the MMTC's insistence the Railways had constructed 180 kilometres of lines exclusively for the transport of iron ore. Because they had developed iron ore export from the backward areas of Madhya Pradesh in the Bailadella sector, the construction of railway line of 475 kilometres became possible.

Broad gauge and metergauge have been in use from Bellary-Hospet before the development of the Madras harbour. Conversion of Meter gauge to Broadgauge line was possible from Bellary Hospet and Madras because of the large export of ore through Madras outer harbour. The capacity of iron ore transporation by railways which was 3 million tonnes had increased subsequently from 1.4.1981 to 5 million tonnes in this section. This was in the field of infra-structural facilities relating to the railways.

Because of the active pursuit by the Corporation, ports came to be developed, though it may not be to the extent desirable. Development did not take place in Paradeep. Vizag and Madras. MMTC helped in this way.

So far as assistance to the mine owners is concerned, MMTC has been rendering technical assistance to the mine owners especially smaller ones who cannot afford the services of geologists. They have been rendering financial assistance to the mine owners by advancing some money as well as lending money for the purchase of tyre, trucks, explosives etc.

1.2. In regard to efforts made to increase the export of iron ore during 1983-84, the Additional Secretary stated :

"Efforts are being made by MMTC to increase exports for 1983-84. I would however like to submit that the exports have bearing on the state of health of the steel industry in the world. There is a recession in the steel industry at the moment and this is expected to further worsen in the current year.

The volume of world iron ore export is, therefore, very much linked with steel production. Steel consumption came down to 1.3% annually between 1973 and 1979.

This decline further continues and as against the production of 747.5 million tonnes in the world in 1979, the production came down to 643.6

million tonnes in 1982. In other words, there was a drop of 100 million tonnes in steel production in the world. But as far as iron ore production is concerned, in 1978 it was 842.5 million tonnes in the world whereas in 1980, it became 875.7 million tonnes. Thus, you will see that there was and there is an over-supply position of iron ore. It is against this background, we have to plan our exports for the current year 1983-84. Japan which thought that they would be able to reach a production of about 100 million tonnes last year probably closed only with about 96 million tonnes. Our indication now is that they will do no more than 93 million tonnes in the current year. Therefore except South Korea which is comparatively in a happier position with regard to steel production, all the major steel producing countries in the world—whether it is Japan or West Germany or United States—are facing serious recession. And in this over-supply position, we find it extremely difficult to do more than about 12.3 million tonnes in 1983-84 which is more or less the level that has been reached provisionally in 1982-83. But the efforts to diversify the market and the efforts to try aggressively to push up exports to both the traditional and non-traditional markets will certainly continue."

### *Export of Iron Ore*

1.3 The table below gives details of the export of Iron Ore from India and the total world trade in iron ore :

*As on 31.4.1983  
Million Tonnes*

Year	MMTC	Goan Exporter	Total	World	% Share
1967	8.5	5.0	13.5	225.5	5.99
1968	8.6	7.1	15.7	257.3	6.10
1969	10.5	6.4	16.7	275.3	6.07
1970	11.9	8.5	20.4	310.5	6.57
1971	10.8	9.6	20.4	315.7	6.46
1972	11.1	10.3	21.4	306.6	6.98
1973	12.1	11.4	23.5	376.3	6.25
1974	10.4	11.8	22.2	408.7	5.43
1975	12.0	10.2	22.2	367.5	6.04
1976	11.8	11.0	22.8	372.0	6.13
1977	12.9	10.4	23.3	353.9	6.58
1978	12.5	7.3	19.8	347.6	5.69
1979	13.9	10.0	23.9	387.4	6.17
1980	16.1	10.1	26.2	375.3	6.98
1981	14.9	8.8	23.7	364.5	6.50

1.4 It is seen from the above that India's share in the total exports of iron ore in the world has been more or less static at about 6% since 1967. It is also seen that the exports made by MMTC hovered around 12 million tonnes upto 1978. These exports reached a level of 16.1 M.T. in 1980.

1.5 The table given below indicates India's share in Japan's imports of iron ore from 1963 to 1979 :—

(quantity in million tonnes)

Calender	Total	India's	MMTC's	Exports	Percentage of	
	Imports into Japan	share	share	by private export- ers from Goa	India's share in Japan's imports	MMTC's share of India's exports to Japan
1963	26.072	5.890	N.A.	N.A.	22.59	
1965	38.984	7.913	3.240	4.763	20.29	40.9
1970	102.070	15.828	8.348	7.480	15.51	52.7
1975	131.656	16.790	7.006	9.784	12.75	41.7
1979	121.570	15.700	7.480	8.220	12.60	47.6

1.6. It will be seen that India's share in Japan's imports had decreased considerably from 22.59% in 1963 to 12.60% in 1979. The Committee wanted to know the reasons for the decrease in the imports of Indian ore by Japan.

1.7 The Chairman, MMTC stated in evidence as follows :—

"In Japan the steel production which was at the level of 113 million tonnes in 1979-80, has come down to 96 million tonnes in 1982-83 and it is expected that during the next five or six years the steel production may not go up beyond 100 million tonnes as against 120 million tonnes in 1973. This has a very direct bearing on the iron ore industry in the world and on India in particular. There is another development which has taken place that although in 1973 there was 120 million tonnes steel production in Japan, the share of the electric furnace production was only 17%, but because of the easy availability of scraps in Japan and consequently lower price of scraps, iron scraps are available in Japan, iron ore requirement has come down.

In Japan, in 1982-83, when the steel production touched as low as 96 million tonnes, the share of the electric furnace production went up from 17% to 27%. The net effect is that even at 96 million tonnes, iron ore consumption has gone down even much more sharply than the fall in the total steel production, with the result that iron ore requirement per tonne of total steel production in Japan has come down very sharply from 1973 year by year.

The other technical innovation which has taken place which has further reduced the demand of iron ore, is that during the last 4 or 5 years, the percentage of finished steel from the continuous casting method has been increasing very rapidly...Its ratio has gone up to 92% or 93%. Therefore, one tonne of finished steel required 1.7 tonnes of iron-ore before 1979. Today to produce the same amount of finished steel the requirement of iron-ore is 7 or 8% less. So, having regard to the total international economic environment and having regard to the innovations in the steel technology these factors have resulted in the lower demand of iron ore for the Japanese Steel industry and also for other steel makers in the world."

He further stated :

"In 1979, the total steel production was 746 million tonnes. It came down to 643 million tonnes in 1982. Even in 1979, the iron-ore industry in the world was in over-supply position. With the drop in the steel production by nearly 14% all over the world during the last four or five years, the over-supply position has been further aggravated. This has naturally put a continuous pressure on the iron-ore pricing and this will have a very important repercussion specially when we negotiate with the Japanese steel mills for the 1983-84 prices.

1.8 Asked what was the share of iron ore supply from India in the production of steel in Japan, the Chairman, MMTC stated :

"India's share in the Japanese steel has been static at about 13% during the last three or four years. Even in 1982-83, when their production had fallen to 96 million tonnes, that figure of 13% will remain more or less constant."

1.9 The Committee enquired whether the position had been analysed to ascertain if the shortfall in exports to Japan was due to some constraints which made the Indian ore uncompetitive or was it because of a conscious

decision to reduce to exports to Japan. The Abdl. Secretary Commerce stated as follow :—

"There is no conscious decision to reduce the export to Japan. As I have already said we would like not only to preserve the existing Japanese market in quantum, but improve upon it. We have got enormous iron ore reserve, and our effort is always to push up exports including to Japan."

1.10 On being asked further whether the gradual decline in the export of iron ore from India was due to less production of the commodity, the Abdl. Secretary, Commerce stated :

"The Japanese are not taking any iron ore from Paradip port. again because of inadequacies of this port. South Koreans have followed suit. They generally follow them in this matter. Rumanians have also threatened not to take from Paradip port, but only from Madras or Goa.

These are our difficulties. At the same time, these mines are in very backward areas ; and MMTC has been buying iron ore and stocking it. But there is a point upto which only it can be done. It is a question of how far we can stock it. This has to be examined."

1.11 The Committee pointed out that during 40s and 50s, when India had been a traditional export of iron ore, at that time, Brazil and Australia were not on world map. They wanted to know what developments had taken place now that India had been pushed far behind Australia and Brazil in the matter of export of the commodity. The Chairman, MMTC explained the position as under :

"As far as Brazil Australia are concerned you are quite right. In fact, in 1960, Australian export was zero. In 1981 it climbed up to 80 million tonnes. In 1960, Brazilian export was only 5 million tonnes and, today, it is 80 million tonnes. They have put in a very massive programme for the integrated circuit., starting from mining to the rail capacity and the port capacity. In fact, in Australia, the Australian mining company owns the railway network and they own the port. In Brazil, where the biggest company is a Government-owned company which exports about 45 million tonnes per year, they enter into a long term contract for the freight with the railways. The railways are not allowed to increase the freight. They have only a profit sharing formula that if they make 5 dollars per tonne profit in iron ore, according to some formula, the railways will get a share out of it. It

is not a unilateral increase of railway freight which happens in our country because of various other constraints."

#### *Export to South Korea*

1.12 The Committee pointed out that according to their information, total requirement of iron ore of South Korea was about 15 million tonnes. Out of that MMTC was getting only 25%. They were importing from other countries like Australia and Canada. Asked what efforts were being made to increase the share of South Korea from where the demand as much more, the Chairman, MMTC stated :

"The main competitors are Australia and Brazil. Both these countries export in the region of 80 million tonnes a year to the entire sector. They would not like to put their eggs in one basket. This is understandable. Secondly, their iron ore port facilities can lead to the supply of 150 or 160 thousands tonners Australia can supply 160,000 tonners and Brazil can lead to the supply 250 thousand tonners, with the result that freight becomes a very attractive proposition. Here we have only oneport at Vizag which can handle only 100,000 tonners and no more. So the port facilities become a very major constraint if you want to go in a very big way. That is why Japan have withdrawn from Paradeep. Korea has put us on notice—unless *Paradeep can take 100,000 tonnes ships in the* next two or three years, they would not like to take any ore from Paradeep. Because we face port problems it is difficult to increase our share to about 25% in Korea and in Japan."

1.13 On the question of export of Iron Ore by India to Japan, the Chairman, MMTC during evidence remarked as follows :—

"There is one more point which I would like to bring to your notice. Quite often in India—it gets flashed in the Press and quoted in the Japanese magazines—some very responsible people make this statement that iron-ore being a natural resources, India should not export it and this shakes the confidence of our foreign buyers. They say that we do not have long term policy and even in recent times statements have been made where some doubts have been expressed whether it is in country's interest to export iron ore or not. This affects the confidence as far as foreign buyers are concerned".

1.14 Enquired whether it was because of those statements that the Corporation was not able to enter into long-term agreements with Japan. The Chairman, MMTC stated :

“This is not the only reason but this is an important reason ; when they plan their requirements from various countries then India does not become the same stable source in their calculations as Australia and others.”

1.15 In a note furnished after evidence the Corporation clarified the position as follows :—

“In the oral evidence given by Chairman, MMTC, the point he had stressed was that a broad policy statement by the Government that the Government would permit export of iron ore on a reasonably long-term basis would go a long way in developing confidence in the minds of the buyers. In the absence of such a statement, remarks made or view expressed by people holding responsible positions tend to create some misunderstanding. Such issues keep on cropping up in the Parliament either in the form of questions or statements made...

The Corporation has not brought this issue and adverse effects of such debate on the minds of the buyers abroad to the notice of the Government in writing. It has, however, been done in the course of discussions on suitable occasions.”

1.16. In this context the Addl. Secretary Commerce stated in evidence as follows :

“This question relates to Chairman MMTC mentioning that some statements were made by some responsible persons that iron ore should not be exported. Government is not aware of any such public statement made by any responsible spokesman of Government either any senior officer or a Minister except on one occasion when there was an expression of the view by the then Commerce Minister in 1979. He had made his views clear to us on the question of export of non-renewable resources such as iron ore, in the raw. His views were that there should be a progressive reduction in such exports in favour of more processed forms. At the same time he also made it clear that he was aware of the constraints, because of which we cannot withdraw from the export market of iron ore, e.g. there will be socio-economic implications, if we withdraw. These were the only views expressed by a Minister : But it was he himself who had also said that he would continue the exports of iron ore to various countries. In reply to certain Parliament questions also we have always taken

the stand that India has comfortable iron ore reserves. We export them to earn foreign exchange, and expand our industrial base. This has been done on 2 or 3 occasions including the one in 1979. The export policy for 1979-80 was again formulated with the approval of the same Commerce Minister, i.e. the same policy of continuing the export of iron or was there.

**As we have enormous resources almost 16,000 million tonnes, whereas our production is hardly 45 million tonnes, it is possible for us to meet any amount of internal demand for quite some time to come and also meet export market."**

1.17 The Committee pointed out that it appeared that the Japanese found it cheaper and easier to buy from Goa rather than from MMTC even though the MMTC were also exporting some quantities. The Addl. Secy. Commerce in reply stated as follows :

"The types of ore exported by Goa is different from the ore exported to Japan by MMTC. The Japanese take the fines from Goa. Much of the ore that goes from Goa is fines ; hardly any lumps are going from Goa, whereas lumpy ore constitutes the predominant portion so far as exports from MMTC to Japan are concerned. Thus there is no competition between MMTC and Goan exporters as far as exports to Japan are concerned. Secondly, as I mentioned the technology has undergone a radical change and it is as much as 80 per cent fines which are used these days ; that is one of the reasons why the Japanese prefer Goan ore. Thirdly, even if fines are available in Baladilla it involves carriage by rail over long distances and it becomes uneconomical for us to export fines. These are some of the reasons.

Lastly, even though exports do take place from Madras and Vizag in a big way, in Goa they have developed Berth No. 9 which is a mechanized one, which can take vessels which are 285 metres long ; it can take even 305 metre-long vessels, but the technical evaluation is going to be done for that purpose. Even though loading can take place only to the extent of 75,000 tonnes in Berth No. 9 there are four transhippers available in Goa where either direct loading takes place by the private mine-owners into the transhippers and through the transhippers on to the bigger vessels or even if they come to Berth No. 9 loading is done upto 75,000 tonnes and then uptopping is through transhippers."

(ii) *MMTC vis-a-vis Goan share in the export to Japan.*

1.18 Japan is the largest buyer of iron ore from India. The other major importer of Indian ore are Rumania, South Korea, Taiwan and West Europe. The table given below indicates the destination-wise exports of iron ore for the year 1980-81, 1981-82 and 1982-83 :—

Destination	Qty. in Million Tonnes		
	1980-81	1981-82	1982-83 (Estimated)
Japan (MMTC)	7.37	7.55	6.95
(Goans)	7.66	8.94	9.00
South (MMTC)	1.48	2.43	2.20
Korea (Goans)	0.72	0.61	0.76
Taiwan (Goans)	0.09	0.03	0.01
West Europe			
(Goans)	—	0.26	0.47

1.19 From the above statement it will be seen that whereas the MMTC exports to Japan have gone down over the years, the Goan exporters are not only able to maintain their share but have actually increased their exports to Japan considerably. The Committee wanted to know the reasons for this.

1.20-1.21 The Chairman, MMTC in reply stated as follows :—

“The total Goan export to all the countries in the world is in the region of 10 million tonnes out of which 8 to 9 million tonnes goes to Japan and 1.5 million to other countries. That means 85 to 90% of their export is to Japan.

Our total export during the last five years has gone up from 12 to 16 million tonnes, but our total quantity of export to Japan has been in the region of 7 or 7.5 million tonnes. It is our conscious effort to diversify the market because apart from Japan and South Korea—because South Koreans link their prices with Japanese pricing—other prices pertaining to about 5 to 6 million tonnes are always at a higher price than what we get from Japanese. It is not in our interest to increase our share to Japan deliberately at the expense of other countries. We are not heavily dependent on that because we get much better prices from other countries. If we have a constraint of 16 million tonnes total market, we would not like to increase beyond 7.5 or 8 million tonnes to Japan.”

1.22 The Committee further pointed out that while the country had not been able to keep its share of the Japanese market, private exporters had contributed more than 50% of India's share in the imports of iron ore by Japan in most of the Years. Asked whether the reasons for this had been analysed, the MMTC, in a note explained the position as follows :

"Goan suppliers have been exporting iron ore to Japan from a time much before canalisation which become effective from 1st October 1963. They had established links with the Japanese Steel Mills from the very beginning. It was in recognition of this that while canalising export of iron ore, the Government had kept traditional markets out of the canalisation scheme.

MMTC's role has been to export ores of other than Goan origin to countries like Japan, Taiwan, South Korea etc. and Goan ores to other countries MMTC has not been competing with the Goans but supplementing their efforts and exports in the larger national intersts.

For the last 10 years or so India's share in the Japenese imports has been of the order of 13% Goan share of this has generally been more than 50% and they have maintained it. In quantum terms MMTC's share has been more or less maintained excepting when Japanese steel production has sharply dropped as in this year. India has not given as much emphasis as others to the development of the infrastructure required to continue export of iron ore in a situation where because of increases in petroleum prices larger ships were being used. Even the developments undertaken were implemented much behind time resulting in lots of opportunities lost.

Due to technological changes, iron ore fines are in much greater demand. They are converted into the blast furnace. Since in Goa the main production is of fines, which occur in the natural form, this technological changes helps in maintaining a higher demand for fines. The iron ore produced in Barajamda sector, Bailadila and Belelary—Hospet Sector is primarily lumpy ore. The fines are a by-product. Also export of iron ore from these deposits involves a 500 to 600 Kms. overland transport (in contrast to a 50/60 Kms. riverine transport in moving Goan ore to the vessels) which is very expensive. Fines prices in the world market are a few dollars per tone lower than the prices of lumps. Thus, exports of by-product fines from these other areas is econo-

mically less viable. All these factors have been in favour of export of fines from Goa.

MMTC's emphasis has been on diversification of export markets. It would be noticed that in the years 1980-81 and 1981-82 when MMTC pushed its exports to 16.00 million tonnes, it was done not by increasing exports to Japan but to other markets."

1.23 The Committee asked whether the MMTC would like to reduce the quota for Japan if the Corporation was able to find a customer elsewhere. The Chairman, MMTC stated :—

"Our estimate is that, because of port and railway constraints, we can export only 18 million tonnes during one year. We would not like to increase to Japan if we can increase somewhere else. But if we find that Japanese are the only people who can take and the other cannot, certainly we will sell to Japan. But if we have a choice, we will decide to increase to other countries."

1.24 During the evidence of the Ministry, the Committee asked the reasons for the MMTC exports to Japan having gone down vis-a-vis Goan exporters. The Addt. Secy. Commerce in reply stated :—

"They are stated to have performed better than the MMTC in the total share of India's market to Japan. Goans have always been doing a little more than 50% of the total exports. India as a whole has been maintaining its share ranging between 12 and 14%. Out of it 55-56% is by the Goans. If you take the figures of Goans, export from 1973-74 onwards, these are 11.37 million tonnes, 10.38 M.T. 9.96 M.T. 10 M.T. respectively upto 1976-77 and 7.66 M.T. 8.98 M.T., and 8.30 Tonnes respectively from 1980-81. There absolute tonnage has been going down. In the case of MMTC, in 1973-74, it started with 8.15 M.T. and then it has been steady between 7 and 7.5. M.T. subsequently. Thus, you will see that while MMTC has been comparatively more steady, Goans have been a little more erratic."

1.25 During evidence, the Chairman, MMTC stated as follows :—

"MMTC does not lay down the iron ore export policy. We just implement the Government's policy. But I would like to explain that in Australia which exports 80 million tonnes and where there is absolutely free trade, there are only three major exporters

In Brazil where there is 80 million tonnes of trade, there are three exporters.

In India where we have 25 million tonnes of trade we have 14 exporters and this has an effect on our bargaining position with our buyers."

1.26 The Committee wanted to know as to how MMTC's bargaining position was affected due to 14 exporters in the field and how the situation could be improved. The MMTC in a note furnished after evidence has stated :

"In the oral evidence given on 1st and 2nd March 1983, the point Chairman, MMTC had made was that even in countries like Australia and Brazil who export much larger quantities of iron ore, the number of parties exporting is much smaller. Smaller number of parties and, therefore, larger size of individual exporter is an advantage in the present situation which is one of oversupply in iron ore. In a country like Japan even the buyer are united and make centralised purchases. It is difficult to quantify how the bargaining position is reduced with larger number of suppliers but it needs to argue that the bargaining position would be somewhat stronger if all the 25 million tonnes of Indian iron ore exported was handled by one agency.

1.27 In this context, the Addl. Secretary of the Ministry while giving his comments stated as follows :—

This refers to the statement given by the MMTC's representative. I am not fully aware of the facts based on which the gentleman made the statement. He must of course have talked only on theoretical grounds. The practice in a country like Japan which believes in Free Economy, is for 7 or 8 steel Mills to come together as a Consortium for buying. What should we do, who believe in Mixed Economy ? We make export of iron ore to Japan allowable for all. This is the context in which he might have made such a statement. I would like to give you a little background to Goans being allowed to export Iron ore. The decision to this effect was taken in the Inter-Ministerial Meeting which took place in February 1962. Three conditions were put in there viz. (i) The export of Goan Ore has to be done only by established shippers from Goa ; they would have been in the trade all along even prior to liberation (ii) minimum export price to be fixed by the Government. They could not export anything lower than that price and (iii) lastly they can export only to free foreign

exchange countries and not to other countries. These were the conditions. This arrangement continued as a part of an undertaking given to them at that time. But in 1977, a few instances of clash between the MMTC and the Goans did come to light, particularly in Iraq and Kuwait. There were complaints that MMTC were being competed against by the Goans. Apart from that, in 1978, we had to take a decision that in respect of export to Pakistan it would be done only by the MMTC and again in June 1978, in respect of export to China also, similar decision was taken. So, the matter came up for a detailed review in February 1979 and a decision was taken that Goans will export only above floor price to 4 destinations viz. Japan, West Europe, Taiwan and South Korea and not to any other destinations, nor to rupee payment countries. Apart from those conditions, minimum export price is also there, guidelines are issued to the Goans before they go for negotiations with the Japanese, the prices are subject to approval of Government. So, sufficient checks are kept.

Lastly, it is ensured that there is no competition between the MMTC and the Goans because the type of ore exported by the two are different and destinations are clearly earmarked. If at all they seek any relaxation whatsoever, Government have to give approval so as to ensure that any relaxation or exemption given in the matter of price does not really affect MMTC negotiations in the case of their ore. These are the safeguards and I do not think it is correct to say that the presence of 13 or 14 exporters from Goa has affected the MMTC performance."

1.28 Enquired about the prospects of increasing exports, the Additional Secretary, Commerce stated :

"As far as iron ore goes, in 1983-84 we cannot increase our exports very much. The position is extremely bleak. The Japanese are further slowing down their steel production. But it is expected that the recessionary position will not continue very long. Towards the end of the calendar year there should a turn for the better. Then we would be able to do better. By that time a decision would be taken on Madras Outer Harbour."

1.29 Asked whether in the light of more steel factories coming up, there was any prospects of increasing export of iron ore, the Additional Secretary, Commerce stated :

"It is not going to depend upon the availability of ore. We have enormous resources. Our immediate task is to deepen the Madras Outer Harbour so that the ore from Bellary-Hospet region can be routed through that port. They are willing to take 30 million from this sector, over ten years when the other steel plant comes up in Korea in 1985 or so, increased intake will take place from MMTC as well as Goa for South Korea. Vizag will continue its exports. Therefore, it is possible for us to step up our exports after the Madras Outer Harbour comes up. Accordingly, it is going to be dependent upon (a) the lifting of the recessionary conditions in the steel industry and (b) the Madras Outer Harbour coming up."

#### *Constraints in Export of Iron Ore*

1.30 The Committee enquired about the main constraints faced by MMTC in the export of iron ore, their effect on the programme of iron ore exports during the last 3 years and steps taken or contemplated to overcome these constraints. The Chairman, MMTC stated as follows :—

"The biggest constraint that we have is in regard to the port facilities which our competitors are having and we don't have. The new steel plants the Koreans are going to make is of 10 million tonnes capacity. Their Chairman was our guest here and he is very keen on entering into a long-term contract for the new steel plant. He said if we are thinking that 75,000 tonnes tanker will do the job, then we are sadly mistaken. We must modernise our port. Then only there is a change. Otherwise from Madras port, he said, you can forget.....They want the deepening of the port."

1.31 In this context, the Additional Secretary of the Ministry stated as follows :—

"There are constraints in so far as our pushing up of exports are concerned. Iron ore is to be competitive in the international market on the landed cost basis. Therefore, the shipping distance and the freight play a very important role in the matter of selling of iron ore. During the 60s and upto the earlier parts of 70s, there was a boon in the steel industry. Brazil then to start with, was not so much in the market for iron ore. But considering the boon in the iron ore and steel market, Brazil took to the development of their ports in a very big way. They had developed their port facility in such a manner that currently Brazil can accommodate vessels which can load 21/2 lakh tonnes of iron ore. Like-

wise. Australia also has ports which can load 150 thousand tonnes of iron ore.

Compared to this, our ports cannot handle this much capacity. Vizag which is the largest port as far as iron is concerned, can load 120 thousand tonnes. Madras Outer Harbour can load 75 to 80 thousand tonnes and Goa can load only upto 75 to 80 thousand tonnes and the rest has to be done by transhippers. Our port facilities lag behind those available in the advanced countries like Australia or countries which have deliberately taken to the building of port facilities like Brazil.

The second important constraint in so far as iron ore export is concerned is the change in technology after the crisis. Now, more and more fines are needed as against lumps. In 1972, the blast furnace in Japan could take upto 40% of lumps whereas currently they use not more than about 7 to 8 per cent of lumps and they use even as much as 80 per cent of fines. As far as our ore deposits are concerned, except in Goa where there is a large availability of fines very near the port, in other places where fines are found, say for instance, in Bailadila, it takes enormous haulage of fines to reach the ports. This involves additional cost and loss during the transit also.

Besides, if one thinks of the process of washing and upgrading the ores, it cost a lot of money to put up those plants. The unit value realisation for fines is less than that of lumps. Therefore, this is another constraint which we have to face in the export of iron ore.

Thirdly, as far as Indian ore is concerned except in certain parts, most of our ore has a higher alumina content, that is, about 2.5 to 3 per cent whereas Australia is able to supply ore with less than 1 per cent of alumina content.

These are major constraints as far as iron ore export is concerned."

1.32 The Committee wanted to know what did Government contemplate to do to ensure that India's share in the Japanese exports was atleast maintained if it could not be increased. The Additional Secretary, Commerce stated in reply as follows :—

"The strategy for the future is two-fold. One is not to lose the existing market like Japan ; it will be great efforts if Japan itself is to

be preserved and, if possible, improved upon. The second is to develop new markets. As far as Japan is concerned as I had mentioned earlier, primarily it is a question of shipping distances and shipping freight. If we are to compete with Australia and Brazil, it is very necessary for us to make investment in our ports, particularly in Madras and, if possible, in Vizag also so that our ports also accommodate much larger vessels so that the freight costs come down for the Japanese who have their own fleet. Since they buy on f.e.b. basis they would like to make the optimum use of their large vessels. If the Madras outer harbour is further deepened with a draft of about 16.2 metres, it would be possible for us not only to compete but also to ensure a certain minimum tonnage being lifted from Madras by the Japanese."

1.33 Enquired whether the Ministry had taken up the issue of providing port facilities for bigger ships with the Ministry of Shipping and Transport and if so, with what results. The Additional Secretary, Commerce, stated in evidence as follows :—

"Madras port currently can take 75,000 tonnes vessels which can be fully loaded at drafts of 46' but during the monsoon period even 46' is not available. That is why an outer arm has been constructed and once this was done, all the 12 months in a year this 46' draft becomes available. Next question is : in order to remain competitive in the international market, it became necessary to accommodate more than 100,000 and even 120,000 DW vessels in the port and for this to increase the available draft in Madras port. This was for the first time discussed in the inter-ministerial meeting on 24th September, 1980 when Government had accepted in principle that there is funding for this project. Thereafter the question of funding for this project was also discussed in the same meeting and the Shipping and Transport Ministry representative who was present in that meeting said that they would not be in a position to accommodate this in the VI Plan. But our Ministry was very keen that somehow the money should be found for this important project. Otherwise the export of iron ore would be seriously jeopardised. Having regard to this September 1980 meeting, a project report was not prepared for getting the approval of this Public Investments Board. A paper was also taken before the Committee of Secretaries for a view being taken on the overall funding of this project. The question of funding was again discussed and again the Ministry of Shipping & Trans-

port expressed their inability to find funds or include it in the Plan. PI proposal was got ready. The project, according to the proposal, was expected to cost around Rs. 28.14 crores—part of it in foreign exchange. This proposal was discussed in a meeting of the PIB on 26th February 1982 and in this meeting, a view was expressed that MMTC should try to arrange for the finance, if possible from the Japanese. But when this was examined we come to the conclusion that if we wanted the Japanese to fund this project they might depress the prices, and so this is not a very good thing to do i.e. going to Japanese for funds. A series of other views were also to be considered before investment decision could be taken. These were such as that if the project really comes about, is there any assurance from the Japanese that they will really take on a long-term basis certain guaranteed minimum quantity of ores and secondly whether they will like in addition to the ores which are likely to be supplied from Bellary, Hospet and Donamalai, other ores also and let them be categorical about it and say, 'Yes' or 'No'. These are some of the issues which should be sorted out. So we sent some of the samples of these ores to the Japanese. They said that they will buy iron ore even after this project comes into being only on internationally competitive basis. They said that Shipping costs may be same but then we will have to find out whether the ore is going to compare favourable, for instance, with that supplied by Australia. This evaluation was done and they submitted a report according to which certain parts of the ore suffered, according to the Japanese, certain demerits whereas demerits were even higher in respect of certain areas from Donamalai sector. So we had to get this sorted out and we referred our own steel mills and NMDC and according to us we could not agree fully with the Japanese. Now, the decision has been taken in principle that we can go ahead with the Madras Outer Harbour and the Japanese have also agreed to take the ore if the Outer Harbour comes up by 1984."

1.34 On being enquired whether the Ministry would be in a position to utilise the port in such a manner that ultimately the investment to be made by the Ministry of Transport, would become cost-wise beneficial to the country. The Additional Secretary—Commerce, stated : —

"The investment which is made normally is expected to bring about certain positive returns which must be reasonable. In the case

of iron ore we have to take note of certain other aspects which are inter-related. For example, what is the alternative if the Madras Outer Harbour is not developed. The alternative would be that we would remain not one of the major exporter to Japan but will become only residual suppliers of iron ore. We will be losing this big market. This aspect has to be taken into account as we have already created employment opportunities in a backward area."

#### *Expenditure on Exports*

1.35 The Committee wanted to know if the Corporation had made any cost study of their exports expenditure and also of the expenditure incurred on exports by the private shippers in respect of Goa ore. The Chairman, MMTC said, "We do not have the figures of their cost.....we have a fair idea."

1.36 In reply to a question if it was not a fact that the private shippers were able to sell at a cheaper price The witness replied, "Certainly.....because their cost of production is much low. Their deposits are [such that it does not require extra drilling as in Bailadia.

1.37 In reply to a further question as to how did in Goa the MMTC's export price compare with the private shippers' price, the Chairman, MMTC said :

"On Goan ore we are making sizeable profits. Our price realisation on Goa ore is much better than what they are getting from Japan.....Because we get better price from Romania and Eastern Europe. Consistently, we have been getting a good price, except when the dollar has been soaring."

1.38 The Committee wanted to know whether the MMTC had noticed any instances of private shippers from Goa charging lesser price than MMTC for the ore exported to Japan, South Korea, Taiwan and West Europe to which they were authorised, and, if so, were such instances of undercutting brought to the notice of the Government. The Corporation in a note stated as under :

"MMTC does not export any ore of Goa origin to Japan, South Korea, Taiwan and Western Europe. Therefore, no comparison of MMTC's prices with those of Goan shippers to these countries can be made. The prices at which Goa shippers ship to these

countries are controlled by floor prices mechanism; the floor prices are fixed by the Government.

MMTC has been exporting Goan fines to some other countries particularly Rumania. A comparison of prices secured by MMTC from Rumania and Goans from Japan is given in the table below :

Price for 62/60 Grade fines for Manual Loading at Goa

Year	MMTC's Rumanian Price	Goan's Japanese Price
1978-79 (\$1-Rs. 8.00)	Rs. 86	Rs. 74.40 \$ 9.30
1979-80 (\$1-Rs. 8.10)	Rs. 94	Rs. 85.45 \$ 10.55
1980-81 (\$1-Rs. 7.88)	Rs. 112.15	Rs. 85.89 \$ 10.90
1981-82 (\$1-Rs. 8.86)	Rs. 120.08	Rs. 105.08 \$ 11.86
1982-83 (\$1-Rs. 9.50)	Rs. 132.09	Rs. 130.05 \$ 13.69

For exports by private parties, from Goa the Government lays down a floor price and all exports have to be made at the floor price or above. If any exporter wants to export at a lower price he has to apply to the Government, justifying his case and seek Government approval. MMTC does not monitor the exports by Goan private parties and the prices. If and when Government considers it necessary before deciding individual cases they do make references to MMTC and MMTC renders advice to the Government."

1.39 During evidence of the Ministry, the Committee asked whether any instances of private exporters from Goa charging less price than MMTC had come to Government's notice and if so, whether such instances of undercutting were looked into. The Additional Secretary of the Ministry stated in evidence as follows :

"We have not received any information about Goans. There is virtually no competition between the two in the matter of exports.

The areas are earmarked. We have fixed guidelines for negotiations and the prices are approved by the Government and they can sell only at that price or more than that. We have come across no such instance."

1.40 The Chairman, MMTC informed the Committee that they were exporting fines to Japan from Bailadila and Madras. But their prices were much higher. In 1980-81 where the Goan price was \$13.30, from Bailadila it was \$17.43. On being asked if the private shippers were exporting at a lesser price, how was it that the MMTC was exporting at a higher price, the Chairman, MMTC stated :

"These prices are not secret. Each time Rumanians ask us why is it that India is charging less from Japan and more from Rumania ? We cannot continue to be in this position for a long time because they will beat us down to the Japanese price one day."

1.41 Asked if it was in the interest of the country to charge a higher price from a socialist country and a lower price from a capitalist country. The witness said, "we are a commercial organisation. We do our business on commercial basis."

#### *Procurement of iron ore*

1.42 The MMTC procures iron ore from the various mines in the public sector and private sector for exports as well as for domestic consumption. The Committee asked whether the Ministry had issued any directive to the MMTC on the method of procurement and export of iron ore. The Additional Secretary, Commerce stated :

"On the question of procurement of iron ore, the government has not given any directive to the MMTC. But we are aware of the practice which prevails in the MMTC. In many places, in order to help small owners, it is bought on ex-plot basis so that the mine owner gets cash immediately. There is a system which is particularly followed by the MMTC."

1.43 Upto April, 1971 the Corporation purchased ore from NMDC on f.o.b. basis and received only a service charge. From April, 1971 NMDC was paid Rs. 20.50 per tonne on f.o.r. loading point basis, which was increased by stages to Rs. 30.50 from September 1974 onwards. While NMDC demanded payment of price based on standard costs from 1977-78 onwards, the Corporation paid lower prices provisionally. Fixation of price

payable to NMDC for the period April, 1977 to March 1980 was stated to be under consideration of a Committee of Secretaries. The Committee wanted to know the latest position of fixation of prices payable to NMDC from April 1977 to March 1980 and asked whether the MMTC had received the report of the Secretaries' Committee who was looking into the matter. The Chairman, MMTC informed that the matter was still under discussion.

1.44 In reply to a question, the witness stated that the Secretaries' Committee had been looking into this matter for the last two years. When the Committee pointed out that the Secretaries' Committee was appointed to go into the fixation of prices, because the NMDC felt that they were not getting a fair price from the MMTC, the Chairman, MMTC in reply stated :

"There was a Secretaries Committee already in existence in iron ore exports. This problem was remitted to them. There were some discussions. Our ex-Commerce Minister was also involved in this. He referred this matter back to the Secretaries' Committee, where it is still under consideration. But as far as the pricing is concerned, I may explain that from 1st April 1980 we entered into an agreement with NMDC stating that whatever we get will be passed on to them except that we retain one rupee per tonne as a token commission which has been increased to Rs. 2/- per tonne from 1st April, 1982. But even this one rupee per tonne does not cover our entire overheads. So, in fact, the MMTC has been subsidising Beladilla mine."

1.45 The Committee pointed out that as mentioned in the Public Enterprises Survey (p. 22), NMDC had complained that the MMTC was taking all the profits and that the matter had been referred to Secretaries Committee. The Chairman, MMTC stated :

"The matter has been referred to Secretaries Committee, but this is not correct that the MMTC is making a profit on Beladilla mine...The point is that railway freight and port charges are deducted and whatever balance is there is left to them."

1.46 In this context, the Additional Secretary, Commerce stated as follows :

"In the case of NMDC.....the operation of iron ore export from this Beladilla sector has been at a loss. If you take three years figures, it was of the order of about Rs. 5½ crores in 1977-78, in 1978-79 it was about Rs. 5.2 crores and in 1979-80 it was about

Rs. 5.6 crores. This has been working at a loss. For the NMDC they had been making these payments as mentioned in CAG's reports but then in a meeting held on 23rd May, 1980, the Secretary in the Finance Ministry had taken a decision that standard cost should be paid to the NMDC. This was on the ground that NMDC was incurring losses in the supply of iron ore to the MMTC. Our Ministry did not agree with that view that MMTC should be asked to make this payment to the NMDC. Incidentally, they also wanted a very steep increase in the port handling charges. Both these were decided at the same time. The cumulative effect of both these came to more than Rs. 45 crores to be paid by the MMTC retrospectively from 1976 onwards. This would have caused a very serious hardship to the MMTC especially when the tax incidence had been finalised also. Our Ministry did not agree with that. Both organisations were pressing with their respective Ministries. This was, therefore, again discussed in December, 1982. Our stand was very clear that retrospectively, it would not be possible for the MMTC to make increased payment either to the port or NMDC. Since no agreement was reached, in a meeting taken by the Expenditure Secretary, we took the decision that let it go before the Cabinet Secretary and let him say who should bear it. This has not yet been resolved."

#### CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1.47 The role assigned to MMTC in the matter of exports of iron ore consists primarily in exploration of new markets for expansion of trade, providing assistance for development of infrastructure including road, rail communications, port facilities, etc., assisting mine owners and producers to maximise production by extending financial assistance, technical advice and supply of scarce items required in the mining operations.

1.48 Although the iron ore constitutes the core of exports by MMTC, the growth in the exports of iron ore by MMTC has been far from satisfactory. The quantum of exports which was more or less Static upto 1979-80 recorded an increase of about 2-3 million tonnes during 1980-81 and 1981-82. In 1982-83 it again slumped to the level of 12.4 million tonnes against an export target of 17 million tonnes, which had subsequently been scaled down to 15 million tonnes. Even during the year 1983-84 no appreciable improvement

was expected because of the continued recession in the global steel industry. The Committee note with concern that India's share in the total volume of world iron ore export trade remained stationary at about 6% since 1967. They feel that efforts required to achieve results on a long-term basis have been lacking.

1.49 A representative of the Ministry of Commerce revealed that during the sixties and upto early seventies, there was a boom in the steel industry and Brazil was not so much in the market of iron ore. But considering the boom in the iron ore and steel market, Brazil took to the development of its port facilities in a big way and increased its exports from 5 million tonnes to 80 million tonnes per year. Similarly between the year 1960 and 1981 Australia's exports of iron ore climbed up to 80 million tonnes from a position of zero. The Committee fail to understand how the Ministry of Commerce has been so complacent as to be satisfied with a meagre share of the world trade in iron ore. As the development of the export market for iron ore was not a seasonal enterprise, the Committee wish that more vigorous and sustained efforts should be made in this direction.

1.50 Japan has been traditionally the main market for Indian iron ore. However, India's share in Japan's imports over the years has considerably decreased. From 1963 when India's shares in Japan's imports was 22.59 per cent, it has come down to only 12.60 per cent in 1979. Therefore India's share in the Japanese market in terms of percentage of Japanese imports has been of the order of 13%. One of the main reasons given for stagnation of exports to Japan is that "India has not given as much emphasis as others to the development of the infrastructure required to continue export of iron ore." Further "even the developments undertaken were implemented much behind time resulting in loss of opportunities lost." The Committee cannot but deplore the lack of enthusiasm and foresight.

1.51 Japan is the largest buyer of iron ore from India. The other major importers of Indian iron ore are Rumania, South Korea, Taiwan and West Europe. The share of Japan in the exports of iron ore by MMTC which was 72% in the year 1972-73 has come down to 47% in the year 1981-82. According to the MMTC this decline is "as a result of conscientious efforts by the Corporation to diversify the markets". However, according to the Additional Secretary, Ministry of Commerce there was no conscious decision to reduce the exports

to Japan. He also stated that Government would like not only to preserve the existing Japanese market in quantum but improve upon it. This clearly shows that the fall in MMTC's exports to Japan was not a result of any conscious decision to reduce exports to Japan but obviously due to MMTC's failure to keep up its share of Japan's imports.

1.52 The Committee also find whereas the MMTC exports to Japan have gone down over the years, private exporters from Goa have not only been able to maintain their share but have actually increased their exports to Japan between 1980-81 and 1982-83. This only indicates that either the MMTC are slack in their efforts to preserve this traditional market or the private Goan exporters are more pushing in contacting Japanese importers. The Committee feel that MMTC should make more vigorous efforts to maintain their share of the Japan market even if they are not able to improve upon it.

1.53 MMTC have stated that the mechanics of iron ore exports have undergone a substantial change during the last 10 years in that the major exporters of iron ore to Japan like Australia and Brazil have developed deep draft ports where vessels of the size of 1,50,000 DWT to 2,50,000 DWT can be loaded as against 1,00,000 DWT vessels presently being loaded from Vizag. Similarly, Madras Outer Harbour and Paradip Ports are also not in a position to accommodate vessels of more than 75,000 and 55,000 DWT respectively. Ocean freight has a direct bearing on the size of the vessels i.e. higher the size of the vessels, lower is the ocean freight on per ton basis. This is putting India at a disadvantageous position. Port limitations are thus proving a great constraint, which needs to be remedied at the earliest. The Committee recommend that the question of integrated development of all infrastructural facilities including the deepening of Madras Outer Harbour should be examined afresh in consultation with the other concerned Ministries/Departments with a sense of urgency. The matter does not brook delay because the country has already lagged behind in capturing a larger share of the world iron ore trade and any hinderance which makes the Indian ore uncompetitive needs to be removed.

1.54 Considering the need for optimum utilisation of the infrastructure already created in the country for handling the iron ore export trade, the Committee desire that a thorough review of the export strategy should be undertaken to pinpoint the lacunae. Based

on the review necessary remedial steps may be taken to maximise the export of iron ore. It need hardly be pointed out that any slackness on the part of MMTC to push up its exports will not only saddle it with the problem of enlarged stocks but will have repercussions on the mining operations as well.

1.55 Apart from exporting to traditional markets like Japan and the East European countries, MMTC is reported to have found new markets like South Korea, Yugoslavia, Iraq, U.A.E., China, Malaysia, Saudi Arabia, North Korea and Pakistan. Notwithstanding the fact that only very small quantities of iron ore have been exported to the newly found markets, the Committee are of the view that this is a step in the right direction. MMTC should make a more vigorous thrust into non-traditional markets to promote iron ore trade as that will reduce its abject dependence on the traditional markets which have their own problems.

1.56 The Committee suggest that the question of canalising the entire export of iron ore through MMTC might be gone into in all its aspects to ascertain its feasibility and to take appropriate action in the overall interest of the country.

1.57 According to audit upto April 1971 the Corporation purchased ore from NMDC on f.o.b.t. basis and received only a service charge. From April 1971 NMDC was paid Rs. 20.50 per tonne on f.o.r. loading point basis, which was increased by stages to Rs. 30.50 from September 1974 onwards. While NMDC demanded payment of price based on standard costs from 1977-78 onwards, the Corporation paid lower prices provisionally. Fixation of price payable to NMDC for the period April 1977 to March 1980 was stated to be under consideration of a Committee of Secretaries. The Committee have been informed that the matter was again discussed in December, 1982, when it was decided that it should be referred to the Cabinet Secretary for a final decision. As the matter has been pending for a long time the Committee would like its resolution at an early date.

NEW DELHI ;

April 27, 1983

Vaisakha 7, 1905 (Saka)

MADHUSUDAN VAIRALE,

*Chairman,  
Committee on Public Undertakings.*