

that the representatives of labour can do in this particular Board is to present the case of the workers. The only advantage they have is, they can present the case of the workers and discuss it, and they can also to some extent influence the decisions. Ultimately, the carrying out of the decisions is done by the chairman. I find that the members of the Dock Labour Board including the chairman will come under this disqualification.

Mr. Deputy-Speaker: Does the hon. Member like to continue his speech?

Shri Tangamani: I may require ten more minutes.

Mr. Deputy-Speaker: Then he can continue his speech the next day. We may now take up discussion on the Annual Report of the Hindustan Steel Private Ltd.

14.32 hrs.

DISCUSSION RE: HINDUSTAN STEEL PRIVATE LTD.

Shri Nath Pai (Rajapur): I beg to move:

"That the Annual Report of the Hindustan Steel Private Ltd., 1956-57, laid on the Table of the House on the 26th March, 1958, be taken into consideration".

Mr. Deputy-Speaker: Sir, I should first like to point out that we had expected the courtesy of the Minister being present when we are discussing something that concerns his Ministry. We hope that we will not therefore be subject to platitudes in view of the fact of his absence, when we have to offer our criticism.

(At this stage, Sardar Swaran Singh entered the House)

Shri Nath Pai: I am very happy. I welcome the Minister.

The Minister of Steel, Mines and Fuel (Sardar Swaran Singh): I have come according to schedule.

Shri Nath Pai: I should like to begin by stating the reasons that goaded me to demand this debate. The first reason is, the importance steel occupies in our economy, the pivotal role steel has to play in the economy of a country which is striving and struggling to make the journey from semi-feudalism to industrialization. This important and key role steel has to play is very adequately reflected in the second Five Year Plan. The Plan states:

"The expansion of the iron and steel industry has obviously the highest priority since more than any other industrial product. The levels of production of these materials determine the tempo of the progress of the economy as a whole".

The Plan further states:

"Conditions in India are favourable for securing the production of iron and steel at costs which are low in comparison with those of other countries".

These are remarks to which I shall be referring again and again during my brief speech.

Steel thus is the pivot round which the wheel of industrial progress is to turn. In concrete terms, out of a total allocation of Rs. 750 crores for all the industrial projects in the public sector, steel has been allocated Rs. 510 crores. That is, in simple arithmetic, steel alone is to consume 66 per cent of the money we are going to spend in the public sector in industrial projects.

The second reason, apart from this importance of steel in our economy, is the phenomenal rise, the soaring rise, in the prices of these estimates. The second Five Year Plan put the cost of all the three plants at Rs. 353 crores, the break-up being Rs. 128 crores for Rourkela, Rs. 110 crores for Bhilai and Rs. 115 crores for Durgapur. This amounts, as I said earlier, to an aggregate of Rs. 353 crores. If we take into

[Shri Nath Pai]

consideration the reappraisal, we are told that the costs may be Rs. 495 crores. It means there is an increase of Rs. 157 crores over the original estimates. I do not think that it is a small or negligible increase. It is an increase of 45 per cent.

In the case of Rourkela alone, the estimates have soared up from Rs. 128 crores to Rs. 170 crores, and there is no guarantee that that is the last of it. The cost of the rolling mills alone in the Rourkela plant has shot up from Rs. 48 crores to Rs. 72 crores, and what is called "General Services" has gone up from Rs. 13 crores to Rs. 19 crores, a clear increase of 50 per cent. in the original estimate and the target price. Like the genii of Aladd'in, the prices keep swelling and jumping. Only, Aladdin had the capacity and the power to bottle up the genii. I sometimes wonder if the Minister, with his best intentions, can cry a halt to rising prices and costs of the steel plants.

Apart from the rising cost, there is the very disturbing feature about our steel plant, and that is, delays. I should like to divide these delays into these categories: what we mean by delays; what are the causes of these delays; what is the cost we are to pay for these delays and what are the likely consequences of these delays.

Sir, the memorandum for the steel project at Rourkela was signed on 15-8-1953, and the final project was received in November, 1955. We find that from the signing of the memorandum to the finalization of the complete project, it took two long years, when all these years we had been talking about the necessity of enhancing our steel production. We were then told that the steel mill would go into production at the end of 1959. It is estimated now that there will be a delay in the case of Rourkela which has been taking the pride of place in our thinking. So far as the economic development of the country is concerned, there will be a delay in Rourkela of 18 months. From the initial signing, it is

seven years and from the completion of the project contract, five long years.

In the case of Bhilai, the record is a little better: five years from the date of signing and four years from the completion of the contract. In the case of Durgapur, it will be five years. I should like to put a very simple question to the Minister: if Bhilai can be completed in four years, why should the other two plants take such a long time?

Secondly, I should like to elaborate this thing. It is, how have the other countries been taking their time. My submission here is that the original time that was scheduled was itself a very long one. Add to this the delays to which I have already referred. In the USSR, they set up a furnace in less than six months and in full operation. In the United States, they set the working of a blast furnace in eight to ten months. The Fairless Steel Works of the United States, with a capacity of two million tons, was completed in 18 months. I am told by experts—we could find the authorities here—that given Indian conditions, an integrated complete steel works can be put into operation in less than three years.

The London Economist recently published something which the Government and we ought to take note of. China had increased her steel production from five million to ten million tons in one single year. That means that country outstrips the progress India made in 58 years in one single year. And something else is to come. Mr Adlai Stevenson—I do not think particularly a good propagandist for the Communists—tells us that next year the production in China will go up from ten million tons in one year to 20 million tons a year. Little Egypt is to have a steel plant at what speed and cost? The cost is also very interesting. It will be producing in its single plant a quarter million tons. That means 2,50,000 tons in our language. It comes to 21 million

Egyptian pounds. That means roughly less than Rs. 25 crores.

Now, let me say what will be the cost of these delays. It is estimated that every day we delay these steel plants coming into operation, it is going to cost the nation anything between Rs. 12½ lakhs to Rs. 15 lakhs. This is for every single plant. What are the consequences of these delays? The consequences are very sad and disturbing. If, apart from this initial cost, it will mean that we shall continue to import steel at very high prices, what a drain it will be on our very meagre and precious foreign exchange! It means that when we export steel ultimately, because that was the main aim, we shall be exporting it at very high and uncompetitive uneconomic prices. This will be the main danger of these delays, apart from the prices which we will be paying.

What are the causes for these delays? I should like to enumerate very briefly some of the causes that have been responsible and I earnestly hope that the Minister will be good enough to take serious note of it. Firstly, there is this rigid central control. We have a federal Government, but it is not necessary when we create an autonomous body to interfere in minor matters. The Government should reserve decisions on broad policies and there should be no necessity of central reference for every little thing.

There is another factor. We have too many consultants. There are as many as seven in the case of Rourkela and I shall be saying something of interest about the consultants at a later stage. Another factor is the inexperience of some of the contractors. We have Uttam Singh Duggal, Krupp and Demag protested against the contract being given to this particular firm, because this firm did not have the experience or the equipment for the kind of task they had undertaken. Still, a huge contract was awarded to them and this House must know the reasons and the qualifications which

went into consideration of this firm being granted this contract.

There is another—Hochtief Gammon. It is a very interesting thing to be studied, about which I would not like to go into details. They were fined Rs. 25 lakhs for inefficient work at Kandla. These are some of the contractors who will be doing this job in the very vital aspect of our industry.

The top management, as very often unfortunately happens in our country, is in the hands of non-technicians. Many of our top-ranking people are extremely good administrators, but being an administrator is entirely different from being a technician. This is a technical job and we must use such talent as the country has in this field. How can an administrator be good enough for everything? This is a malady from which our thinking suffers. For everything, a civil servant is used.

Then, the usual procedural delay, the classical red tape of India, has been there. That is another factor, as the country will gradually realise. In spite of the exorbitantly high prices that we have paid to these consultants, planning has been utterly defective—planning of the plants, planning of the site, planning of the supplies of raw materials and such elementary articles for the township like water. These are some of the causes that have led to this sad spectacle. I should like to ask, if China, if little Egypt, can go at that speed, why should we be shuffling and limping in this very vital aspect?

Having said that, I would like to point out some of the other glaring defects, so far as planning and wasteful expenditure are concerned. One example I may cite. We have imported carpenters from Germany. The total cost of these carpenters per year is Rs. 21 lakhs for 32 carpenters. It works out on an average that we pay each one of these carpenters more than Rs. 5,000 per month. That is

[Shri Nath Pai]

approximately the salary you pay to a judge of the Supreme Court of India. Imagine that you mention this figure to an Indian carpenter, who earns something like Rs. 90 where he is well-paid. I think the fellow will never recover from the shock that a carpenter in his own country is being paid Rs. 5,000 a month.

Why should this be the state of affairs after all this planning? We have these consultants. Who are they? About water, about iron ore, about coal, about washeries, about every one of these things, a lot could be said. I am saying this after going very carefully through the note which they were good enough to circulate. I will be coming to them in detail later on, but I will be coming to these consultants affairs right now. In the case of Rourkela, there are as many as seven consultants. My main criticism is, it is the normal practice that a consultant must be qualified for the job he is asked to do. Some of these consultants, I fling the charge, are not simply qualified. Manufacturing job is altogether a different job from the job of engineering. Some of these concerns, as later events showed, were very highly qualified indeed in the manufacturing job. But engineering consultation is something different. But we went on very liberally giving the contracts.

Then, it is the usual business practice—even law demands it—that consultants and suppliers must be different. If I am the consultant and I am the supplier, then you are done for. Human motives and human interests are there. They are not saints. In any of these cases, we find that the consultants and the suppliers happen to be the same. Hochtief Gammon, for instance, is the consultant and the supplier in the civil engineering work. Therefore, the fees will be staggering and no explanation will be given to this House. Rs. 35 lakhs are their fees and in addition, we are paying them Rs. 62 lakhs. The fees

paid to these consultants are exorbitantly high. They have to meet the wider interests of their masters and very often, naturally enough, understandably enough, they often award the contracts to themselves. We find a rolling mill contract being given to one of the consultants. We find the civil engineering contract being given to the same consultants.

In spite of these consultants, we, therefore, find chaos in many a department. I will not be going into details, but it is common knowledge that the way the lay-out is made today is not such as to meet the increased demands for steel from the same factory. In the USSR and other countries, a plant is so built that tomorrow its capacity can go on increasing. Whatever the explanation may be, today we know from the best of experts in this country that even this preliminary precaution in the lay-out of the sites of the steel factories was not taken. Then, how are we to train our engineers and technicians? In Germany, they have not trained the requisite number of Indians nor they have associated the Indians with the designing work. Designing is a very vital part of the engineering work. The Germans have not simply trained our men. The Russians were willing to train Indians, but we availed of the opportunities, as usual, too late. In the Durgapur contract, there is no provision for training Indians.

What will be the result, after paying so much to all these consultants? The result is that for at least one or two years after the completion of the plants, there will be no Indians to take over these plants and we shall be needing the services of 300 to 400 technicians for at least the first preliminary year. Then, we have to remember that we have two steel plants in the private sector and another country not directly concerned with the contracts for the steel plants was ready to train our engineers in the United States of America. This is the sorry spectacle

with regard to training of our own people in a very vital aspect of our industry. The Russians produced only about 3½ million tons of steel at the beginning of the first world war. Today it is a major industrialised nation. I would like to ask, is there something physically wrong with our nature that we cannot make the same progress?

I will be talking about these consultants and some of the interesting things later. I should now like to take the House with me to a very technical thing. How are these things, we should like to know, before we pass judgment.

There is a contract with the Indian Steel Works Construction Company, to which we shall hereafter be referring as ISWCO, to save words. Now under clause 14 we are to give them Rs. 15 crores. For what? For technical services. What are those technical services? It is a very fascinating chapter. Those technical services are to "prepare and submit all drawings required under clause 5". That is the consideration for this Rs. 15 crores. This firm will be preparing and supplying all drawings. Very good indeed. That is done under clause 5. What does clause 5 say? I will just come to that. Clause 14 says that we are to get the drawings among other things and, therefore, we have to pay Rs. 15 crores. Drawings are not the only consideration, there are others, but drawings are to be paid for, as per clause 5. And clause 5 says:

"The contractor shall not be bound to submit for approval or supply....drawings....".

Then, sub-section (viii) of clause 5 is very important. What does it say? It says:

"No charge shall be made by the contractor in respect of drawings supplied pursuant to this clause."

We are told in clause 14 that the money will be paid in accordance with clause

5. That is the consideration. But if you read clause 5, there is a sub-clause which says that no charge shall be made by the contractor in respect of drawings supplied pursuant to this clause. How is this consideration then? This clause categorically prohibits the payment for drawings, and here you show this as the main consideration. This is beyond us. But there are other clauses, equally puzzling and, therefore, worthy of our interest.

Then sub-clause (ii) of clause 14 says the things, apart from drawings, for which we have to pay. It says that this firm will—

"Set up and maintain so long as reasonably required for the purpose of the contract:

(a) A central technical and administrative organisation in Durgapur with a subsidiary office in Calcutta...."

Quite true. They are preparing drawings for us. So they have to maintain an office. But why should we pay for that? If I am drawing and you are paying for it, why should you bear the expenditure for the office? If I build a house for somebody and if I have to provide a little office for my party, it is I who should pay and not the man for whom I am building. They have a contract for such a huge steel plant. Why should we pay for their office? But something will have to be mentioned here for these Rs. 15 crores, called "technical services", and so these have been mentioned.

Then the clause says:

"Co-ordinate the execution of the Works on Site and prepare all necessary progress schedules."

Is it not part of the job? Why should they be paid specially and separately for this? Then it says:

"Progress and inspect Indian Plant at makers' works as necessary".

I would like to point out another thing.

[Shri Nath Pai]

We have consultants called the International Construction Company. We pay Rs. 2 crores to them. If these things are to be done by this Company, what are these Rs. 2 crores for? It is just like saying "you know something of steel; alright, come along and have Rs 5 lakhs", because there is an International Construction Company, to which we have to pay Rs 2 crores for doing exactly this work. This is the job of that company, but we are paying this company also another amount for this. How would you like this clause 14. Now, sub-clause (vi) of clause 14 says:

"Organise and control the provision and use of temporary services....."

What a weighty consideration is this! This is ridiculous.

With clause 15, I will conclude. This is all very technical and I am grateful to this House for patiently hearing when I am wading through these complexities of this particular aspect of the contract. Why are we paying Rs. 15 crores? We are paying Rs. 15 crores for the technical services, and in the technical services we include—

"The cost of providing and maintaining temporary office accommodation on the site for the use of the Contractor, Actual Cost Sub-contractors and sub-contracts engaged on the site works."

Amazing that these too are termed as technical services! We mean by the word "technical" something very different. Then it says:

"The cost of providing office furniture ..."

Is it a technical service? It goes on:

"the cost of providing furniture for the dwellings of the specialist technical and administrative staff referred to in the preceding clause; the cost of providing and operating vehicles for the exclusive use of such staff."

These are some of the services for which we will be paying a sum of Rs. 15 crores. There is no other explanation that we have been able to get so far

I have already referred to certain aspects I know that I have spoken for 25 minutes. I am sure you will be kind enough to give some time by way of reply. I will conclude at this stage by saying this much only. I have not been happy in narrating this sad story of this kind of bungling, lack of vision, lack of vigour and lack of good and sound planning. I have been sad because on the success of our plan depend many of our hopes, many of our dreams. We have hoped too much, we have suffered too much and we have spent too much on these plants and our future life revolves round this plant. If this plant fails many of our dreams for the future will fail. Here I should like to point out one thing. We were told by the ex-Finance Minister that we are going to salvage our future, mortgaging today for the success of these plants. We were ready to mortgage our future, because we were told that these plants were going not only to redeem the future but also to take the country forward. It looks like an old man spending every penny which he has, mortgaging his insurance, mortgaging his pension, to educate his only son and that only son turning a good-for-nothing spendthrift, a little dandy. I am afraid that such a misfortune will befall if we are not careful and vigilant.

I want to point out another thing. The three plants are reserved by the Industrial Policy Resolution to the public sector. The whole concept of socialised industry is on trial. We cannot afford to see the failure of this plant. These plants have got to succeed. I should like to say that during my study of these plants I have not found anything to suggest that the Minister is in any way guilty. But I will accuse him of one thing. He has been trying to shield or connive at shielding somebody else. For himself, we cannot suggest that he has been guilty. But I will plead with him that the House is entitled to have a thorough-going enquiry, led by Members of this House and assisted by experts. That alone will lay at rest our fears. Otherwise, what looks particularly bright is not gold.

Mr. Deputy-Speaker: Motion moved:

"That the Annual Report of the Hindustan Steel Private Ltd., 1956-57, laid on the Table of the House on the 26th March, 1958, be taken into consideration."

I have got 15 names with me. There might be others also who want to speak.

Shri S. M. Banerjee: I am sure, the movers will get some chance.

Mr. Deputy-Speaker: Not necessarily.

Shrimati Renu Chakravarty: Why?

Mr. Deputy-Speaker: No answer to that question. Now may I have some approximate idea as to how much the hon. Minister will take.

Sardar Swaran Singh: It all depend upon what the hon. Members would like me to say. I will utilize whatever time I have got. But I think to do justice to the various points that the members would raise, at least 40 to 45 minutes would be required. If the Members want me not to cover

all the points, I am not keen of covering them. It is upto them.

Mr. Deputy-Speaker: There are two hours and if the Minister takes 45 minutes, we will have 75 minutes with us.

Shri C. D. Pande: We can sit for another half an hour.

Shri Morarka: One hour.

Mr. Deputy-Speaker: The other day that question arose, and I put it before the House that this was the maximum time that could be allotted for a discussion.

Shri C. D. Pande: We can sit longer.

Mr. Deputy-Speaker: Sitting longer is no remedy for that.

Shri Narayananarkutty Menon: That day the rule was suspended.

Mr. Deputy-Speaker: Rather than that, why should we not remove the rule? There might be rare occasions when it might be suspended. Normally if the rule is suspended then the exception will have to be observed.

Shri Narayananarkutty Menon: The rule is made by the House.

Mr. Deputy-Speaker: To be observed; not to be violated

15 hrs.

Shri Morarka (Jhunjhunu): Mr. Deputy-Speaker, I am very grateful to you for giving us the opportunity of discussing the activities of this Corporation which is the biggest corporation not only in the public sector, but is the biggest corporation in the whole country and in due course is going to be one of the biggest in the world. This Corporation would have a paid up capital of more than Rs. 1,000 crores when all the three plants are ready and the raw materials and finished goods start moving.

[Shri Morarka]

From the various questions that I have tabled on the floor of the House from time to time, Members must have noticed that I am not very happy about the way things are going on in the steel plants.

Mr. Deputy-Speaker: Excuse me; we did not fix the time. Ten minutes for each Member?

Shri Morarka: No that would be very little. You may kindly see how things go on and then fix the time.

Mr. Deputy-Speaker: Then, the Members who get a late chance would be deprived of their opportunity. Let it be ten minutes each; in exceptional cases, 15 minutes.

Some Hon. Members: Yes.

Shri Morarka: In view of this rigid time limit, I will restrict myself only to a few points. I want to deal with a few contracts which have been given by this Hindustan Steel Corporation. My purpose in mentioning these contracts must not be mistaken. All that I want is that the Government's attention must be drawn to the weaknesses in the management of this big corporation. Technically, Government may be quite different from the corporation. But really the responsibility rests on the shoulders of this Government. Looking to the amount of Public money that is involved, I think the Government must always be vigilant about the activities of this Corporation, and exercise strict check on its spending departments.

The first contract that I want to refer to is the contract for civil engineering work of the rolling mill at Rourkela. This contract is given to a firm called Hochtief Gammon, (India) Limited. This Mr. Hochtief has a history behind him. First of all, he is the head of a consortium of firms who are the advisers and consultants of this plant for civil engineering work. It is this Mr. Hochtief and

others who prepared the tender documents, invited tenders and when the tenders came, it is again he who scrutinised these tenders. These people were not tenderers at all. When the tenders came, they rejected all the tenders for one reason or the other. One of the tenders, I want to mention, was from Britannia Steel Construction Co., one of the very well known firms and the price quoted by this firm was also about Rs. 1 crore cheaper than the price at which the contract is ultimately given. This firm was not given the contract on the ground that the time schedule of this firm was out and this firm did not appear to these consultants to be a firm who knew the type of job involved in this tender. Then, a target price was fixed by these consultants and at this target price, the contract was given. The target price is that material and labour would be about Rs. 5 crores, and the supervision and equipment hire charges would be Rs. 2.75 crores. Apart from anything else, whatever may happen to the contract, a sum of Rs. 62 lakhs would be given to the contractors as fixed fee. Over and above this Rs. 62 lakhs, Rs. 28 lakhs for the Bombay office and Rs. 21 lakhs for the office in Germany would be given to them as overheads. This was not all. If they completed the contract a little before the scheduled date which again was fixed by themselves, they would get Rs. 2 lakhs for every month that they save and this is by way of bonus. If they saved anything from the target figure—again the target figure was fixed by them—one-third of the benefit would go to these persons and two-thirds to the Government. If the target figure is exceeded, one-third would be provided by them and two-thirds by the people.

Apart from this, there was the question of equipment. Many times, this question has come up before this House. For carrying out this contract, the contractors required certain equipment. May I assure you that

this equipment was not very special type of equipment: equipment like concrete mixers, watering pumps, trucks, cranes, etc. The Government or the officers of the Hindustan Steel (Private) Ltd., decided that they would not invest a sum of Rs. 60 lakhs required for purchasing this equipment. They rather decided that they would hire it out, and after consultation, they fixed the rent charges, and other expenses payable on this. Provision made for the rent amount that would be payable and other expenses incidental to this equipment, was Rs. 75 lakhs. If the Government had purchased them, it would have cost Rs. 60 lakhs. They provided hiring charges Rs. 50 lakhs plus Rs. 25 lakhs for maintenance and other things: in all Rs. 75 lakhs. This equipment, again, is not new. Their rates for the equipment are fixed on the basis that it is new. But, the equipment, most of it at any rate, has to come from Kandla and all that is second-hand. One of the directors of the company objected to this agreement on the ground that most of this equipment is available in India. He said that this equipment is available in India and therefore, we should not accept these rigorous terms. The management at Rourkela gave the opinion that this equipment was not readily available and hence they decided to hire it out.

About the antecedents of Mr. Hochtieff, he had taken a work in partnership with some other people in Kandla. There the work was not carried out as per terms of the contract, so much so that the Government was ultimately obliged to impose a penalty of Rs. 25 lakhs. I have put a few questions on this subject in this House and the hon. Minister of Iron and Steel said that he was not aware. I can understand, these are matters of detail and he may not be aware of them. But, certainly the Ministry which was responsible for giving the work to this contractor knew that most of this equipment was to come from Kandla, that this man had a contract at Kandla and what

were the antecedents of this gentleman. Not only this. I put a question to the Minister of Transport, Shri Raj Bahadur, on 20th August, 1958. From the answers he gave, it does not seem that the Minister was very willing to take the House into confidence. I would, with your permission read out my questions and his answers.

Question: "May I know whether any penalty has been imposed on this firm; (that is, the firm including Mr. Hochtieff), if so, the amount of penalty and the reasons for imposing it?"

Answer: "I have already indicated in the statement that the entire work was completed except for some minor works amounting to Rs. 25 lakhs. In respect of that part of the work a notice has been given that the penalty may be charged and this matter is under consideration of the Government."

My second question was: "Is it not a fact that the penalty has already been imposed on this firm, the payment has been stopped and the matter has been referred to arbitration?"

Answer: "That is correct."

Then, my question: "If the penalty has already been imposed, may I know the penalty that has been imposed?"

Answer: "One-tenth of the total estimated cost of Part III amounting to Rs. 5 crores....which will be in the vicinity of Rs. 25 lakhs."

Almost a cross-examination to take out the information. Why?

Mr. Deputy-Speaker: It should not have been allowed.

Shri Morarka: To a simple question whether the particular contractor has been good and has carried out the work satisfactorily or whether a penalty has been imposed on him, the Minister says that a penalty of Rs. 25 lacs is imposed on him but the work carried out was satisfactory. It is at least a question of propriety that when a matter is under arbitration, the Minister, on the floor of the House should say that the

[Shri Morarka]

execution of the contract was entirely satisfactory. That is for other people, the arbitrators, to determine, whether the penalty imposed was proper or not proper. The matter is still under arbitration.

Mr. Deputy-Speaker: Ten minutes are over.

Shri Morarka: I beg of you to give me some time because there are very important points.

The Minister of Steel, Mines and Fuel (Sardar Swaran Singh): He is a technical expert.

Mr. Morarka: Apart from the price fixed for the target, namely Rs. 7.78 crores, many items are not included in it; for instance, residential accommodation for the contractors and their staff who would be coming and staying there is not included, and that is not insignificant. There are five bungalows of three bed rooms, there are 40 or two bed rooms—all at huge, colossal cost.

What type of contract is this? What is the basis? Even assuming that we do not find many civil engineers in this country to undertake a contract like this, certainly on grounds of propriety at least you could not give this contract to your own consultants. You should have called for global tenders, you should have asked other people to come and quote and then only decide on merits.

The next question is about the firm of Uttam Singh Duggal. They had done some work in the Punjab, and the Public Accounts Committee of the Punjab Vidhan Sabha had said this about their work:

"The contractors had, in resiling from their verbal statement, betrayed an utter lack of good business principles and are, therefore, unworthy of any Government contract being given to them. The Committee, therefore, strongly recommends that in view of this misdemeanour they, and

their allied concerns should be immediately blacklisted by the State Government and intimation to this effect sent to the Government of India as well as to other State Governments for information."

Shri D. C. Sharma (Gurdaspur): He was disqualified in the Punjab, but Delhi is not Punjab.

Shri Morarka: Shri Sharma did not, in his anxiety, listen to the latter part.

Mr. Deputy-Speaker: He had listened all right, but he is disturbing purposely.

Shri Morarka: This firm of Uttam Singh Duggal was given a contract first in Rourkela for about Rs. 2 crores, and another contract in Bhilai for Rs. 1 crore. They failed in Rourkela so much so that Rs. 21 lakhs we had to spend for getting carpenters for helping them. Why the company should pay Rs. 21 lakhs I cannot understand but notwithstanding this and, in spite of this report, and in spite of their failure, a new contract is given to them. That is the latest.

Shri Khadilkar (Ahmednagar): Give a chance to the sinner!

Shri Morarka: Why this happens I cannot understand.

Then, there are other contracts. Tenders are invited and the contract is given for Rs. 3 lakhs. Later on the contractor claims that the work is more, more work has to be done by him, and the amount is increased to Rs. 42 lakhs from Rs. 3 lakhs. Look at the propriety of this. A tender is invited and the work is given for Rs. 3 lakhs. The contractor says there is more work and asks for more, and the amount is increased to Rs. 42 lakhs. If you want, I will give the exact figures. The tender was for Rs. 3,07,500 and it was increased to Rs. 42,67,500 ultimately. There are many such instances. This is not the

only one. In other cases the amounts have been increased three times, four times and so on. I have taken an instance where the amount has been increased 14 times.

The hon. Member who preceded me mentioned about the rolling mill, the cost of which has increased from Rs. 48 to Rs. 72 crores. All that I want to know is: who were the technicians on our side, who were the persons on behalf of the Government of India or the Hindustan Steel (Private) Limited, who justified this increase, who examined, when through this thing, and were satisfied that this increase was proper?

Similarly, in the revised estimates, an item of Rs. 15 crores is introduced in the Bhilai estimates. In the original estimate it was not there. By way of enabling works, temporary things, this and that, one single item of Rs. 15 crores has been introduced. Similarly, in Durgapur, under the item of general civil engineering works, Rs. 6.59 crores have been introduced.

Sardar Swaran Singh: Is it the contention that these enabling works are not necessary?

Shri Morarka: What I said was that in the original estimates it was not there, and how did it come in the revised estimate? You have paid Rs. 2½ crores to your consultants to prepare the project reports. Were they so precise in their estimates as to increase them by Rs. 15 and Rs. 16 crores in a single item?

Sardar Swaran Singh: What is the suggestion? that the items which are now included are not necessary?

Shri Morarka: You may request the hon. Minister either not to interrupt me or give me more time. My point is not whether they were necessary or not.

Mr. Deputy-Speaker: What the hon. Member means to say is that

these consultants were so negligent as to ignore a thing which was very necessary and would have cost Rs. 15 crores. That was not a negligible amount or item that should be ignored by them if they were to be paid a sum of Rs. 2 crores.

Sardar Swaran Singh: This is quite correct. I only wanted to say that we are now vigilant, and we have included all that is necessary.

Mr. Deputy-Speaker: The hon. Member has taken 15 minutes.

Shri Morarka: But the chain of my argument is always broken like this, and I have to repeat the argument.

Mr. Deputy-Speaker: He need not repeat. He may refer to any other thing within a minute or two.

Shri Morarka: Very well. I come to the raw material supply to these plants. The plants themselves are already delayed; they are not even according to schedule, much less ahead of schedule. Even though they are delayed, the supply of raw materials is still more delayed. The main raw material is iron ore. For Rourkela, the iron ore mines would not be ready till 1960, and we do not know whether they would be ready even then. Since the mines, which are at a distance of 42 to 45 miles would not be ready, we will have to get iron ore from another firm at a distance of 140 miles. Why we cannot get from the same mines, even though they are not mechanised, as we would get for Bhilai—the so-called 'floating ore' collected by manual labour—I cannot understand. This is going to cost a lot of money.

Secondly, in Bhilai also, the mines would not be ready and it will take 12 to 15 months more before they are ready.

The next important thing for the steel projects is coal. What is the story about coal? We wanted to put up two coal washeries at Kargali and Dugda. Kargali would be ready and we would be spending Rs. 2½

[Shri Morarka]

crores on it. For the same capacity, everything being same, for Dugda we would be spending Rs. 4 to Rs. 4½ crores, and it would not be ready in time either. So, for that we would be using superior coal from Jharia. That again would increase the cost.

Then about limestone. For Rourkela some limestone we would be getting from Satna, 500 miles away. Every day a minimum of 30 wagons would be coming, in order to make our L.D. process a success.

Then again what do we find? The silicon content of the pig iron is supposed to be very high and therefore unsuitable for the L.D. process. So, for that purpose you must either put up a de-siliconising plant or you must do something else.

For what do we pay this huge amount to our consultants whose time-schedules are out, whose estimates are out, whose technical data are out. And last but not the least the very site in Rourkela we had to shift from one place to another at a cost of Rs. 2·6 crores. That is the additional amount we had to spend because the original site proved to be rocky and we had to have a softer site.

I shall conclude in a minute, but before that I would say only one or two things. One point is about water supply. Our consultants estimated that the required water supply at Rourkela would be 60 cusecs for the plant and 10 cusecs for the township. Now they have revised it and they say we would require 125 cusecs—double. And the river which the Orissa Government said never dried also dried in 1955. On the one hand the requirement of water has increased, and the supply of water has decreased. The contention of the Government was that this river Brahmini never dried and therefore they could not anticipate the difficulty, but my research indicates that on 16th September 1954 the late lamented Dr. Meghnad Saha put a question to the

then Minister in charge, Shri K. C. Reddy, which is relevant to this point, and with your permission I would read it:

"Shri Meghnad Saha: May I know if the hon. Minister is aware that, according to reports, this river goes absolutely dry at certain times of the year and there is no flow of water?"

This was in 1954. According to Government, however, for the first time, the river was dry in 1955. And Shri Meghnad Saha brought this thing to the notice of Government in 1954.

The answer given was:

"What I can say is that the whole question has been gone into great detail by an officer who is competent to express an opinion."

What a competent officer!

"And I have just given in my answer as to what his findings are."

Mr. Deputy-Speaker: The water is drying up here also.

Shri Morarka: In conclusion, I would only say this that whatever may happen to these plants, they would certainly go into operation sooner or later. But we are wedded to this philosophy of the public sector, and any failure of these plants may mean a failure of this public sector, which would be a tragedy. I wish that Government should learn a lesson from this experience and improve upon these various things, so that at least in the future, these mistakes may not be repeated, and the spending may be properly scrutinised and supervised.

Sardar Swaran Singh: I do not want to object—because I know that my hon. friend Shri Morarka is very keen to put forward certain points—but I would only like to remind that

there is a report which is under discussion, I have purposely not said that we are not discussing all the projects; I do not object, but really the subject-matter is the report before us. I do not mind, but this also should be borne in mind.

Shri Naushir Bharucha (East Khandesh): The Rourkela project has been under the Hindustan Steels for quite a long time. So, we can discuss Rourkela.

The first point that I desire to place before this House is....

Mr. Deputy-Speaker: It is a fact that what we have got before us for discussion is the report, and mostly, the remarks should be about that, though, taking it as a public undertaking and so on, references could be made to these other things.

Sardar Swaran Singh: That was why I did not raise any Technical objection. But I only wanted to point this out.

Mr. Deputy-Speaker: Now, there should be no extensions; hon. Members should take only ten minutes each.

Shri Naushir Bharucha: The first point is that we are discussing the report of 1956-57 very nearly at the end of 1958, when the fourth report should have been out but it is not yet out. The entire report of a concern like this where the block capital will be definitely round about Rs. 500 crores is just one page. I want the House to know how very revealing the Hindustan Steel Co. has been that exactly one page of report has been given by a concern which has got a block capital of nearly Rs. 500 crores

It has been stated by the two previous speakers that there has been failure to plan. Perhaps, it is not known that in the case of limestone which was required, and which we think is such an ingredient that not even a technician or a consultant but

even a layman will not lose sight of that fact, we find that not until after the plant was half-way through construction, suddenly the big consultants discovered that limestone was not available. Therefore, they went to a quarry, and the hon. Minister tells us that the preliminary reports indicate that the cost of mining will be very heavy because we shall have to quarry three times the quantity that we require before we come across the right type of limestone. We have got consultants, and then checks on consultants, and consultants on consultants. I ask the Minister, 'what did they do?'. May I know whether this is the way how it should be done, that three times the raw material has to be quarried before we get the right type of limestone for our steel plants, and it was nobody's business to look into it? I ask for an explanation from the hon. Minister for this. And what is more, in other cases even it has been pointed out, as in the case of Rourkela for instance, which is undoubtedly a work from the very start under the Hindustan Steel, that iron ore will not be ready, and therefore, we have got to procure iron ore through the State Trading Corporation from the Gua region. Reference has also been made to the Dugda washeries. Is it not their job? Whose job is it to synchronise these various processes? I ask, when we are paying our consultants Rs. 14 crores and something more, is it not their primary and preliminary job to see that sources of raw material are synchronised with the construction of the steel plants?

My hon. friend Shri Nath Pai has referred to the rising cost of revised estimates. He has not done full justice to the case. With the revised cost of Rs. 170 crores for Rourkela the cost of three plants totals up to Rs. 439 crores. But does this House know that this cost of the steel plants, namely, Rs 439 crores do not include most important items? They do not include cost of township; they do not include cost of iron ore mines; they

[Shri Naushir Bharucha]

do not include limestone quarries; they do not include development of water supply. About 60 million gallons are required for a one-million steel plant, equivalent to the water used by the city of Delhi. The cost of that has not been included in these Rs. 439 crores. Then, the cost of land is also not included. Our consultants forgot to include that. The cost of prospecting and designing is also not included. The consultants are there for designing, but the cost of designing is not included. The cost of power supply up to the perimeter of the plant has not been included. The cost of training personnel is not included. The cost of railway works outside the plant is not included. The cost of personnel employed directly under the project is not included. Even customs duties are not included. Office expenditure is not included. Even 'Other ancillary expenditure' has not been included. These Rs. 439 crores do not include all this expenditure. The revised estimates are false and an eve-wash. Then, how much will they cost?

The three townships will cost about Rs. 42 crores more. The iron ore mines and the limestone quarries will cost just a little, namely, Rs. 20 crores; then, fees to consultants for bungling all these matters would come to Rs. 9.25 crores, water supply Rs. 4.5 crores, cost of Soviet staff Rs. 4.5 crores, and petty expenditure such as expenses on prospecting, railway works outside the plant, training schemes etc. will be Rs. 40 crores. The total comes to Rs. 120 crores more, which is not shown in the revised estimates even. And by the time we have the steel plants in operation, I think it will go up to about Rs. 600 crores.

Much has been said about the consultants. I only desire to point out a few things. Some of the duties have been shown by my hon. friend Shri Nath Pai. And what are those duties?

Their duties are planning general layout. Have you ever heard that where you give an entire contract for the construction of a plant, you leave aside this item and require that the consultants should be paid additionally for that? Then, their duty is to prepare lay-out for each main department. Surely, if you are going to plan general lay-out, first you think of the main departments that you are going to have. Then, their duty is to scrutinise specifications and tenders and advise Government. If interested parties advise Government, what could be the advice? Yesterday, I said that M.P.s should be associated on statutory bodies. Why did I say so? I said so because we could stand up and tell the House, 'Look here, this is wrong, this contract shall not be given', and if anything happens, we can come to the House and say that the Hindustan Steel Co. is acting in an unfair manner, unfair to the public. That was the reason why I insisted yesterday that M.P.s should be associated with statutory bodies

After all, this House grudges paying an M.P. Rs. 21 as compensatory allowance; when I said Rs. 42, some people raised their hands in horror and said 'Rs. 42' M.P.s would be corrupted.' And here, my hon. friend says that carpenters get Rs. 5,000, which is my annual salary in this House. A carpenter is getting Rs. 5,000 a month, while I am getting Rs. 400 a month.

Acharya Kripalani: (Sitamarhi): Socialist pattern.

Mr. Deputy-Speaker: The other day, an American lady enquired what salary I was getting. I said I was getting Rs. 2,000 a month. She said that her cook was getting more than that.

Shri Naushir Bharucha: The salaries in the Hindustan Steel are on that basis. Because, in one case, Rs. 75 lakhs are to be given to a resident

engineer for his establishment, the salaries are all on that scale. Therefore, I thought that perhaps Rs. 42 given per day to an honourable Member of Parliament to be a check on them was not too much. That was the point of view that I had in mind.

Then, their duties are approval of design supervision of manufacture, co-ordination of manufacture and so on. Can a steel plant ever be constructed without these preliminary things being arranged? If we have contracted for the entire construction of the steel plants, why should these additional emoluments, perquisites, and fees to consultants and so on be there?

Sometimes I wonder, after going through reports of expenditure, why did I blunder into the Lok Sabha instead of gate-crashing into Hindustan Steel? It would have been better if I had done that!

Mr. Deputy-Speaker: It is never too late.

Shri Naushir Bharucha: Never too late. But I prefer to remain here.

Sardar Swaran Singh: There is no question of gate-crashing. He is very welcome. It is an invitation on my behalf.

Shri Naushir Bharucha: Thank you for your invitation. But I prefer to remain here and criticise Hindustan Steel Co.

Sardar Swaran Singh: God bless you. That is all I have to say.

Shri Naushir Bharucha: I thank him for his invitation, but I prefer to remain here and watch the interests of the taxpayer.

What are our grievances? Mainly they are these. First, planning for raw materials is neither intelligent nor synchronised and it is extremely wasteful. Secondly, even revised estimates do not include most obvious

items, and it is high time for the hon. Minister to tell us what is going to be the ultimate cost. Thirdly, the Hindustan Steel has entered into contracts running into crores of rupees on which this House is not given the barest information. When a question was asked in this House, whether a particular contract would be placed on the Table, the hon. Minister said, 'No, it cannot be placed' Why can it not be placed?

Then we have the report of Hindustan Steel. It is a belated document. It is merely a scrap of paper. Accounts and balance sheet give figures in lump sums so that no head or tail can be made of the state of affairs of the Hindustan Steel. Unnecessary consultation is duplicated and crores of rupees are spent on foreign technicians while technicians are available here. I end with the plea that there must be an inquiry into all this.

Shri Ranga (Tenali): All that I have to say in regard to the three speeches that we have heard so far is only that our hon. friends do not seem to keep in mind the general atmosphere of impatient revolution, hope and adventure in which we are all partners, and it is only because of our impatience—if there can be any justification at all—that there has been failure of our experts and consultants and Ministers to make provision for so many of these various very essential items.

Before we became free, we had occasion to discuss the need for starting and constructing these steel plants in the then Standing Finance Committee. We wanted the then Planning Member to look into this matter, to get plans prepared and so on. He had earlier been the head of the Tata Iron and Steel concern. So we hoped that he might be able to help us in this regard. It took us more than 7 years after we became free to be able to get anybody at all anywhere in the world to come down to earth and to deal with us on a par

[Shri Ranga]

and agree to co-operate with us in constructing these iron and steel plants. If it had not been for the initiative—I speak subject to correction—taken by the Russian leaders in throwing a kind of a challenge to the rest of the world in helping us to construct the iron and steel factories here in our country.....

Shri C. D. Pande (Nainital): The Germans had come earlier.

Shri Ranga:.....I do not know whether the Germans or the British would have been half as reasonable as they have to be—in spite of their unreasonableness, as it has been made out quite correctly on the floor of the House.

Acharya Kripalani: Wrong chronology.

Shri Ranga: I am no greater friend of the Communists than my hon friend Acharya Kripalani. Nevertheless, facts are there.

Another thing is that the Government were not blindfolded when they did not make provision for many of these items. It was clearly stated—I had occasion recently to look into these agreements—that for such and such items these foreign concerns were not going to make themselves responsible; they were leaving them to the Government of India to make their own plans and estimates. The Government of India were so impatient in getting these concerns to agree to the construction of these plants that they, for their own good reasons, with which I am not prepared to agree completely, chose to leave so many of these loose ends and at the same time go ahead with these contracts and agreements.

Having said that, I would make a few points. I am sure the hon. Minister is the proper person to deal with the points that have already been made, the points that I propose

to make and other points that will be made on the floor of the House. What I am worried about is the general state of insecurity that prevails today in the Rourkela area and also at Bhilai and Durgapur to some extent, as also the lack of co-ordination between the railway authorities, port authorities and the steel plant authorities themselves. The result is that large quantities of imported materials, very valuable materials, imported into the country for the purpose of the Bhilai and Rourkela plants find their way into the markets of Visakhapatnam, Jubbulpore, Sambalpur and several other places.

Only recently, there were large thefts carried on by, it appears, organised gangsters in the Rourkela area. I am not quite satisfied, after having heard what they have said, that there is proper co-operation between the local Government and their police department and our own plant authorities. It is time the hon. Minister, and also, if necessary, the Prime Minister, called a conference of all these concerned authorities, the local Governments, the railway authorities, the port authorities and the plant authorities themselves and the apex body in order to bring about some sense of national urgency, some sense of the need for co-operation and co-ordination among themselves. My fear is that not only the completion of these projects would be delayed, but valuable properties would be lost and the reputation of Government and their executives for proper maintenance of their own stores would be lost.

Next, I want to know why they have been changing the headquarters of this great concern from time to time. They started first at Delhi, then took it to Calcutta, and now they have brought it back to Delhi. I do not know why they have done this. Would it not have been better if they had kept it at Calcutta where the largest proportion of our imported

machines are being received at the port, where there is great need for the highest authorities to be in touch with the port authorities, the railway authorities and corporation authorities in order to ease the movement of these imported materials and machines from the Calcutta dock-down to the plants themselves?

Thirdly, is it absolutely necessary that we should have, in addition to the two laymen in the persons of the Minister and Deputy Minister, another layman, a non-technical person, at the head of this great concern? I believe Shri Boothaiahangam is still there. Is it so?

Sardar Swaran Singh: No, Shri Pande, former Chairman of the Railway Board, is at present Chairman of the Board of Directors.

Shri Ranga: Then I speak subject to correction. I am glad they have a technically qualified and administratively experienced person at the head of this great concern. I would like similar steps to be taken in regard to the posts of General Managers of these plants also. I have come across only one man—a live-wire he is—who has put new life into one of the plants, because he has had both administrative and engineering experience in his distinguished career.

Having said that, I would like to suggest the need for taking the earliest possible steps to build accommodation for stores and also keep accounts for stores. Till now very little had been done in Bhilai and Rourkela. They have already begun to do something at Durgapur. The other day I had seen it. But it is necessary that these steps should be taken at the other two plants also. Rapid progress is being made in building these townships and much more is going to be done very soon. I am confident that in regard to the progress of these plants also, thanks to the healthy competition there is

246 (A) LSD.—7.

today between Bhilai and the Russians associated with it and Rourkela and the Germans associated with it, they would not be far out regarding the target fixed for the commencement of their active production. At the same time, so much more can be achieved if only co-ordination can be had.

Lastly, Sir, it is most essential that we should develop our designing section. Only recently, I was told that this concern has decided upon opening a designing section; but not enough is being spent. Much more has got to be spent than they have spent so far in training our own experts, in giving opportunities to our own artisans and skilled workers to get themselves trained. Every effort has got to be made in order to see that our engineers, our experts, our artisans and others are so well trained in the construction of these things that they would enable our country to construct other concerns without very much of help from these foreign consultants after the construction of these three great plants. It is in this direction that much more progress has got to be made.

Shri Panigrahi (Puri): Mr Deputy Speaker, Sir, I would like to submit that it is of no avail if we simply discuss about the difficulties that the Hindustan Steel Private Ltd. is facing today in the case of these three major steel projects. It is really a fact that when India decided to go into large-scale production of steel in the public sector there were no technicians or skilled men available in this country; and it is also a fact that there was not enough experience available. It is good that the Soviet Union, with its desire to help all the under-developed countries in the world to build these heavy industries and make them independent of foreign countries, started the race in India for steel.

Acharya Kripalani: Just as in Hungary!

Shri Panigrahi: Of course, mistakes are there. I would like to tell the hon. Minister that they should take all this criticism in the spirit that the Hindustan Steel Private Ltd. should improve and remove these difficulties so that in coming years, in the Third Plan and in the succeeding Plans, when we are going to take up more steel plants, India can go ahead with the production of steel. With this end in view, I would like to make a few suggestions for the consideration of the hon. Minister.

It is a fact that during the last one year China has made tremendous progress in the production of steel and they have set up a target of having 20 million tons of steel, whereas in this Plan period the Government of India has fixed a target of only 6 million tons. The progress that China is making in the production of steel should be taken into consideration and Government should go forward with vigour to see that steel production in the country is increased.

I find that in 1958, instead of production of steel increasing, it fell by 33,000 tons. When we are having large-scale steel plants and when they are expected to go into production, those plants which are already in the field could not come up to our expectations. Naturally, in India, the production of steel went down by 33,000 tons in the first quarter of 1958.

I refer to the employment potential as well as to the technical man-power that will be needed for carrying out these steel projects. It has been calculated by the different experts that for setting up a steel plant of 1 million tons, every year about 2 million tons of iron ore are required. A little less than 2 million tons of coal, 5,50,000 tons of limestone, 3 lakh tons of dolomite, one lakh tons of manganese ore and many other kinds of material are required. Is the Government of India giving an opportunity to the Indian consultants who are

working in this country to associate themselves with these steel projects so that in future they will get the experience to work out the mines with iron potential like Barsua or Kiriburu which are going to export iron ore to Japan? I feel Hindustan Steel Private Ltd. has not been giving due consideration to this problem. Indian consultants have never been given the opportunity to associate themselves with either the construction of these three plants or in quarrying iron ore or manganese or other material resources which will help the production of steel in these plants.

15.45 hrs.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

In so far as supply of iron ore to Durgapur is concerned they have given the contract to one Bird & Co., which is very notorious for its anti-labour policy. We in Orissa know what sort of company this is. That company which is a British owned company has been given the contract to quarry iron ore for supply to Durgapur.

Similarly, in order to supply iron ore from Barsua mine to Rourkela the contract has been given to another American firm. So, in the case of Durgapur, in the case of Rourkela all these contracts for quarrying iron ore are being given to foreign consultants and foreign firms.

The Government of India has entered into an agreement with Japan for exporting 2 million tons of iron ore every year from Orissa. I would like to know from the hon. Minister whether they are going to give the opportunity to an Indian consultant or an Indian firm to quarry iron ore. When the question of quarrying iron ore from Orissa comes, I mean the Kiriburu mines comes, you cannot give the opportunity to an Indian consultant or Indian firm. It has happened recently that Japan has come into the

picture. I do not know how far it is correct. But I understand that the Japanese firm has told the Government of India that if they are not going to give the contract to them (the Japanese) they are not going to supply the loans promised. I do not know how far this is correct. The Indian consultants quoted their tenders; still the Japanese firm was preferred.

Then, the question of technical personnel also comes. In the case of technical personnel, the Government of India have calculated the number of persons that would be required to run these three projects after they are completed. They have decided that for running these steel projects, 120 experienced engineers who would have the requisite higher technical qualifications would be required. Secondly, they have calculated that 1,200 qualified engineers, 10,000 skilled workers of different categories, and 7,000 semi-skilled workers would be required.

I would like to know from the hon. Minister whether, when these foreign consultants and foreign technicians will deliver the steel plants to us and go to their country, the Government of India would be in a position to take charge of these plants and run them, whether they are in a position to supply this needed technical personnel for running these plants.

I would like to refer to one or two points, especially about Rourkela. The condition is really very serious. When the projects are being run in the public sector, it is expected that the labourers working there will get a better deal but there is a constant complaint from the labour population that the authorities there are dealing with them very badly. The anti-labour policy is very much resented by the labour population and there cannot be co-operation from them if this policy is pursued.

There is one more point with regard to Rourkela. That is about the foreign fitters there. In Orissa, almost

all the daily newspapers are very much worried; this news has been reported in almost all the papers. It is reported that these foreign fitters now residing at the Apprentice Hostel in Sector No. 5 are employing maid servants as ward girls and there is an open prostitution going on there. It is more surprising that they are sending naked photos of girls to Germany. It really tells upon the prestige of the country. Whenever we are writing a letter to our constituency, it is being tapped and even that letter takes fifteen days to reach its destination. Still, I do not know how these foreign fitters are sending naked photos and obscene pictures to Germany. There must be somebody to check it. This is also a cause of anxiety in Rourkela and it causes friction among the local population there.

Lastly, I submit that the hon. Minister should take sufficient precaution to see that the water supply position in Rourkela improves and opportunities are given to the Indian consultants to associate themselves at every stage of construction in the steel projects.

Shri Somani (Dausa): Mr Chairman, the task of establishing three steel projects in this country is really a gigantic one and it is only fair that we should realise and appreciate the unprecedented nature of the difficulties and problems that have to be faced by those who are in charge of the management of these projects. I have no knowledge of the various contracts and agreements about the consultants and, therefore, I would like to confine myself to make a few observations in the nature of making suggestions in regard to the functioning of these projects. My submission to the hon. Minister is that the very nature of the complexity and magnitude of these projects require deep thinking and imagination about the set-up which is in charge of the progress of these projects. My first submission is either these three projects should be constituted into three independent and

[Shri Somanji]

separate companies or, alternatively, the Hindustan Steel Private Limited should at least have three separate subsidiaries, which will mean three independent boards which would take charge of the management of each of the project. This will lead to healthy competition on the one hand between one project and the other and will also ensure that proper justice will be done to the various problems which come up for consideration before the board of management. However efficient and competent the members of the board of the Hindustan Steel might be, it is beyond the physical capacity of any such board to grapple satisfactorily with the various problems which arise in the course of construction of these three steel projects. Therefore, I seriously suggest for the consideration of the Government that in order that these projects might be run efficiently and smoothly, it is desirable to introduce decentralisation to a certain extent and to ensure that the problems of each project will receive proper consideration. So, it is desirable that there should be three separate independent boards to manage these projects.

I would also like to suggest that the time has come when these projects might go into production; so in the near future, the Government may seriously consider the desirability of offering shares either by way of preference capital or equity capital or both to the public so that they may invest in these projects. This will lead to two results: firstly, it will enable the Government to raise financial resources from the public. This is possible now in view of the fact that quite a substantial progress had already been made in the construction of these projects. Due to the present easy conditions in the money market, it is opportune time for the Government to consider the constitution of separate companies for each project and offer shares to the public for investment.

Secondly, it will lead the public shareholders to take an intelligent interest in these projects on the same lines as the shareholders take interest in the functioning of private companies. It is not possible for this House to go into the details of management about the working. I think it will be desirable if an opportunity is given to the investors of this country who will, while contributing capital for the establishment of these projects will also be able to make constructive contribution for the management of these concerns. . .(Interruptions)

Shrimati Renu Chakravarty (Basirhat): He wants the Industrial Policy Resolution to be changed

Shri Somanji: I make these suggestions in the hope of ensuring better management of these projects so that the public may have a better opportunity of going into the working of these projects. The Government will also be able to raise some financial resources which are so badly needed

Apart from that I would also like to suggest to the hon. Minister this question for his consideration. I do not understand the desirability of entrusting the delivery of all the iron ore requirements to the STC. There are normal trade channels and I see no reason why the STC should be entrusted with the task of supplying the full requirements to these projects. It will lead to much better and more efficient working if this is left open to the normal trade channels

Then there is the question of the future expansion of the steel industry and in the context of the possibility of export trade, I would like to draw the attention to what the private sector steel management has to say in this connection. From the various points of view, I would like to submit to the hon. Minister the advisability of associating experienced businessmen and members of the various other fields of public activity so as to ensure that

these huge projects might have the benefit of all shades of public opinion in their administration....(Interruptions.)

16 hrs.

Shri Khadilkar: Mr. Chairman, Sir, I would like to restrict my remarks as far as possible to the report under discussion; but, unfortunately, the report that is before us is extremely scanty. And, so far as steel projects are concerned, from the point of view of investment and production potential, if we take into consideration, they are comparable to our Railways. Therefore, what I would suggest is that, as in the West, public corporations should present their reports with a good deal of information—I would request the Minister to take note of it—so that the House and the people would be in a better position to judge what really is taking place. Simply a two-and-a-half page report perhaps, even less, does not do justice to the national undertaking that is entrusted to this Ministry

Coming to the report before us, what I find is that something somewhere has gone wrong regarding the planning and other things concerning these three steel plants. I admit that it is a big effort. We had no previous experience. We had to depend much more on the foreign talent and guidance. But, even then, one feels, after going through this, why our experienced people should not have budgeted properly; because, in this country, when public enterprises are expanding, there is a general tendency that so far as budgeting is concerned either it is under-estimated at the beginning or when the work progresses one discovers that the magnitude of investment is out of all proportions

I will just give a small instance. Originally, if I correctly remember, the investment was proposed to be Rs. 345 crores on this. In 1958, it was estimated to cost about Rs. 439 crores, which means a 24 per cent. increase. Of course, this excludes the investment so

far as housing and other things are concerned, and I would like to take note of it because, as I see things, ultimately these three projects will cost us about Rs. 600 crores. That is the present position.

Therefore, what I would like to say is that so far as public undertakings are concerned proper budgeting and estimates must be made at the initial stage so that we will know exactly what we have, how much we have got to invest and what we shall get out of it. Of course, unfortunately, so far as steel is concerned, we knew, if we take the world position into consideration—when we are building up an industrial society the power base and the steel base are the main considerations, and our power base compared to steel base was much advanced—so far as the steel base was concerned our position was very weak. If we compare the per capita consumption in other countries—I will cite a few instances for the sake of example—we are consuming per capita 22 lbs. ingots of steel as against 1,317 lbs. in U.S.A., 842 lbs. in U.K. and 486 lbs. in U.S.S.R. I am quoting these figures because, when we thought of planning we knew that this was the greatest deficiency in our industrial development and we ought to have thought it better to undertake at least one steel plant, as it was suggested in 1950 and 1951. If we had undertaken that, I am sure we would have saved a good amount of precious foreign exchange. That plant would have gone into production by 1954 or 1955

But we have missed that bus, and we have started planning for steel production with the second plan. In the process of planning inordinate delays have taken place. Because of these delays another factor has cropped up. The original prices at which we were going to contract for the foreign machinery have gone up. How much have they gone up? The original price of the machinery for Rourkela, Bhilai and Durgapur put together was estimated to be Rs. 193 crores. The position now is that we are paying Rs. 256

[Shri Khadilkar]

crores or so. Therefore, in this process of delay in negotiations we have lost a good deal.

Moreover, I fail to understand—from all the speeches you must have observed, Sir, that so far as Bhilai project is concerned things have gone very well—why the method by which a certain contractual arrangement was arrived at with the Soviet Government was not pursued with the help of an expert so far as the British consortium is concerned or the German manufacturers are concerned. If that had been done and a uniform policy had been followed while entering into such big contracts, I feel that we would have saved a good deal of money. In our country, when we are planning we must show to the people that our planning is not so expensive, much more expensive than the advanced countries at the initial stage, because it is very likely that it would undermine, as the budget is undermining, to some extent their faith in a public enterprise, which we should guard against.

In this report, it has been suggested that hence forward all the three plants are to function through one company. I fail to understand why that company, as it has been stated here in this report, should have headquarters at Delhi. Of course, I find this tendency that every concern, whether it is oil or steel, would like to have headquarters at Delhi, round about the Secretariat. I do not know the politics behind all this; but I deprecate this tendency. I would like to urge that so far as steel production is concerned the head offices of the Hindustan Steel must be at a central place where it is a steel area altogether, and the people there who are in charge of production, management and other things must look after it as our Railway Board people are doing. If we compare the present investment and the future, our investment would be comparable with the Railway investment. I am told it is about Rs. 1,300 crores for the Railways,—of course, it is old costing, but

even then, with the Fourth Plan coming in the offing, it would be about Rs. 1,000 crores if not more for steel. Why should the directors be shifted? Why should not there be a Steel Production Board entrusted with the responsibility of production? Whatever might have happened in the early stages regarding contracting and designing,—mistakes have been committed, but let us benefit by the mistakes—the policies of Government ought to be translated while a Plan is being worked out. Unfortunately, the Secretariat people who executed the policies were entrusted with too much work without any expert assistance in this field.

Therefore, what I would like to suggest is that in future, in our development of this industry—and the future of India depends on the solid base of steel industry, as I said in the earlier part of my speech—the Minister should take note of all these drawbacks. The directors and Chairman should not be shifted; they should be permanent officials.

At the same time, I would like to make one suggestion. My hon. friend, Shri Asoka Mehta who has written a book has stated that about 50 persons in this country control all the financial world and by permutation and combination they become directors. What do I find in public enterprises? Those who were serving—they might be very good people—during the British regime and associated themselves with some concern and the ex-I.C.S. people, only they are to be trusted and no other man from any other walk of life, from public life is to be trusted with the responsibility of running a public concern. I think this is a bad policy. For future guidance, I would submit that if public enterprise is to succeed in creating confidence, is to succeed in the sense that it can show improvement,—as one or two of my friends said just now—by taking advantage of certain failures in the past that the steel plants should be thrown open to the private enterprise. I am prepared

to ignore them, but not ignore at the cost of public confidence. Therefore, I would like to spotlight it for the sake of improvement on their part.

What I am suggesting is this. So far as the management of all these plants are concerned, it must not be a sort of a monopoly, a preserve, of bureaucrats and the nominees of the private sector. Today, the position is unfortunately this, namely, the public sector is being managed by the nominees of the private sector and the bureaucrats, and the obviously avowed objective of democratic planning in this country would be vitiated if the management and control of public enterprises is left to, or has become, the monopoly of people drawn from this part of our social life. This is a bad tendency and it must be guarded against.

Mr. Chairman: The hon. Member's time is up

Shri Khadikar: With one more observation, I shall finish. So far as steel is concerned, what I feel is that we have got three plants just coming up, and we are planning for the fourth plant. Unless we are going to benefit by this experience, and unless we set up a designing machinery from the lack of which we suffer, and set up a civil engineering machinery and also set up our own consulting machinery, we should not, as is being thought out, think of the fourth plant, because it will land us again in difficulties and the same mistakes would be repeated during the execution of the fourth plant. We should benefit by the experience of China. You must have seen that recently they have erected small plants all over the country—small pig iron plants of the capacity of about 10,000 tons or so. I do not remember the exact figure. This has produced such a big result that if we would give thought to it we would benefit by China's experience. The initial cost is almost negligible, and the location of the industry is spread all over the country. That creates a certain amount of industrial consciousness, and provides opportunity to every part of the country. That

scheme should be thought out for the future expansion. With these words, I close.

Shri S. M. Banerjee rose—

Mr. Chairman: I now call upon the hon. Minister. He will take about 45 minutes. Then four to five minutes must be given to the mover of the motion

Sardar Swaran Singh: I welcome this opportunity of deriving benefit from the observations made by the hon. Members of this House. You would recall that at the time of the last budget debate, fuller information was contained in the administration report of the Ministry, and before the discussion actually took place I read out a statement giving in detail the latest position as it then stood so that the hon. Members might be able to make their comments in the light of the latest developments and the progress of the work.

Although on the present occasion it is the report of Hindustan Steel for the year 1956-57, the hon. Members have been good enough not only to give comments about the report but have made certain general observations about the progress of the work, about the defects that they have noticed and about the suggestions that should be considered by those in charge of the Corporation for the improvement in work. I am grateful to all the hon. Members

So far as the importance of steel in our industrialization plans in the country is concerned, there is no difference of opinion, and I am glad to find unanimity of opinion amongst all sections of the House. In our plans for giving an industrial pattern to our economy, steel plays a very vital role and there has not been the slightest suggestion that we are either over-ambitious or that we have undertaken something which we should not have. If anything, the criticism has been from certain quarters that we did not

[Sardar Swaran Singh]

start our planning and execution of those plans to the creation of capacity for manufacturing steel in the country much earlier. That only shows that the decision that had been taken while formulating the Second Five Year Plan for giving steel pride of place in the Plan was a good decision and the more we think of the future role that steel has to play, the more will everyone feel convinced that without pushing ahead our programme for the manufacture of steel we cannot really dream of the industrial pattern that we propose to evolve in the country.

It has however, been pointed out that in the execution of these projects there have been slips and mistakes.

Shri Nath Pai: Delays

Sardar Swaran Singh: I thought delay was a mistake.

Shri Nath Pai: Mistakes leads to delay

Sardar Swaran Singh: Delay leads to mistakes. But my point is that hon. Members have criticised the functioning of the Corporation, given thought to certain important aspects and have thrown up weaknesses in certain contexts about which special mention was made. Also, in a general way they have made observations about the delays.

Shri Rajendra Singh (Chapra): About the dubious deals also

Sardar Swaran Singh: Fortunately that adjective has not been used though Shri Nath Pai has been quite liberal with adjectives. I would readily concede that in a project of this nature, which leads to production of a vital material like steel, delay is really wasteful. Delay is bad in all projects, whether they are social or other projects, but delay in a project which gives economic results, which produces a material which is necessary for our

economy is obviously a very serious matter. I share the anxiety that has been expressed from various sections of the House that we should ensure that there are no delays, and if there are any delays, we should find means to check those delays and should be able to push ahead the work with the maximum possible speed.

It has to be remembered that, in a project of this nature and magnitude when the estimates about our requirements have been going through various changes, it was not really before the end of the First Five Year Plan, the period when the Second Five Year Plan was being formulated that some realistic estimate of our requirements could be made. I would like to recall Mr Chairman that there was mention of a steel plant of about half a million capacity in the First Five Year Plan. When, however, investigation started our requirements for steel were checked up and a great deal of thought was devoted to this aspect and soon the conclusion appeared to be inevitable that we were pitching our requirements at rather a very low level. That had to be revised. Then not only did the Government decide that the private sector plants, that is, the Jamshedpur and Burnpur plants should be permitted to expand to a considerable extent—Tatas being almost doubled and Indian Iron also making a substantial increase in production capacity, bringing its capacity to one million tons—but also that, besides the big expansion programme, we should have three steel plants in the public sector with one million capacity each.

In the initial stages the Rourkela steel plant was the first about which concrete steps were taken to explore the possibilities of foreign collaboration and the supply of equipment and machinery. I am making a mention of that, because the initial stages of Rourkela are really the subject matter of the report, which is the basis for the discussion before this House today. So far as the negotiations for the two

other steel plants, besides Rourkela were concerned, in the initial stages negotiations were conducted, mostly at the Government level, because at the other end there was the Government of U.S.S.R., who were negotiating and who were prepared to give technical collaboration and also credit facilities, and again on the side of U.K. a consortium had been formed and there was hope of getting credit facilities by an arrangement between the banking institutions, guaranteed by the Government of U.K. It was, therefore, considered advisable that at least in the initial stages, so far as the Bhilai and Durgapur negotiations were concerned, they should be conducted at Government level. It is for this reason that there is no mention in the present report about the other two steel plants. At that time the company was dealing only with the Rourkela project. But some time in April 1957, when most of the negotiations with the consortium from U.K., as also with the Government of U.S.S.R., had been almost finalised, it was decided that all these three steel plants should be placed under the care of a single company which would be controlling, managing and otherwise going ahead with the construction of the three steel plants. That briefly is the background of the steel corporation, as we find it today.

I am afraid that the two most enthusiastic speakers today, who initiated this discussion, saw very little on the positive side, and most of the time they were worried about one or two contracts, about which I will briefly mention at a little later stage.

Shri Morarka: We have not said anything about the positive side, because there was no time. . .

Sardar Swaran Singh: Shri Morarka has thought somehow in his wisdom that the negative side is most important and that the positive side should wait. Opinions can differ and I thought that perhaps the positive side is even more important than negative criticism. I am not complaining in

any way and I am glad that Shri Morarka sees the force of what I am trying to point out. That the picture that was attempted to be painted by picking out a couple of contracts which they thought did not come up to strict scrutiny was not correct. They wanted to create an impression as if there is complete chaos and that nothing is happening. I cannot believe that these two gentlemen, with their experience of public matters,—I presume, they must have visited these steel plants also, and I am sure they saw other good positive features in these projects also, as now explained by Shri Morarka—which they could not put forward before the House for want of time

Shri Nath Pai: Because we knew that you would be boasting all that. What the country needs is the drawback in it. For one thing, you and the Government perpetually boast of your achievement. Why should we undertake a duty which you have voluntarily taken upon yourself?

Sardar Swaran Singh: I do not grudge that. I hope that he should not grudge me very objectively mentioning what has been done

Shri Nath Pai: I also put it objectively

Sardar Swaran Singh: I can claim that I have not boasted much; nor have I any intention of doing it even today. I am only trying to put forward facts

An Hon. Member: Boost or boast?

Sardar Swaran Singh: . . . simple facts as it obtains there today on the ground. Those who have visited this place during the last one year or so have not remained unconvinced and unimpressed by the magnitude of the work, by the manner in which technicians both Indian and foreign are working in co-operation and going ahead with the construction of the plants which are so essential for our economy.

[Sardar Swaran Singh]

On the constructive side, I am sure that the House will keenly like to know the latest position. I would like to very briefly mention what is happening there today, and what is the stage at which we find ourselves. The construction of these three mammoth steel plants, all at the same time, has been an exciting adventure. The House knows that even in more advanced countries such an effort has hardly been attempted. We have had to build not only the plants, but practically everything else. Indeed, one might say that we are changing the very way of life in these regions. Conscious, as I am of the difficulties and shortcomings, the House will agree with me that faced with this task of this magnitude, we have not done too badly. We are now approaching the peak period of construction. Already there are 45,000 men at work in Rourkela, 60,000 men in Bhilai and over 25,000 men in Durgapur. In Bhilai and Rourkela, over two-thirds of the equipment is already at the site. The first battery of coke ovens has been heated in Rourkela and Bhilai and the actual production of coke will start in December. I also expect that by the end of December the physical erection of the first blast furnace and the other departments necessary to produce iron will be practically completed both in Rourkela and in Bhilai. This does not mean that production can start the next day. The blast furnace, the coke ovens, the power plant, the systems for blending and conveying ore, coal and other raw materials, the supply and circulation of water, gas and power—all these form an intricate complex. The functioning of each part has to be meticulously tested in relation to the rest and the whole complex has, so to say, to be correctly tuned up. This is extremely important because once the blast furnace is started, it has to be kept in continuous production day and night. Any interruption, however petty the cause, might well mean stoppage for weeks. I cannot, therefore, say when exactly we can start

making iron. But that day is not far off. This, my friends will appreciate, is not much of boasting, but just a factual presentation of the facts.

Shri Braj Raj Singh (Firozabad): That is why it should have been given in the report.

Sardar Swaran Singh: I wish I could be a prophet and give what is happening today in a report which relates to the period 1956-57.

Shri Braj Raj Singh: Something about that should have been mentioned.

Sardar Swaran Singh: I would very much welcome it if that indulgence could be granted to me that while I am presenting the report relating to the period 1956-57 I could project myself into the future and say what would be the position on 25th November, 1958.

Shri Braj Raj Singh: But something could be given about that period at least. Nothing has been given about the period to which the report relates.

Sardar Swaran Singh: I think my hon. friend is feeling hurt because I have brought his attention to the fact of the lapse of time, but I had no intention of doing that.

I was submitting that this is the present stage of the work, and this gives some idea of the activity that is going on in these projects.

The commissioning of the blast furnace is only the beginning. In the course of the next two years—now I am trying to project myself into the future—the various steel-making and rolling units will be commissioned in sequence.

An Hon. Member: Are you a prophet?

Shri Braj Raj Singh: Now he is becoming one.

Sardar Swaran Singh: But I am only profiting by your prophecies.

I expect that there will be a substantial production and sale of steel before the end of the Plan period.

I would also like to add with your permission that the House should not forget that those who operate the plants will consist mainly of young people who have been recently trained. The number of people with mature experience of steel production will be relatively few and will be supplemented by a leavening of foreign personnel for a time. Tuning up for production, not to mention the attainment of full production, will therefore be an uphill task; it would be as great an effort as the construction of the plant itself.

Another point had been mentioned about the lack of training facilities, and speakers more than one had drawn attention to that aspect. This matter of finding suitable technical personnel to man modern steel plants of the nature that are being put up at these three places, I admit, was not an easy task, but I do submit that the matter had received very careful attention both in the matter of selection of the personnel for training as also in the matter of making adequate arrangements for getting them the right type of training. We had selected in hundreds young engineers with electrical, metallurgical, mechanical engineering and other qualifications. We have made arrangement to train them in batches in a preliminary way first inside the country so that they might get some idea of the type of work which they were going to learn when they went abroad, and then we have arranged to train these young engineers in almost all the important countries of the world. In this connection I would like really to express my thanks and appreciation to the foreign Governments and others concerned who have been good enough to afford these training facilities.

We have sent these trainees in hundreds to the Soviet Union. We

have also sent our trainees in hundreds to the USA, and there are training facilities in the U.K., in Canada, in West Germany and in Australia. We are also exploring the possibility of training facilities in other countries.

Besides this, a number of engineering firms and our own private sector steel plants and also the Government steel works at Bhadravati, have been good enough to extend facilities for training of other personnel who might be called 'operatives' at various levels. The supervisor engineers with their technical know-how and experience and training will provide the hard core, but the brunt of the work will have to be carried on by the trained personnel and in this respect also we have attempted to avail of opportunities which are available inside the country; we have also sent such trainees abroad in fairly large numbers.

Shri Nath Pai: Will they be enough to meet our requirements? That is the point. Is it not a fact that experts in this country do feel and do entertain fears that between 300 to 400 technicians of a very high calibre will be required after the completion of the plants, to run them, that is, non-Indian technicians? What the hon. Minister has said is true, but is that enough to meet the requirements?

Sardar Swaran Singh: That is the objective, that our requirements should be met. It is true that in the initial stages, we shall not be able to find the right type of trained individuals and technicians to man these various sections of the plant at various levels, particularly, at the higher levels.

So far as recruitment of suitable Indians for manning these plants at the higher levels is concerned, we could draw upon what is available in the country; in that respect also, although the Tatas and the Indian Irons have their own expansion programme, and they cannot easily spare technical people at higher level, we

[Sardar Swaran Singh]

evolved a method under which, by mutual consultation, we have been able to secure even at higher levels a fairly large number of technical personnel and technical experts. It is true that their number is not large enough, but that is something which is inherent in the situation. If they are not available, it is not because we have not made an effort to find them, but because they are just not there.

During the interval, till our own boys come up and have developed enough of confidence and experience to undertake responsibility at higher levels, we shall have to depend upon suitable technicians from abroad. And we should not at all be ashamed of having an arrangement of that type. Even the existing steel plants in our own country had for decades together foreign experts at higher levels who provided the hard core for the technical operation of the plants.

The question posed by the hon Member made it appear that we are unaware of the shortfall so far as our Indian hands are concerned, and that it has suddenly dawned upon us as something which was not known before. That, I am afraid, is not a correct appreciation. We knew from the very beginning that we would require foreign technicians at higher levels in the initial stages. They will not only be there in position to run the plant but they will also be providing the necessary training to our younger people who could, after they get experience, take up higher responsibilities.

We are making arrangements with regard to these experts from abroad, and we have already succeeded to a certain extent, and our effort is continuing. I am not at all pessimistic in this respect, and I do not anticipate any real difficulty in the matter of finding the experts of the right type to man these steel plants at the time when they are ready for operation.

The other important point which has been the subject-matter of comment from various sections of the House is the question of estimates. There is one preliminary observation that I have to make, before I give certain figures. So far as figures are concerned, I have been trying to keep the House informed fully of the latest position as it has obtained from time to time. Questions have been asked on the floor of the House, and in reply to those questions I have been giving the information with regard to the estimates of the cost of the plant and the other ancillary things.

It is of importance to note that except in a few marginal cases, the comment has been somewhat critical on the ground that while putting forward the first estimates a large number of things had been omitted. I would respectfully submit that that would not be a fair criticism. At the time when any particular estimate was given, it was made clear in our anxiety to keep the House fully informed that with regard to those particular matters about which some estimate was available, these were the figures, and there were other items about which estimates could not be given; and if later on, the figure swelled on that score, if the cost of those other items were added to them, that certainly could not be taken as a point of grievance against the Government, because as and when those figures with regard to any particular part were available, they were given and it was also explained from time to time that a particular figure given at any particular moment did not include certain other items. The figures with regard to those items had been added from time to time, when the information was available.

It is true that even with regard to certain parts of the plant proper, namely, the items that were included in those figures that were given at any particular time, changes have taken place, sometimes on account of

change of design, sometimes due to change by way of addition of something else or improvement of design, and in a number of ways the estimate has been subject to revision. But I would like to mention that the estimates that have been given even at the earliest stage by me after I took charge of this—and that happened about a year and a half ago—had not been the subject of any substantial change from the time that I gave those figures from the time of the budget discussions in 1957. I have failed to notice any point made by any hon. Member to suggest that there has been of late any recent additions or big changes in the figures that had been given from time to time.

Shri Nath Pai: We did mention the figures. Take the rolling mill. He is trying to mislead the House. I mentioned these and other Members also mentioned rise in specific cases. A rise from Rs. 48 crores to Rs. 72 crores—is it something minor? A rise from Rs. 13 crores to Rs. 19 crores in 'general services' in the case of Rourkela—is it a negligible change? Has the House been taken into confidence even at this late stage? He has not given an explanation for that.

Sardar Swaran Singh: I am afraid my hon. friend is a little too impatient. He says that the price of the rolling mill has substantially increased. That was given by me at the earliest time and there has not been any substantial change whatsoever. That is all I am trying to submit. At the earlier stage, when it was evolved, it did undergo a certain number of changes and as a result of those changes and as a consequence of other factors also, including world prices and the like, we should be prepared really to face a situation where the estimates cannot be as firm as perhaps the hon. Member would like them to be or as firm as I would like them to be. But we should be realistic enough to take these various factors into account and not put a sort of distorted version before the country. It will be

unfair to create an impression as if the whole thing has proceeded in an absolutely unmethodical way and that figures had been added on at will from time to time.

I would like even now to give the picture so that there may not be any mistake on that score. These figures have been given from time to time. But I think it would be good if I were to repeat them. This is nothing but summarising what I have said from time to time either in reply to questions or at the time of the various discussions.

Yesterday in answer to a question I made a full statement of the foreign exchange costs and the payments made so far. The figures I gave include foreign exchange costs not only of the plants proper but of the ancillaries. On several previous occasions I had given information about the total costs also. I will only recall that the cost of the steel plants proper will be Rs. 170 crores for Rourkela, Rs. 131 crores for Bhilai and Rs. 138 crores for Durgapur. The total cost of other ancillaries like the township, iron ore mines, lime, stone quarries, development of sources of water and power supply up to the perimeter of the plants, customs duty etc. will be about Rs. 120 crores, as I mentioned in answer to a question during the last session. I am glad to say that there is every reason to believe that there will be no significant change from these estimates of the costs of the plants and the ancillaries. The bulk of this expenditure will be incurred before the close of the Plan period although there will be some overflow.

Then, again, there is another matter which I would like the House to bear with me if I were to mention it. If we analyse all the various points that have been put forward by the hon. Members on this question of estimates, they come down to this, that in the initial estimates our consultants were not vigilant enough and they were not expert enough and they did not give

[Sardar Swaran Singh]

enough of thought and, therefore, they gave a picture which later on was found to be very much an under-estimate and we are confronted, from time to time, with additional items. That is the gravamen of the charge so far as this aspect is concerned.

There is a historical background with regard to the three steel plants. With regard to Rourkela, it was really the consultants' estimate. One of the points which the consultants have not failed to point out again and again is that there was an element of studied under-estimation because, when we were going out for tenders, if they were to put the estimates on the cautious side, that would have become, more or less the base for those who quote. Therefore, it was not bad from a practical angle that they were not liberal in framing their estimates. Otherwise, the country would have lost and the quotations would have been somewhat higher.

Shri Pan.grahi: Are not the consultants and the suppliers the same in Rourkela?

Sardar Swaran Singh: In regard to Bhilai, it was more or less the supplier's quotation as a result of negotiations. There have been increases in Rourkela, in Bhilai and in Durgapur.

Shri Panigrahi: In Rourkela, I think, the consultants and the suppliers are the same.

Sardar Swaran Singh: They might be the same in one or two things; but they are not the same in all things. There are as many as 24 or 25 suppliers who are supplying different parts of the plant and all those 24 or 25 firms are not the consultants.

I would say in a general manner because I have not got the time really to go into the details of the various points, that with regard to any supply contract that the Hindustan Steel or

the Government decided to place with any of the firms who had any connection with the consultants, then the consultants definitely dissociated themselves from the stage of the examination of those quotations so that this charge which has been levelled that the same firms were the suppliers as well as the consultants to scrutinise those quotations, I am afraid, is based upon some mis-conception that is not borne out by facts at all. Every care has been taken that the role of scrutiniser was not assumed by the supplier whether it was in one or the other section of the plant

Shri Morarka: May I request the hon. Minister to give the dates so far as the Hochtief association is concerned; when he was associated and when the tender was awarded to him.

Sardar Swaran Singh: I do not want to enter into these details. I have been in correspondence with my hon. friend and I have been trying to give him whatever information he wanted. I will be prepared to give whatever other information he wants but let me first complete the broad points which were urged rather than go into details of a minor nature, about this or that contract

Broadly two contracts have been criticised both by Shri Nath Pai and Shri Morarka. I am happy that at least on one matter they appear to be agreeing though they belong to different parts of the House. One is the award of the civil works contract to Hochtief-Gammon and the other the award of a contract to a firm of civil engineers—Dugals. Both these matters have also been, I think, before the Estimates Committee, of which, if my memory helps me, Shri Nath Pai is a Member

Shri Nath Pai: Sir, he is promoting me to the august bodies to which I have not the honour to belong and with it goes the implication that I am abusing information which I come across as a Member of the Committee

Sardar Swaran Singh: It is far from me to suggest that the hon. Member is misusing the information that might be there. I am sorry if I have created that impression. What I was saying was that these two contracts have been before the Estimates Committee and the Ministry and the Hindustan Steel Company had also supplied considerable information about these. But as questions have been put on the floor of this House, it will be good if I were to make a brief statement with regard to these contracts so that the House might judge as to whether there was anything fishy about them and whether they were proper contracts.

A reference has been made in the course of discussions to Hochtief-Gammon contract. It is seldom realised that this contract for the civil engineering work of the rolling mills is the largest single item of work. As the work was massive, complicated and required close co-ordination with structural erection, it was necessary to have a contractor who had the resources and the know-how. For similar work in Bhilai in the previous year, open tenders had failed. Even so, tenders were invited from firms on the approved list. Tenderers were asked to quote for either the whole work or part. Two offers for the entire work were received. Of these, the first one was from a firm which did have the necessary equipment and resources; the second was from a firm which was already engaged in some work at Durgapur and was barely maintaining schedule. As the entire work had to be done together and with in the time schedule, the only alternative was to consider the offers of the two firms who had shown interest in doing the work on a target-price basis. Of these the first was an English firm whose price, besides being high, involved a much larger cost in foreign exchange. The second, Hochtief-Gammon—a collaboration between a German and an India firm—was, therefore, awarded the contract by negotiation on a target price basis. This was the only basis available. The total target price is Rs. 77.79 million and consists of costs of material and labour

(Rs. 50.64 million), supervision and equipment (Rs. 15.65 million—this includes the cost of hire of equipment) and fixed overheads and fee (Rs. 11.5 million). The target price is subject to adjustment for variation in rates or quantities and the contract contains a bonus clause if the actual cost is kept below the target. The penalty for exceeding the target is one third of the excess. In the case of either bonus or penalty, the maximum is Rs. 15.5 lakhs.

It has often been said that the hire charges for machinery included in this contract are excessive. It was actually mentioned by Shri Morarka in his inimitable and eloquent manner. The work required a large amount of mechanical equipment which the Hindustan Steel did not have. The Company could have either brought them, which would have meant foreign exchange but what is more important—delay—or hired them. They chose the latter alternative because Hochtief-Gammon had some equipment already in India. (Interruptions)

Shri Nath Pai: Why did you not buy them without hiring? You have paid rent which is very high.

Sardar Swaran Singh: Of the two alternatives, those who were in charge of this work thought that this alternative was better. Opinions may differ. Besides, construction equipment of this type is generally a part of a civil engineering firm's tools of the trade. The firm could have included, in the rates, an element towards the charges for the use of the equipment in their possession. And, this is important—in this contract, because of a target price, the element has been shown separately, so that the targets could be assessed in a realistic manner later on.

Sir, it is somewhat embarrassing to defend individual contractors and the like. Therefore, I have tried to put forward objectively the circumstances as they obtained, and in the light of our experience we will see as to whether the performance was according to

[Sardar Swaran Singh]

expectation, according to the terms of the contract. The clauses can then be examined to ensure, in the light of the implementation and experience, whether there was a great mistake or whether it was all fair.

I would very strongly urge that it would be really wrong to create an impression of that type purely on theoretical and imaginary grounds, and merely pick up a particular clause and point out this is bad or that is bad. I can't really vouchsafe with regard to the correctness or the wisdom of each clause, but we have to place ourselves in a position when these contracts were negotiated, see the conditions under which they were negotiated. We should also appreciate the pressure for time. There have been, rightly, an insistence that there should not be any delay. In the context of that could the other process have been gone through? That is something which we have to appreciate. Those who had to exercise judgment have exercised their judgment, and the fact is there. If we are not satisfied with that we can say that the judgment was wrong; but to import a tilt of a type as if everything is wrong, I would submit, is not fair.

Again, Sir, something has been said about the wages that have been paid to carpenters and the like. Shri Bharucha compared the salaries of Members of Parliament .

An Hon. Member: Ministers

Sardar Swaran Singh: I am in the same category. I think that in this matter, whether they are carpenters from West Germany who are not ordinary carpenters—there are enough of carpenters in the country and I claim that carpenters from the part of the country to which I belong are particularly good, and there are others also....

Shri Nath Pai: How did you forget them when you engaged carpenters from West Germany?

Sardar Swaran Singh: You should give me credit for that. Knowing that our carpenters are good, still these people had to be imported. There cannot be any want on reason, there must be some good reason for it. The reason was, that in the shuttering that was necessary for the construction of very complicated types of reinforcement woodwork was really of a complicated character. Unless people had enough experience those complicated sections could not be fitted in that sort of mould into which cement was to be poured. It was for this reason that specialised type of technicians had to be imported from abroad. Whether they are welders from the Soviet Union or workers from West Germany or Japan or any other country when they are to construct or to run the plant we have to get them. When we have to get specialised technicians, carpenters and the like from West Germany, we should not hesitate to get the benefit of their experience and we should not really judge even the emoluments that we pay in relation to our own standards of payment of wages. It is a fact, which I think is extremely stalemate for me to mention, that the wage structure elsewhere is entirely different. Normally, any foreigner who comes here costs us a minimum of Rs. 3000. I have no hesitation in saying that. Whether he is a Soviet individual or a West German or a United Kingdom man, from whatever country he comes, we have to pay him very highly. Workers there get wages which is out of all proportion to the wages that obtain in this country. Besides, we have to pay even more to persuade a settled worker to go out of his country, for a short assignment, thousands of miles away.

17 hrs.

Therefore, when we have to take advantage of the know how of others.

I think it is somewhat unfair that we should criticise those people whom we invite and whom we pay to get work done. It is unfair to ridicule and create an impression by comparing the expenditure that we incur with the expenditure incurred elsewhere, on the basis of our wage scale or the wage structure. That will be very unfair criticism, and I would like to acknowledge really the assistance that is forthcoming, whether the assistance is in the form of technical know how or otherwise by providing those technical hands to us whom we pay, and who put in a fairly hard work here in the construction. To criticize them in the way in which it has been done perhaps would not be fair.

If you would be indulgent, I would mention one contract which has been left. If the House is interested in it, I would read a few lines which I think would be better for the House to know. Otherwise, the picture would remain incomplete. The contract for the civil engineering work for the blast furnace was awarded to Messrs Dugal & Co., as their's was the lowest quotation. They were to work under the supervision of the foreign blast furnace supplier who was responsible for the preparation of designs and supervision of the civil engineering work. The work did not proceed according to the time schedule.

Shri Mahanty (Dhenkanal): A point of order. Most of us much concerned with the subject were not allowed to speak by the Chair. If the time is extended for this motion, it would be more than two and a half hours then. Now, it is past 5 O'clock and past two and a half hours prescribed for the motion. The discussion must be closed.

Sardar Swaran Singh: I am entirely in the hands of the House.

Shri Mahanty: Unless the rule is suspended, I believe we cannot speak even for a minute beyond 5 O'clock.

Mr. Chairman: When there is such an important debate and when hon. Members are anxious to know the

position, and when we are exceeding the time by about five or ten minutes, only it may not be wrong. Even when such important debates took place and when some hon. Members were anxious to speak, they could not be allowed to speak. So, I think the hon. Member will not be so particular about the time when a serious matter is being discussed.

Sardar Swaran Singh: I am grateful to you, Sir. I would not take a long time.

The main reason for the slow progress was the contractor's inexperience in specialized work of this type, inadequacy of equipment and lack of technical personnel. By the middle of 1957, the contractor had fallen behind schedule; and even providing for some improvement and acceleration in the progress of the work as more equipment arrived at site, it was felt that the contractors would be behind schedule by more than six months. The choice before the company was either to find another contractor or to reinforce Messrs Dugal & Co. Having regard to the necessity of keeping as closely as possible to the schedule, the Directors of Hindustan Steel Private Ltd., decided that the question of taking away the work from Messrs Dugal & Co. and entrusting it to some other contractor with more experience and resources should be examined. This was done, but no Indian contractor who could do the work within the stipulated time was available. A foreign firm, if obtainable, would have taken time to organise the work, and transport equipment and personnel to the site; it was also felt that the cost would have been disproportionately high. Hindustan Steel Private Ltd., had, therefore, no alternative but to reinforce Messrs Dugal and to get the firm to collaborate with a foreign firm who could provide the necessary knowhow, supervisory and other technical personnel.

The company agreed to the employment of 36 foremen and specialized carpenters to be sent from Germany

[Sardar Swaran Singh]

by GHH for a period of six to twelve months. I need not give the details of the terms. The terms are similar to those for other erection personnel. The foremen and carpenters arrived in the country on various dates beginning from December, 1957 to February, 1958. It may be pointed out that the specialized carpenters were to guide nearly 600 Indian carpenters and it cannot be said that the number of foreign personnel was in anyway large.

In addition to the expenditure on account of these foreign technicians, the company had to bear the extra expenditure on account of timber for shuttering and to pay a ways and means advance. The extra expenditure for shuttering was due to the contractor under-estimating the cost originally. The ways and means advance is interest-bearing.

I have attempted to put forward objectively the various points that have been referred to by the hon. Members. I am fully aware that I have not been able to cover all the points, although I would have very much liked to. But I have tried to present a picture so that the country may not get a feeling that there is anything wrong with the steel plants. The work is going ahead. The work is going ahead with a great degree of enthusiasm and I am sure all these steel plants will go into production with some minor alterations to the time-table which are inevitable in a colossal work of this nature. With all their experience, even the Tatas ultimately found that in their expansion programme they were behind their estimated schedule by about six months. So, a delay of a couple of months or three months in this big work is something which the House should be indulgent enough to bear with.

Shri Morarka: Who would pay these Rs. 21 lakhs of rupees to the carpenters—Duggal or the Hindustan Steel (Private) Limited?

Shri Nath Pai: Of course, the Hindustan Steel.

Sardar Swaran Singh: I would like to have the traditional notice to answer this question.

Some Hon. Members rose—

Mr. Chairman: There is no time for questions.

17.6 hrs.

Shri Nath Pai: I must confess that I was very disappointed with the reply. It does not look very charitable or gallant or good manners to say that I was disappointed by the speech that the hon. Minister has delivered. Let us not introduce other motives. I had never cast any aspersions; I had shown certain doubts and we wanted the doubts to be clarified. But his speech was an essay in the art of ambiguities dressed in delightful ethereal vagueness.

On no single point did he make a categorical reply and innumerable were the points raised by us. He subjected us to a lecture about the importance of steel, as if we do not know it and as if there was disagreement about it. Take the simple question of delay. What disturbed me most was his self-complacence. We thought that if we brought to his notice all these weaknesses, he would have shaken himself out of his self-complacence and once for all assured us that the matters will be righted up. As I said in my earlier remarks, all that he has been doing is to give a white-wash and to go on shielding and conniving. This is most disturbing. I have my regard for him, but it is not a question of my going and listening to some good advice to be patient, which he was all the while liberally giving.

Take this question of delay. Is this a matter to be so self-complacent? He says, it is a little delay. Here is the opinion not of me, but this is the World Bank's opinion, people who know what the job is and how it has

got to be executed. In their document called *The Current Economic Position and Prospects in India*, this is what they say:

"Full production from all these plants is supposed to be achieved sometime in 1961-62."

The original target date for the 1st two plants was the end of 1959, but now it is 1961-62. It will probably not be achieved in fact until 1963 at the earliest. Is this a little delay, when we know that every day it is going to cost us Rs. 12½ lakhs?

I would like to ask the hon. Minister one or two pertinent questions to which he should have answered, instead of saying we are going into minor details.

Mr. Chairman: There is no time for putting questions and getting replies. If there is no time for a reply, it is useless to put a question. He can put questions in the ordinary way as questions are put. Members are already impatient and they say we have already exceeded the time. I cannot allow further questions.

Shri Nath Pai: There is a mistake. I was to wind up the debate. The form of winding up is left to me. Pardon me for saying so; you are a veteran in the procedural law, but I can wind up my concluding remarks by asking any number of questions instead of making a peroration, as he has done.

Mr. Chairman: The House may get the impression that questions are put, but there is no reply. Otherwise, this way of putting questions is not questionable at all. We want that a reply may be given to the questions. But there is no time now to enable the hon. Minister to reply.

Shri Nath Pai: I am grateful to you, Sir. I do not expect a reply.

The point I was making was that the hon. Minister has failed in giving satisfaction in regard to certain legiti-

mate doubts which we have raised and therefore, our demand that this House goes thoroughly into all the charges is justified. That was the point I was driving. He never replied to the points. He tried to justify the contract being given to Dugal and others. He had not a word to say about what was read out about the record of this firm. Are the reports of the Public Account Committees from the different States simply to be ignored, when we deal with such matters? Can it be done? And at what cost? Just now a question was asked: who is to pay the penalty? We make a mistake, and the nation has to pay for it. If Uddham Singh Dugal, as he agrees, was found incompetent by the Public Accounts Committee of Punjab, from which the hon. Minister hales, what was the virtue in giving them a contract for a still bigger venture? That is one thing. Secondly, Krup-Demag was against giving this contract to them because, as he just now read from note, they lack the equipment and experience for that. Now for all these follies of Uddham Singh Dugal we have incurred a loss of Rs. 21 lakhs. Would it not be ordinary justice, ordinary care for public interest that they should be compelled to pay the loss? Has it been done? No.

I would like to say another thing. He has been saying that these things were overlooked and that there has been an excess in the increase of the estimates. That is not a fair statement. That is not an honest admission. Mistakes can be made. But let us be bold enough to try to give the reasons for the mistakes. They may be bona fide or may not be. If I cast an aspersion or doubt something wrong, you cannot white-wash it by saying: you are talking vaguely. Satisfy me and give me the facts. Is this a negligible increase, from 48 to 72? He has never given any reply.

And the most important thing is that he did not even refer to clause 14—sub-clause (1) being connected

[Shri Nath Pai]

with clause 5. There are Rs. 15 crores involved in this, not a small sum, and he said: "Don't give the nation the wrong impression....

Sardar Swaran Singh: Because I had made a detailed statement in reply to a question. If he wants, I have got a copy with me.

Shri Nath Pai: I have got it here.

Mr. Chairman: The hon. Minister must understand that I am not allowing any replies to be made. The object of the hon. Member in putting questions is not to elicit replies. He is only making an observation on the general reply of the Hon. Minister. This is only a method of reply, as he himself has been saying. So, there is no occasion for a reply to a reply.

Shri Nath Pai: In the sense that he did not reply, though there was enough occasion. He had full 15 minutes more than my 20 minutes. He has simply just not given conviction to any of the major points. He has just given me some kind of sermon. As an elderly person and the leader of the country, I recognize his right to give some sermons that one should not be impatient. But when it comes to a basic thing which touches our national life, I want no sermon but facts which will remove my doubts.

I know that he has made a reply in answer to a question. But that reply is not going to rescue him. If you want, I can reproduce that reply. He just read a part of the clause. You just give Rs. 15 crores for supervision and control. If one clause forbids giving any consideration for drawings how do you show under the main clause the justification for paying Rs. 15 crores. You say that you will be paying Rs. 15 crores for drawings. As an eminent lawyer you can appreciate the position that there is a previous clause which prohibits by saying that for drawings no payment shall be made, and under this clause you say that payments shall be made

for the drawings. No satisfactory explanation has been given.

I shall conclude by one remark only. Is it not a fact that this board of the Hindustan Steel Private Limited has almost abdicated its duties; that it has given over its duties 'n a manner which we fail to understand? They have entrusted the work to a small Sub-Committee, which often consists of two persons, the Secretary of his Ministry and one more member who might be happening to be at Delhi. It will be far from my idea to attack people who cannot defend themselves. It is wrong and it is not to be done and we will refrain from doing it. But it is a fact that a committee consisting of only two members meet from time to time and it is this Committee that has been administering this mammoth enterprise, this giant enterprise. There is no reply to all this and many other things. I know you are impatient, and I have finished my seven minutes. But may I ask what happens to our charge that you were so so and indifferent to public money, that instead of straight-away going and doing what an ordinary man with elementary knowledge of business will do—I am no expert in business and I do not know the business tactics—you do the things which you have done? But I know this much that if the fees which I am paying for something is higher than the price which I get then it is a simple decision to take. It does not require a consultant, for whom we have to pay Rs. 2 crores. The fact remains that for the machinery costing Rs. 60 lakhs we paid a rate of Rs. 75 lakhs. Now we have raised all these points about the water issue, about the quarry bungling, as the quarry is not mechanised we have to go instead of Tardly to Gova, a distance of 140 miles. This simple folly is going to cost the nation Rs. 68 lakhs of additional payment and congestion on our railways. This is a chapter, an essay, a list, a catalogue of follies, of incompetence and the only reply is, we were in a hurry.

1957 Discussion re: 25 NOVEMBER 1958 Hindustan Steel 1958
Private Ltd.

we were impatient to do it. I, once again, say this. In the steel factory one finds Augean stables full of all kinds of hotch-potch and something needs to be dug out so that, perhaps, at the bottom there may be some nuggets of steel which we very badly need. I repeat, he has failed in satisfying the House and therefore the House should be given a chance of

going thoroughly into this whole matter, of course, advised by experts.

Mr. Chairman: The House stands adjourned to 11 o'clock on the 27th.

17.16 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday the 27th November, 1958.