

## RAJYA SABHA

Friday, the 25th July, 1986/  
3 Shrawana, 1908 (Saka)

The House met at eleven of the clock, Mr. Chairman in the Chair.

### ORAL ANSWERS TO QUESTIONS

**MR. CHAIRMAN:** Question Nos. 121 and 138 relate to the same subject though presenting opposite point of view. Therefore, I am going to take those questions together.

#### Impact of discontinuation of Freight Equalisation Scheme on Industry in Gujarat

**\*121. SHRI CHIMANBHAI MEHTA:** Will the Minister of STEEL AND MINES be pleased to state:

(a) whether it is a fact that the Freight Equalisation Scheme operating with regard to the supply of iron and steel is likely to be discontinued in the near future;

(b) whether it is also a fact that the discontinuance of the Freight Equalisation Scheme would increase the landing cost of steel in Gujarat by Rs. 400/- per metric tonne and of pig iron by Rs. 300/- per metric tonne which would seriously cripple the engineering industry of Gujarat; and

(c) whether it is also a fact that the Gujarat Government have opposed the discontinuance of Freight Equalisation Scheme as that would pose a threat to the existence of five thousand engineering/foundry units of Gujarat in the Small Scale Industry sector?

**THE MINISTER OF STEEL AND MINES (SHRI K. C. PANT):** (a) Although Government have taken a decision in principle to phase out the freight equalisation scheme for iron and steel, the timing for initiating its implementation has not yet been decided.

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(b) and (c) Yes, Sir, the Government of Gujarat have so stated in their representation.

#### Freight Equalisation Scheme in respect of iron and steel

**\*138. SHRI CHITTA BASU:†**  
**SHRI RAMKRISHNA MAZUMDER:**

Will the Minister of STEEL AND MINES be pleased to refer to answer to Starred Question 292 given in the Rajya Sabha on the 14th March, 1986 and state:

(a) whether it is a fact that on July 1, 1986 the Prime Minister had assured the representatives of the Chambers of Commerce and Trade Unions at Calcutta of an early action in the matter relating to the phasing out of the Freight Equalisation Scheme in respect of iron and steel;

(b) if so, what steps are being taken to work out the modalities; and

(c) what are the details of the representations opposing the phasing out of the scheme?

**THE MINISTER OF STEEL AND MINES (SHRI K. C. PANT):** (a) The Prime Minister had said that Government are considering the matter.

(b) and (c) The views of the various State Governments to the effect that industries/consumers located in their States will be placed at a major disadvantage vis-a-vis other units located near the steel plants due to increased cost of transportation of steel if the freight equalisation scheme is abolished/phased out are under examination and will be taken into account while working out the modalities.

†The question was actually asked on the floor of the House by Shri Chitta Basu.

**SHRI CHIMANBHAI MEHTA:** Sir, this freight equalisation scheme is going on since 1958, and when the Pande Committee observed that the freight equalisation scheme should be phased out, it also mentioned a very vital fact that this freight equalisation scheme had come into existence to help and promote the development of backward areas as well as widespread areas away from the source of raw material. Now is there any change in this situation, Sir? I know that the Gujarat Government and various other State Governments away from the source material in different States, in northern States and in some of the southern States, have been requesting that the freight equalisation scheme must continue. On the contrary, it should be extended to certain other articles. In this case how has the Government come to accept this scheme, the freight equalisation abolition scheme in principle—that is the first thing I want to know—when there is mounting opposition from the States, when hundreds and thousands of workers are going to be removed from the employment because of the closure of industries? Sir, if the freight equalisation scheme is abolished, then the cost of pig iron will shoot up by Rs. 300 and that of steel will shoot up by Rs. 400. This will be the effect on the price. So, my question is whether they have considered all these points before coming to the conclusion that the freight equalisation scheme should be abolished in a phased manner.

**SHRI K. C. PANT:** Sir, the freight equalisation scheme has, in fact, been in operation for a longer period than what my hon. friend said; since 1956 it has been in operation.

As far as the Pande Committee's recommendations go with reference to employment generation in backward regions and dispersal of economic activity, the Pande Committee came to the conclusion that the freight equalisation has had little effect on generating employment in

backward regions and that the scheme did not meet the desirable objective of dispersal of the economic activity but that it could lead to non-optimal location of industries. So, it is on that basis and because of some other reasons that the Committee reached the conclusion that it would be better to do away with the freight equalisation scheme. But Government has been conscious of the difficulties which would be caused to industries in those States which are located far away from the integrated steel plants.

**SHRI A. G. KULKARNI:** Southern States.

**SHRI K. C. PANT:** Southern States, Gujarat, Punjab.

**SHRI A. G. KULKARNI:** Kerala.

**SHRI K. C. PANT:** Kerala certainly. You know there is an argument on both sides. The point is; recognising the difficulties this would create after 30 years of adjustment to a certain scheme which has led to certain investment decisions etc. on the part of the private sector and public sector, I understand the difficulties which were pointed out by my hon. friend—though he may have exaggerated them a little. But because—of those difficulties we have not proceeded quickly with the implementation of the decision, even though the decision was taken some time back.

**SHRI CHIMANBHAI MEHTA:** Sir, the hon. Minister has mentioned that although this decision has been taken in principle, they are not implementing it because the real difficulty would lie when it comes to the practical side of it. The whole issue is that the freight of these commodities—steel and pig iron—comes to about one-fourth in the total sale. So, if that is taken away, then the sale price of the pig iron and steel in the consuming sector would be

by 25 per cent. Would it not affect the industrial development? Would it not lead to closure of the factories.

Secondly, these are small-scale industries I am talking about. Are you going to help the big industrialists at the cost of the small-scale industrialists. This is a very vital point. Therefore, let him say why should we not give up this principle when there is a mounting opposition from the States, when there is a stark reality of the closure of the factories and widespread unemployment. I would request the Government to say whether they are going to change the principle of abolition of the freight equalisation scheme.

**SHRI K. C. PANT:** I have already stated the case of States which are located far away from the integrated steel plant, but I do not think it would be right to exaggerate the case to the point that the freight equalisation scheme is a decisive factor either for location of industries or their survival. But there are many other factors. So, I say that we should see the matter in proper perspective. I think the views of the States which are located far away from the integrated steel plant certainly deserve consideration, but they in turn must also see that there is another point of view of States which are located near the integrated steel plant, who think that this scheme is to their disadvantage.

**SHRI CHITTA BASU:** How?

**SHRI K. C. PANT:** You will just hear me Mr. Chitta Basu.

So, there are two sides of the question. I do not think it is a question of small-scale industries versus large-scale industries. It is both industries located either far away or near the integrated steel plants.

**SHRI CHITTA BASU:** When I speak, I do not speak from any parochial point of view; nor do I have any parochial attitude, because we know

that India is one and its development should be an integrated one. Therefore, I am rather happy that Gujarat and other States have progressed well and I have got no animosity on that point.

Sir, as you know the scheme was introduced by Shri T. T. Krishnamachari late in the year 1956, when he was the Finance Minister of this country. I have perused the records relevant to this scheme and it has become clear to me that Shri Krishnamachari made certain observations while introducing this scheme. One of his observation is and I quote: 'It is being done in the national interest.' His second observation is and I quote: 'It is nothing but subsidising.' His third observation is and I quote: 'Locational advantages of the raw material producing regions should not be destroyed.' He had at that time a comprehensive and integrated outlook. Despite these observations what we notice is that Eastern region States today, particularly Bihar, Orissa, West Bengal and Assam have suffered a lot because of this scheme. This scheme has led to the deprivation of these Eastern region States from the locational advantages. Sir, you may recall....

**MR. CHAIRMAN:** Mr. Chitta Basu, question please.

**SHRI CHITTA BASU:** I am sorry, I am saying this because I have only one supplementary.

**MR. CHAIRMAN:** No, you will have to.

**SHRI CHITTA BASU:** Then I will come to my question.

Sir, 58 Members of Parliament belonging to all parties including the Members of the ruling party on the May 9, 1983 made a joint submission to the Prime Minister, late Shrimati Indira Gandhi. On the July 7, 1983 Mr. S. B. Chavan wrote to me including others informing that on principle

this has been accepted and this would be phased out. The Government appears to have taken a deterrent attitude.

**MR. CHAIRMAN:** I understand that you want to put both the supplementaries together.

**SHRI CHITTA BASU:** No, Sir. I will put two supplementaries. In view of the long deterring attitude on the part of the Government of India in respect of implementing this recommendation of the Pande Committee, would the hon. Minister assure the House that pending the final decision of the phasing out of the scheme, he would compensate these eastern region States financially for the losses they have suffered during these long three decades?

**SHRI K. C. PANT:** Sir, it is very difficult to deal with these problems in this manner. I would ask my hon. friend, whether in those States where the shortage of power has led to fall in industrial production or industrial relations climate prevented them from investment, those things will lead these States compensating the country. Sir, this does not lead anywhere. All these factors go into the decision making process either in locating of industries or in the functioning of an industry in a State. It is not just one factor alone which is responsible. Therefore, I would request my hon. friend again to see it in that perspective. He accused the Central Government for deterring attitude. Sir, by paying heed to the letter of the Chief Minister of various States written to the Central Governments and others who are in the States, which I mentioned earlier, are far from the integrated steel plant, if my hon. friend considers that as deterrent, I am prepared to accept that charge. But I do feel they are also entitled to a serious consideration of their views and difficulties particularly since the scheme has been in operation for the

last 30 years. I would be rather accused of deterring than to take an early decision which will lead to further turmoil in these States.

**MR. CHAIRMAN:** Second supplementary. Only one minute.

**SHRI CHITTA BASU:** I will complete. Sir, in view of the fact that the Government even now is failing to give a clear assurance for the phasing out of the scheme. May I know from the hon. Minister again during the pendency of the final decision, would the Government extend this similar freight equalisation scheme for cotton, soda ash, caustic soda, industrial alcohol, salt and other industrial raw materials all over the country?

**SHRI K. C. PANT:** Sir, answer to this question would involve much wider policy decision. But as far as I am aware, there is no proposal to extend the freight equalisation scheme.

**श्री नरेश शी० पुगलिया :** सभापति जी, मालभाड़ा समानीकरण योजना जिसे निकट भविष्य में समाप्त कर दिये जाने की संभावना है, इस विषय में सरकार जो भी निर्णय लेना चाहे ले। लेकिन मैं इस ओर सरकार का ध्यान आकर्षित करना चाहूंगा कि महाराष्ट्र के चंद्रपुर, गडचिरोली जो पिछड़े जिले हैं वहां कोल, आयरन-ओर और लाइम स्टोन जैसे मिनरल भारी मात्रा में हैं जिनको देश के कोने कोने में ले जाया जाता है। लेकिन हमें स्टील 300 रुपया 400 रुपया प्रति टन से खरीदना होता है। ये इंडस्ट्रियली बैकवर्ड जिले हैं और खासकर गडचिरोली जिला जहां आदिवासी रहते हैं और जो नो-इंडस्ट्री डिस्ट्रिक्ट में आता है, जो इंडस्ट्रियली बैकवर्ड है जहां पर कोल, आयरन-ओर और लाइम स्टोन भारी मात्रा में मिलता है। ऐसी हालत में मैं मन्त्री जी से जानना चाहूंगा कि ऐसे पिछड़े इलाकों में स्टील प्लांट लगाने की कोशिश करेंगे और खास कर के चंद्रपुर का मिनी स्टील प्लांट जो कि महाराष्ट्र में इलेक्ट्रिक आर्क

फरनेस वाला था उसको सेल ने हाल ही में टेक-ओवर किया है, ऐसे इलाकों में आप स्टील प्लांट लगाने की कोशिश करेंगे क्या?

**MR. CHAIRMAN:** I would have disallowed this question but since you are a new Member, I am allowing this. Otherwise, it is not relevant to the present question.

**श्री कृष्ण चन्द्र पन्त :** सभापति जी, जहाँ तक महाराष्ट्र में मिनी स्टील प्लांट लगाने का प्रश्न है इस पर जहाँ एप्लीकेशन आती हैं तो उस पर विचार किया जाता है और कुछ योजनाओं को स्वीकृति भी मिली है। अब जो इलैक्ट्रिक आर्क फरनेस या स्पोंज आइरन बनाने की बात है नयी टेक्नोलोजी के अनुसार बनाया जा सकता है उसके अन्तर्गत ऐसी योजनाओं को महाराष्ट्र में दूसरी जगहों में भी स्वीकार किया गया है और किया जा सकता है जो कि आज के इंटेंग्रेटेड स्टील प्लांट से दूर स्थित हैं।

**SHRI PAWAN KUMAR BANSAL:** Mr. Chairman, Sir, in the words of the Report of the Pandey Committee itself, the original motivation for introducing Freight Education Scheme was to promote industrial development of areas located far away from major sources of raw material and production centres in an effort to promote balanced regional development. Sir, this observation runs quite counter to the subsequent observation of the same Committee which the hon. Minister read out i.e. the Freight Equalisation Scheme has had little effect in generating employment activity in backward regions. Sir, now, Punjab is a progressive State but because of the promise held out by the scheme during the last 30 years, a very large number of small scale industries running into thousands cropped up all over the State which has contributed very significantly not only in the development of the economy of Punjab but also that of the other adjoining States and if such a scheme

is given up, I am sure, it would have a very adverse effect particularly in view of the present uncertain economic conditions because of the political development there. So, I would like to know from the hon. Minister whether before taking such a decision a meeting of the representatives of all the States was summoned and their opinions sought before even thinking of phasing out such a scheme?

**SHRI K. C. PANT:** Sir, I do not know whether a meeting of the States was called but we are certainly taking into account the opinions of the States as I have said earlier. So far as Punjab is concerned, even before this scheme was introduced, Punjab had developed small scale industries in places like Jalandhar and Ludhiana and so, there are always other factors including the entrepreneurial skill and so on which contribute to the location and flourishing of industries and Punjab is an excellent case for Mr. Chitta Basu to study.

**SHRI SUKOMAL SEN:** Sir, it is not an issue on which States should fight against each other, but unfortunately, it is happening. Now, Sir, it is a fact that some States particularly the Eastern States demand that this Freight Equalisation Scheme should be withdrawn as recommended by the Pandey Committee. It is also a fact that some of the States which are getting advantage of this scheme, they are demanding continuation of the scheme. Now, in view of these things, the Government has gone into the Report of the Pandey Committee and they have said, they accepted it in principle. Now, again to reopen discussion and go into the issue in detail would be infructuous on our part. I would only ask one question. One thing has to be understood that this scheme is applicable to iron and steel and cotton is exempted and cotton is grown in North Western India. Now, if it is implemented in the case of

cotton also, then Eastern and other States will get advantage of this scheme. In this way, there are two aspects of the issue. The Pandey Committee has gone into it. This issue also came up before the House and at that time, I talked to the Minister, Mr. M. Arunachalam. He said, we have accepted the Pandey Committee's Report in principle and we are implementing it. Now, Sir, he has said, "We have accepted it in principle and we will implement it." I would like to know which is correct—the present continuous tense or the future tense.

MR. CHAIRMAN: You are going to have a class in grammar.

SHRI SUKOMAL SEN: What is the time-frame for implementing it? I would like to know this from the hon. Minister. Otherwise this issue will go on affecting the relations of the States and they will go on quarrelling. Settle the issue, accept it and then implement it.

SHRI K. C. PANT: Sir, the bridge between the present and the future lies in modalities and time.

SHRI VITHALBHAI MOTIRAM: PATEL: Sir, the Pande Committee itself has said that if the scheme is discontinued, then the transport cost will increase by 21 per cent. That was in 1980. Now if the scheme is abolished, the transport cost will be much more, and a State like Gujarat which has a number of small industries based on pig iron will suffer a lot. Gujarat is producing gas and petroleum, but we are not getting it at a concessional rate. In these circumstances, I would like to know whether the Minister will give up the scheme or not.

SHRI K. C. PANT: Sir, if I had not been able to explain my position till now, it will not help me to explain the position further.

PROF. C. LAKSHMANNA: Mr. Chairman, Sir, as has been stated,

there are two sides of the problem and the Government has accepted in principle to do away with the scheme. If this is the decision, let the Government think of some alternative programme by which those States which are now getting the benefit and which will be the losers as a result of the discontinuance of the scheme, could be compensated by the Government.

SHRI CHITTA BASU: Either compensate this or compensate that.

SHRI K. C. PANT: Sir, I cannot think of any scheme which would compensate the States. If the scheme goes, then what is operating in respect of other commodities will also operate in respect of iron and steel. The freight charges will be there as in the normal case. I do not think one could allow another scheme to replace the present scheme in such a manner that either State is compensated. That would be a very difficult proposition.

MR. CHAIRMAN: Next question.

CACP suggestion on the determination of milk prices

\*122. SHRI LAL K. ADVANI:

SHRI ATAL BIHARI  
VAJPAYEE:†

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Commission for Agricultural Costs and Prices was asked to suggest certain guidelines for the determination of milk prices; and

(b) if so, what are the suggestions received and what is Government's reaction in regard thereto?

†The question was actually asked on the floor of the House by Shri Atal Bihari Vajpayee.