

**EXPENDITURE INCURRED ON THE VIJAYANAGAR
AND VISAKHAPATNAM STEEL PROJECTS**

*410. SHRI M. K. MOHTA : Will the Minister of STEEL AND MINES be pleased to state :

(a) the extent of expenditure incurred on the Vijayanagar and Visakhapatnam steel projects during 1971-72 as against 1970-71 and the estimated expenditure to be incurred during 1972-73 ;

(b) whether according to the consultants there will be loss on these projects and Government have been examining the techno-economic feasibility on them ; and

(c) if so, the details thereof ?

THE MINISTER OF STEEL AND MINES (SHRI S. MOHAN KUMAR-MANGALAM) : (a) to (c) A statement is laid on the Table of the House.

STATEMENT

(a) The progress of expenditure on the Vijayanagar and Visakhapatnam steel projects is given below :

	Vijayanagar Steel Plant	Visakhapatnam Steel Plant
	(Rupees in Lakhs)	
1970-71 (Actual)	2	2
1971-72 (expenditure)	61.58	15.28
1972-73 (Proposed)	210	235

In addition, provision exists to the tune of Rs. one crore for loan assistance to be extended to the State Government in 1972-73 for execution of water supply schemes for the three new steel plants at Salem, Visakhapatnam and Vijayanagar.

(b) and (c) Yes, Sir. According to the Consultants, due to the high cost of plant and equipment, raw materials, transportation charges etc. the cost of production of steel at these two plants would be comparatively high and there would be an annual loss of the order of Rs. 45 crores at Visakhapatnam when operating at 100% capacity and of the order of Rs. 51 crores when operating at 85% of rated capacity. The annual loss in respect of the Vijayanagar steel plant is estimated to range between Rs. 69.5 crores to Rs. 75.8 crores (from alternative to alternative) at 90% utilisation of capacity.

A study group has been constituted to examine the techno-economic feasibility reports in detail to assess the possibilities of reducing capital and operating costs wherever possible.

SHRI M. K. MOHTA : The statement that has been laid presents a very funny picture. How is it that we are planning for losses with our eyes open? The statement says that even at 85 per cent capacity, which has not been achieved by any of the public sector steel plants up till now, the loss would amount to Rs. 51 crores. In the case of the Vijayanagar steel plant at 90 per cent utilisation the loss would repose between Rs. 69.5 crores and Rs. 75.8 crores per year. May I know who were the consultants when these two plants were first conceived of? What was project report regarding the capital cost, cost of production and the annual profitability or annual loss making capacity of these two plants? May I know whether, from the very beginning, these losses were known to the Government or the losses have come about later on due to the increase in costs or due to any other factors? What are the factors responsible for creating such a bleak picture of these two projects?

SHRI S. MOHAN KUMARAMANGALAM : The hon. member has asked who are the first consultants. These were no consultants earlier in respect of either of the two plants, except the consultants who have drafted and given us the two feasibility reports now, i. e., Central Engineering Designs Bureau for the Vijayanagar plant and Dastur and Company for the Visakhapatnam plant. Therefore, the question of knowing something earlier does not arise. This is the first feasibility study that has been made in respect of these two plants, unlike the position in Salem, which is on a slightly different basis. So, there is no question of our revising our views or getting any revised calculations. Now, the hon. member is naturally and justifiably exercised over the fact that the feasibility reports reveal, to use his own expression, rather a bleak picture, but there are certain reasons for this which I do not want to go into in detail at the moment. I think that, as a result of the studies that we are making, we should be able to cut down the cost substantially. One of the reasons is that productivity in other countries, including and up to the stage of the steel-melting shop, is about 50 per cent higher. That is to say with the same equipments which were producing two million

tonnes here, it is possible in other countries to produce three million tonnes. Therefore, one of the regions in which we have to definitely improve the position is in the region of productivity. The second is, as a result of the imposition of the excise duties on steel and cement and on other such products, the cost of construction also is substantially more. Hon Members are aware that on steel the excise duty is about Rs. 300 per tonne and on cement it is about Rs. 35 per tonne. The cost of construction is also substantially more because in other countries they have a high degree of mechanisation in relation to cost of construction whereas here despite the low cost of labour, the lack of machanisation does push up the price. Then the capital cost of the plant has also risen owing to the high cost of spare parts particularly due to the import duty on spares and because of the need to provide larger storage facilities for the spares our inventories are naturally a little more than in other countries. And finally, we have got the higher cost of machinery in our engineering industries where again it is a question of improving productivity. If we are able to come nearer the rated capacity in our engineering industries, then we should be able to substantially reduce the cost. In all these areas we are working at present and we hope to reduce the cost and make it economically feasible.

SHRI M. K. MOHTA : It is very surprising to hear the hon. Minister say that when the project was first conceived, the earlier losses as now known to them were not known to them at that time and yet the expenditure has been incurred—Rs. 270 lakhs in one plant and nearly Rs. 250 lakhs on the other plant including the proposed expenditure of the current year. May I ask the hon. Minister whether it is not possible to either change the product-mix or further vertically expand the plant not only in terms of ingot capacity but perhaps some other better paying product from the same plant, because I am not arguing against the size; the size may be all right for so many reasons we want steel plant of those sizes. But surely, by having a better product-mix and by effecting economy in the cost of production, we can make these two plants viable. May I know whether any thinking is going on along these lines?

SHRI S. MOHAN KUMARAMANGALAM : The Government is also considering this aspect whether it would be more feasible

to increase the size of the plants on the one hand and also whether the product-mix should be changed, whether we should change the product-mix in any way which would be more profitable.

श्री चक्रपाणि शुक्ल : अध्यक्ष जी, मैं माननीय मंत्री महोदय से यह जानना चाहता हूँ कि क्या जिस वक्त स्टील प्लांट्स के लिए स्थान निर्धारित करने की बात थी उस वक्त बैलेडिला का नाम भी प्रस्तावित किया गया था, जिसमें कम व्यय और अधिक मुनाफा होने की सम्भावना थी अथवा नहीं।

SHRI S. MOHAN KUMARAMANGALAM : Mr. Chairman, it is for you to decide whether his question arises out of this question. It does not arise out of the present question because I am not aware, not being a Member, apart from being in the Government of the extent to which Bailadilla was considered at that time.

MR. CHAIRMAN : Your question does not arise out of this.

SHRI CHAKRAPANI SHUKLA : It pertains to the cost, and Bailadilla was proposed, जिसमें कि खर्चा बहुत कम था और मुनाफा ज्यादा है इसलिए इससे तो सम्बन्धित होता है। वह अनभिज्ञ है वह दूसरी बात है। लेकिन इससे सम्बन्धित तो होता है क्योंकि बैलेडिला में बहुत ही कम खर्चा है और लाभ बहुत ज्यादा है। इससे उससे सम्बन्धित तो होता है।

SHRI V. B. RAJU : Sir, there was some statement in the Press that in Andhra Pradesh there was an apprehension that because of this rethinking or further scrutiny and all these things, the construction of the project may be delayed. Can the Minister say by what date the project or the factory or the rail at Visakhapatnam will be completed and that there will be no delay?

SHRI S. MOHAN KUMARAMANGALAM : It would not be correct on my part at this stage to give a very exact date because we are still at the stage of considering the feasibility report, after which the detailed project will have to be drafted and only when the detailed project report is ready, the targets

giving the date for each stage of construction will be finally fixed. But our expectation is that we should be able to complete the construction of both these plants at the latest 1978-79. One of the reasons possibly for the higher cost of construction also is that it takes too long for constructing a plant and, therefore, the capital gets locked up for too long. Therefore, we have to spend too much time on the construction. That is what we are able to do. We may even be able to get it a little earlier.

SHRI LOKANATH MISRA : The hon'ble Minister said that the first economic survey that was made was the feasibility report submitted for the two projects. If that is so, may I know on what surveys these two locations were preferred to other locations in the country? There was a definite recommendation from the Location Finding Committee that there were cheaper places like Nayagarh or at Bailadilla or other places. How is it then that the decision was taken by the Government to locate these plants in these two regions?

SHRI S. MOHAN KUMARAMANGALAM : I mentioned in terms of consultants. That is to say, the reference to these two consultants for construction of these plants was the only reference on this occasion. And these are the first two feasibility reports which have gone into the matter in detail. Of course, earlier surveys were made, and it was on the basis of these surveys that the decisions were arrived at.

*411. [The questioner (Shri Jagdish Prasad Mathur) was absent. For answer vide col. 33 infra.]

NEW EXODUS OF REFUGEES FROM BANGLA DESH

*412. **SHRI K. C. PANDA :**

SHRI LOKANATH MISRA :†
SHRI DAHYABHAI V. PATEL :
SHRI SUNDAR MANI PATEL :

Will the Minister of LABOUR AND REHABILITATION be pleased to state :

(a) whether Government's attention has been invited to a statement made by the West Bengal Government appearing in the Indian Express dated 5th April, 1972 to the effect that Government was worried at the new exodus

of refugees from some parts of Bangla Desh to India ;

(b) whether the Government of India have received any report in this regard from the West Bengal Government or through their own sources ;

(c) if so, what are the details thereof ; and

(d) what action is being taken in this regard ?

THE DEPUTY MINISTER IN THE MINISTRY OF LABOUR AND REHABILITATION SHRI BALGOVIND VERMA : (a) and (b), Yes, Sir.

(c) and (d) The Government of West Bengal have reported that there had been no influx of Bangla Desh refugees to West Bengal. There were, however, a few stray cases of Bangla Desh people coming to see their relations on this side of the border. Besides this, some old refugees (i. e. those who came before 25th March, 1971) who had gone to Bangla Desh to see the conditions there returned to West Bengal. The total number of such people is negligible. The few Bangla Desh nationals were, however, returned and handed over to Bangla Desh authorities.

SHRI LOKANATH MISRA : Sir, may I know what is the exact number of people who had returned to Bangla Desh but came back to India, and for how long did they stay in India? May I know whether the Government of India took care of them and arranged accommodations for them in India, and if so, for how long?

SHRI BALGOVIND VERMA : Our Additional Secretary who is posted at Calcutta has informed us that some people have come over to India from Bangla Desh and also some who were here and have gone to Bangla Desh have not come back. Their number is :

	Non-Bengalis	Bengalis	Total
February	62	18	80
March	23	127	150
April	10	Nil	10

Our information is that all of them have been handed over to the Bangla Desh authorities.

SHRI LOKANATH MISRA : May I know, Sir, whether there are any refugees from Sind

†The question was actually asked on the floor of the House by Shri Lokanath Misra.