

RAJYA SABHA

Friday the 18th June, 1971 / the 28th Jyaishta, 1893 (Saka)

The House met at eleven of the clock. MR. CHAIRMAN in the Chair.

MEMBERS SWORN

Shri Dilkishore Prasad (Bihar)

Shri Bindeshwari Prasad Singh (Bihar)

ORAL ANSWERS TO QUESTIONS

358. [The questioner (Shri Sundar Singh Bhandar.) was absent. For answer vide col. 27-28 infra.]

CLOSING DOWN OF CLIVE WORKS OF BRAITHWAITE AND COMPANY, CALCUTTA

*553. SHRI M. K. MOHTA :

SHRI SUNDAR MANI PATEL:

SHRI JAGDISH PRASAD MATHUR:

Will the Minister of STEEL AND MINES/ इस्पात और खान मंत्री be pleased to state :

(a) whether it is a fact that the Clive Works of the Braithwaite and Company in Calcutta, a major private sector Industrial Unit has been closed down due to severe shortage of steel, with the result that not only more than 5000 workmen have become jobless but it has also adversely affected about 500 ancillary industries;

(b) whether it is also a fact that all the wagon building units in West Bengal are on the verge of bankruptcy due to steel shortage; and

(c) if so, what steps have been taken by Government to save these industries?

THE MINISTER OF STEEL AND MINES/ इस्पात और खान मंत्री (SHRI S. MOHAN KUMARAMANGA-LAM) : (a) Clive Works of M/s. Braithwaite and Company, Calcutta, were closed down for some time, but not due to shortage of steel materials. In

The question was actually asked on the floor of the House by Shri M. K. Mohta. 1-9RS/71

fact, they were even unable to lift the steel which was allotted to them on a priority basis.

(b) No such position has been brought to our notice.

(c) Does not arise.

I SHRI K. CHANDRASEKHARAN : I suggest that Q. No. 554 may also be answered simultaneously.

SHRI A. D. MANI: No, no, that is a different matter. The question of orders is involved and it should be taken up separately.

SHRI M. K. MOHTA : Sir, may I ask the hon. Minister whether it is not a fact that the steel that was allotted to this Braithwaite Works was hardly 15 per cent of their annual requirement and actual consumption—for instance, their monthly requirement is stated to be 3500 tons, whereas during the year 1970 only a total of 8000 tons was allotted to this unit and received by this unit and that was the main reason for the curtailment of the production and finally its closing down? May I ask whether the steel allotment of this unit has been increased since the taking over of this Company and, if so, to what extent; and what is the Government's policy regarding allotment of steel on a preferential basis to such units as are taken over by the Government as compared to other units in the same industry in the private sector?

SHRI S. MOHAN KUMARAMANGALAM : The hon. Member is correct when he says that the steel allotment to the Clive Works of M/s. Braithwaite and Company for the year 1970 was 8,000 tons. But the statement made by me earlier, namely that it was not due to the shortage of steel that the closure of the Company took place, is a correct one. The memorandum submitted by M/s. Braithwaite and Company regarding the reasons for closure covered 4 or 5 points. One was the cut back railway orders for the industry. They themselves mentioned that the cut back in the year 1963-64 was 26,280 orders in terms of 4-wheelers. In 1967-68 and 1968-69, it was 14,700 and in 1970-71 it was 12,000. This was one of the principal reasons according to the company itself. Secondly, the drastic and continued reduction in prices offered by the Railway Board which was also substantially correct.

Thirdly, the fall of fabrication orders in I bridges and steel works due to the general recession in the country. Fourthly, the problem of reducing the labour strength in accordance with reduced orders on books and fifthly, shortage of steel. So far as the question of shortage of steel is concerned, in the last quarter in which they were operating, we had offered them an assured supply of 2092 tonnes of steel but they were able to lift only 35 per cent of this amount that was offered to them. So it was certainly not shortage of steel at that time that was responsible for the closing down of the works of the Braithwaite and Company. That is the position so far as past is concerned. So far as the future is concerned, we are doing our best to give the amount of steel to all wagon builders on a reasonable basis and since the wagon builders need plates and sheets and these are allowed for imports fairly liberally, we have permitted them under the special Public Notice 140 of 11th September, 1970 to go in for such imports and if they want more, they will certainly get more,

SHRI M. K. MOHTA: In my first question I had asked whether since the taking over, any preferential treatment is meted out to this concern as compared to the other concerns in the same industry in the private sector.

SHRI S. MOHAN KUMARAMAN-GALAM: There is no such preferential treatment. The basis for treatment is the same as between industries whether in the private or public sector that are doing the same work. So far as wagon builders are concerned, steel to wagon-builders is dealt with by the Steel Priority Committee and I do not think there is any difference on that score.

SHRI M. K. MOHTA: Referring to part (a) of my question where I had asked whether it had also adversely affected about 500 ancillary industries, may I ask whether since the taking over, the placement of orders by this unit on the ancillary industries which are dependent on this unit only for their continued existence, is being continued on the same basis as before so that it does not have any adverse effect on the small scale units in that area?

SHRI S. MOHAN KUMARAMAN-GALAM: I must apologize that I do not think I am in a position to go into those details. I have dealt with the steel

shortage part. If he wants details about the effect on industries, possibly we will have to refer to the Ministry of Industrial Development. I am not in a position to give him the facts.

SHRI A. D. MANI: The Minister answering part (a) of the question said 'no'. Later he gave the fifth reason as 'steel shortage as given by this particular company. Is it not a fact that many of the wagon building units in Bengal have been affected by the late delivery of steel? This has been mentioned also in the Railway Budget discussion. Is he in a position categorically to say that there is no steel shortage in this country because papers are carrying long reports about steel shortage? Are we to assume that these are fanciful reports in the papers?

SHRI S. MOHAN KUMARAMAN-GALAM: I never stated before in the House that there was no steel shortage. What I have stated was that the works of Braithwaite and Company did not close down due to shortage of steel materials. So far as shortage is concerned, I have already stated before the House on various occasions that there is certain shortage in this country possibly in the region of a million tonnes. These are not matters on which we can give accurate assessment. On the previous occasion I said it was half a million to a million tonnes and the evil effect of such a shortage is known to all the Members of this House.

SHRI NIREN GHOSH: The hon. Minister read out five reasons for the closing down of this company. After taking over this concern have they gone into the causes as to why the company was closed down and whether those reasons were correct or not?

As regards steel shortage, most of the wagon builders, the big wagon builders have repeatedly complained about the steel shortage and may I know whether in Braithwaite there was actually any shortage of steel or were there other reasons responsible for their closure?

Thirdly, is the hon. Minister aware that steel the price of which on the quota basis is Rs. 1000 per tonne is available in the black market at Rs. 3000 per tonne and some of the wagon builders were compelled to purchase steel from the black market? Now how does steel go into the black market? Would the Minister consider just winding up the

; Joint Plant Committee which is responsible for the steel muddle, black market, corruption and all that and leave the entire steel distribution to the steel companies, private or public sector ?

SHRI S. MOHAN KUMARAMAN-GALAM : So far as the Working of Braithwaite and Company after it is taken over by the Government is concerned, I would request that the hon. Member may put a separate question when that can be gone into. You will appreciate that. When such a question as to how ne company is functioning after it has been taken over comes up I will certainly place all the details before the House or my colleague who is looking after that will.

As for the complaints of wagon builders, they have been complaining of shortage. Particularly we have not been able to provide them with sufficient amount of plates and sheets which are necessary for wagon building. The difficulty that the wagon builders face is that if they are to import steel the cost of imported steel is substantially more than the cost of domestically produced steel and therefore it is that they have been complaining. Now, so far as shortage and consequential effects on distribution are concerned, we have a system—I hope hon. Members are aware of this—by which a large number of authorities have been recognised as what may be called the sponsoring authorities for grant of steel for distribution. The sponsoring authorities may be Government organisations, either of the Central Government or the State Government, the Director-General of Technical Development, the Director of Small Industries in the States and so on. Every person who wants an allotment of steel has to go through these sponsoring authorities who will certify that the particular demand for steel that has been made is proper and ultimately the priority is determined by the Steel Priority Committee of which the Chairman is Secretary, Steel. Now what I want to mention to hon. Members is that if we take the total demand that is put by the sponsoring authorities, that is to say, by all the sponsoring authorities who sponsor the requests of all, the industry, the private companies the public sector, etc. etc., it comes to somewhere in the region of over 8 million tonnes a year which obviously would indicate that in certain cases at least the amount that has been asked for is substantially more than what is

needed because the gap according to our assessment is somewhere round a million tonnes which with the production that we have would be about 5.5 million tonnes. So you get a cushion of 2.5 million tonnes which people who want steel put forward hoping that they will get something more than their actual requirement.

SHRI A. P. JAIN : Are you sure about your assessment?

SHRI S. MOHAN KUMARAMAN-GALAM: Fairly; we have checked it on the basis of our own working in the Ministry; we have checked it with the National Council of Applied Economic Research who have also advised us. We have discussed it at every level, whether it be the industry itself or whether it be the consumers. We are fairly confident, even allowing a margin of half a million tonnes or a million tonnes more, that it will be substantially less than 8 million tonnes. The point I am trying to make is there are certain persons who do take steel more than what they want and that finds its way into the hands of people who are prepared to sell at a higher price. Now, it is not just a question of the Joint Plant Committee being very corrupt or the Steel Priority Committee or anything else. It is not as simple as that. In a situation where there is scarcity, at some level or the other corruption is bound to occur. What we have tried to do now is that even the quantity of steel that used to get into the market through the re-rollers we are taking back ourselves, that is to say, we are giving billets to re-rollers, pay them an amount of Rs. 236 for re-rolling per tonne, take it back and then distribute it. That is widening the area of control. Secondly, we have tightened up the control in the sense that if any person is found not to have used the steel for the purpose for which he has got it, we are now in a position, under the notification that we have issued in April, to take action against him under section 7 of the Essential Commodities Act. Thirdly, in Bombay, Madras, Calcutta and Delhi we have opened offices of Regional Assistant Controller of Iron and Steel and we have given them the specific responsibility of checking maldistribution and taking action against those who misuse the steel that has been given to them. I may tell the House that this is not going to end it. It can be ended ultimately only by adequately producing steel, but we hope that the steps we have taken will improve the situation.