

[Shri M. S. Gurupada Swamy.] request the hon. Home Minister who always accepts reasonable amendments from the Opposition to agree to this amendment? Even now it is not at all too late for him to accept my amendment and recast the whole Bill accordingly. Thank you.

STATEMENT *RE* FAIR EX-WORKS
RETENTION PRICES OF PIG IRON
AND STEEL

THE DEPUTY CHAIRMAN: The House will sit through the lunch hour. Mr. Sethi, you have to make a statement?

THE DEPUTY MINISTER for the INDUSTRY or STEEL AND HEAVY INDUSTRIES (SHRI P. C. SETHI): Madam, on behalf of Shri C. Subramaniam and with your permission, I beg to make a statement on the important subject of the fair exworks retention prices of pig iron and steel payable to the main producers of iron and steel for the period 1st of April 1960 to the 31st of March 1962. The uniform retention prices for steel payable to the Tata Iron & Steel Co. Ltd. and the Indian Iron & Steel Co., Ltd. were enquired into by the Tariff Commission in 1955. In their resolution No. SC(A)-2(149)/55 dated the 1st of February 1956, Government accepted the Tariff Commission's recommendation that the average retention price payable to the two major producers should be fixed at Rs. 393/- per ton. Government also agreed to examine, on merits, claims for escalations in retention prices resulting from changes in railway freights, changes in statutory prices of coal and other fuel etc. As a result of these escalations allowed, the basic retention prices fixed in 1956 were increased under the Escalator Clause four times and the average escalated retention price in force on the 31st of March 1960 was Rs. 474.59 per ton including excise duty. The prices then fixed were for a period of five years from 1955-56 to 1959-60.

A reference was made to the Tariff Commission by the Government on the 13th March 1961 to enquire and recommend, having regard to the various agreements with the steel companies, (i) what the normal retention prices of steel should be for the period from the 1st of April 1960 to the 31st of March 1952; and (ii) the special element that should be allowed in the price in addition for payment by the Tata Iron & Steel Co. Ltd. and the Indian Iron & Steel Co. Ltd. of interest on and repayment of the special advances made to those companies by Government.

A similar reference regarding the fixation of pig iron prices for the period 1st April 1960 to 31st March, 1962 was made on the 1st of August 1961. Meanwhile, after having a preliminary cost examination of the Tata Iron & Steel Co. Ltd. and the Indian Iron & Steel Co. Ltd. undertaken by the Cost Accounts Branch of the Ministry of Finance, Government decided to increase the retention prices of steel to an average of about Rs. 512 per tonne. This price was purely provisional and was subject to adjustments in the light of Government's decision on the recommendations of the Tariff Commission.

The Commission having conducted an enquiry submitted their report at the end of April 1962. The main recommendations of the Commission are as follows: —

- (i) The average fair retention price of saleable steel (inclusive of the special element for payment of interest on and repayment of special advances) for 1960-62 should be Rs. 550 per tonne. This recommendation was based on an assessment of a fair or standard block on the basis of a comparative study of the capital blocks of the existing units. The Tariff Commission recommended that for the price period 1960-62, a capital block of Rs. 1,300 per tonne of saleable steel should be a reasonably representative;

(ii) A return at 8 per cent on the representative block of Rs. 1,300 per tonne of saleable steel and interest on an estimated working capital at six months works cost equivalent at 5 per cent should be allowed;

(iii) Based on an equated payment spread over a period of 20 years, the special element allowed in the retention price for payment of interest on and repayment of the special advances should be Rs. 8 per tonne of saleable steel (this element is included in the price of Rs. 550 per tonne);

(iv) The fair retention price of steel ingots for 1960-62 should be Rs. 344 per tonne, inclusive of the special element of Rs. 8 per tonne for payment of interest on and repayment of the special advances;

(v) The price of pig iron recommended by the Commission means roughly an increase of Rs. 3 per tonne over the existing prices.

There are other recommendations of a general kind which the Commission have made with the object of improving the production of iron and steel in the country.

After carefully examining the recommendations of the Commission, the Government have come to the conclusion that for the period 1960-62 there is insufficient justification for accepting a block of Rs. 1,300 per tonne. The Government have, therefore, decided to base the retention prices on a block of Rs. 1,176 per tonne. This figure has been arrived at on the basis that the plants should have worked at 100 per cent of capacity instead of 90 per cent optimum mentioned by the Tariff Commission and after excluding from the capital block the special advances paid to the companies by Government. The Government also consider that the working capital provision allowed at six months of the works cost equivalent is rather high and feel that a provision on the basis of four months

i works cost should be adequate.

] Finally, in revision of their earlier decision taken in 1959, the Government consider that it is not necessary at this stage to provide an element in the retention price for the payment of interest and the repayment of the special advances. The agreements with the companies provide for an alternative method of repayment of a part of the special advances with interest, namely, an issue of share capital by the companies, at such time or times as the Government of India, may in agreement with the companies, decide. This will be considered further by Government. Government have accordingly decided to exclude the element of Rs. 8 per tonne recommended by the Commission on this account from the retention price to be fixed. As a result of these decisions, the average retention price of steel produced by the main producers, whether in the private or in the public sector, will be fixed at a uniform rate of Rs. 522.50 per tonne for the period 1st of April 1960 to the 31st of March 1962, which means an increase of Rs. 10.50 per tonne over the provisional price fixed earlier, instead of the increase of Rs. 38 per tonne recommended by the Tariff Commission. The de-l P.M. tailed retention prices recommended by the Commission for different categories of steel will be scaled down suitably in accordance with the above decision. Lest there should be any misunderstanding, I should like to make it clear that the controlled price of various categories of steel for sale to the public will not be raised as a result of this decision to increase the retention price payable to the main producers.

As regards the retention price of steel ingots, for similar reasons Government propose to fix this price at Rs. 326 per tonne. Similarly for pig iron, after making a deduction on account of the reduced provision for working capital, Government propose to fix a retention price which is Re 1 per tonne lower than the price recommended by the Commission,

[Shri P. C. Sethi]

The Government have also considered the other general recommendations of the Commission regarding regular supply of raw materials (particularly coal), improvement of sintering and ore handling facilities, more regular transport arrangements for both raw materials and finished products, adoption of latest technological advance, etc. They have accepted these and will also commend them to the steel plants for implementation.

The recommendations of the Commission related only to the period 1st April 1960 to 31st March 1962. We are already in September 1962. A view has, therefore, to be taken of the prices to be fixed after the 1st of April 1962. Government have decided that the prices to be fixed for the period 1960-62 should also be applicable provisionally beyond the period 1st April 1962 subject to certain changes which are necessary on account of (a) the recent increase in the statutory price of coal and (b) the increase in the railway freight from July 1, 1962. The effect of these changes will be announced shortly. The final prices to be fixed for the period after 1st April, 1962, will be decided after further consideration.

Government regret the delay in the announcement of their decisions on the reports of the Tariff Commission which was mainly due to the complexities of the problems involved. A Government resolution on the subject announcing these prices is being issued today,

SHRI K. SANTHANAM (Madras): Madam

THE DEPUTY CHAIRMAN: There is no time to ask questions because we shall be eating up the time allotted to the Constitution (Amendment) Bill.

SHRI K. SANTHANAM: It is a very important statement that has been made.

SHRI A. B. VAJPAYEE (Uttar Pradesh): And that too on the last day of the Session.

THE DEPUTY CHAIRMAN: Please be brief.

SHRI K. SANTHANAM: I am not likely to take any length of time. I want to know whether the price now fixed is likely to be made permanent for the rest of the Third Five Year Plan?

SHRI P. C. SETHI: Madam, it has been pointed out in the statement that the prices which have been fixed for the period 1960-62 are likely to continue provisionally for some time till a final decision is taken. Temporarily that is the arrangement but this can be reviewed from time to time.

SHRI M. P. BHARGAVA (Uttar Pradesh): Madam, may I make one submission? I want to raise an important point about yesterday's proceedings. I would request you to send for the Law Minister.

THE CONSTITUTION (FOUR-TEENTH AMENDMENT) BILL, 1962—continued.

SHRI LOKANATH MISRA (Orissa): Madam Deputy Chairman, While generally giving my support to this Bill, I would like to make a few observations. Reference is being made to a certain statement made by the Prime Minister. He said that this Bill has been brought forward in order to honour the agreement between the Government of India and the French Government. What I object to, Madam, is that the Prime Minister who is known all the world over as the greatest democrat, should not have put forward such an argument. He ought to have said that the will of the people would come first. While making that statement, the Prime Minister ought to have said that only the will of the people will determine which parts are to be merged in the