

ernment have been able to secure a suitable person. That officer is going to be relieved soon.

SHRI S. MAHANTY (Orissa): May I know if he is a retired officer enjoying an extended term?

SHRI A. C. GUHA: I do not know whether a series of supplementaries will go on on this.

MR. CHAIRMAN: No.

#### STATEMENT RE A NEW STEEL PLANT PROJECT

THE MINISTER FOR PRODUCTION (SHRI K. C. REDDY): Sir, the House has taken a great deal of interest in the proposal for the establishment of a new steel plant. Questions have often been asked in regard to it and I have endeavoured to give such information as was available to the House. It was not possible always to take the House into confidence when negotiations were going on. Now that those negotiations have concluded and an agreement has been signed, I should like to place before the House the principal terms of this agreement.

The importance of adding to our steel production is very great from the point of view of all development schemes and the Five Year Plan. Indeed, even this agreement which we have signed does not fulfil our future requirements and we shall have to consider further projects.

It has been Government's desire to retain overall control in a project of this kind securing, however, suitable technical associates as also financial participation to some extent.

The agreement was signed on the 15th August this year at Bonn in Germany by the Secretary, Ministry of Production, on behalf of the Government of India, and two German firms of international repute, namely, Krupps and Demag. The agreement

provides for the technical and financial participation of these two firms in the construction of a new steel plant with an initial capacity of half a million tons of ingots, capable of expansion to a capacity of one million tons.

The capital cost of the project is estimated to be about Rs. 71.25 crores. The share capital to be contributed by the German collaborators is expected to be of the order of Rs. 9.5 crores, the exact amount depending on the value of the plant that they may supply, and the balance of share capital will be found by the Government of India. It is proposed, however, to apply to the International Bank of Development and Reconstruction for a loan of about Rs. 20 crores towards the capital cost.

The German investment will be for a period of about ten years, with option to either side to continue the association for a further period of ten years.

Global tenders for supplies will be invited and quality, prices and deliveries of plant will be the determining factors in selecting the suppliers.

The German Combine will be appointed the technical consultants and will receive a fixed fee of about Rs. 2.10 crores, which works out to about 3 per cent. on the estimated cost. No royalties are payable and no bonus shares will be issued.

The management of the company will be vested in a board, in which the Government and the Combine will have representation proportionate to their respective investments. The Chairman and the Managing Director will be the nominees of Government, thereby reserving to Government the control and overall management of this vital industry. The German Combine will recommend a team of technical-experts for the efficient working of the plant. The number of Germans to be employed will be kept down to the minimum commensurate with the requirements of efficiency. Indians will receive, meanwhile,