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**REPORT OF THE
STUDY TEAM**

ON THE

**IRON & STEEL CONTROLLER'S
ORGANISATION**

PART J

**PRODUCTION, PRICE AND
DISTRIBUTION OF
INDIGENOUS STEEL**

**MINISTRY OF IRON & STEEL
GOVERNMENT OF INDIA
MAY 1966**

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R. K. KHADILKAR, M.P.

Chairman,

Study Team on the Iron & Steel Control Organisation

New Delhi, the May 13, 1966.

MY DEAR SHRI T. N. SINGH,

I have the honour to submit the first report of the Study Team appointed to go into the working of the Iron & Steel Control Organisation. You will recall that the Team made an interim report in August last on certain aspects of personnel administration, but this is really our first substantive report.

2. The Iron & Steel Control Organisation deals broadly with three subjects. It is responsible for organising the equitable distribution of indigenously manufactured steel; it handles licensing for the import of steel from outside the country; and it carries developmental responsibilities in regard to the steel sector of industry. The structure of the organisation and its procedures of work flow out of the nature of responsibilities of the Controller in these three areas. Although the focus of our terms of reference was on procedures, we felt it inescapably necessary to examine the policies which give rise to the current procedures. The most pressing problems under the Controller's charge relate to the subject of distribution of indigenous steel. This first report of ours, therefore, deals only with this part of the work handled in the Iron and Steel Control Organisation. In our second and final report we hope to cover the other two areas falling in the Controller's charge, and then also to deal with questions of structure and personnel.

3. Inevitably our study of the distribution system has taken us into the question of controls. Since the Raj Committee went into precisely this issue, it was not without some hesitation that we entered the same field. We did so chiefly because a study of procedures in regard to the distribution system would have been meaningless without examining the control structure. But also we felt that there would be advantage in our attempting an evaluation of how exactly the decisions taken on the Raj Committee report had worked out in practice. Our having gone into some depth has proved fruitful in that this report is able to present not only a factual evaluation but also a new scheme of distribution which aims at removing the unsatisfactory features that we observed.

4. The new scheme suggested by us is simply an extension of the ideas first put forward by the Raj Committee, and thus amounts to a kind of regulated decontrol or decontrol with safeguards. This is not to say that what we have suggested is identical to what the Raj Committee recommended. We were keen to present scheme in operational terms, and our report consequently goes into considerable detail in order to explain how things are expected to operate at each stage and what each agency or party is required to do in the new scheme. I believe the effort put in by the Team in working out detailed time-tables and procedures will prove extremely useful if, as I hope, our scheme is accepted by Government and put into effect.

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5. We have suggested a marked shift towards decontrol because we felt that circumstances warranted this. For one thing the control system is altogether too cluttered up with stages and agencies of handling, and is consequently slow, cumbersome and a source of inconvenience to the public in many ways. As against this, there is the fact that steel production has improved considerably and is expected to improve still further. Although there will still be short-falls in some categories, it is our considered view that the balance of advantage lies in giving up statutory control, at least in its present form, and trying out an alternative system which cuts out as many stages and agencies as possible.

6. Our approach towards relaxation of control is not, therefore, based on any theoretical grounds. We have recommended what appears to us practical and correct. In this process we have taken care to graft into the new scheme safeguards at two or three critical points. It must be borne in mind that fitting in too many safeguards would tend to take away the whole point of a decontrolled system of distribution. At the same time, what we have suggested about the distribution of scarce categories, about the manner in which prices should be fixed and about production planning in the context of consumer demand should prove sufficient in the way of safeguards without crippling the new scheme.

7. If the scheme is to be given effect to for the production year 1967-68, steps will have to be taken to ensure that Government's decision on this report is available in time for the new time-table to commence in July next. That in fact is why we have hastened to submit our recommendations at this time rather than holding them up until our study of other matters was complete. Any held-up would have meant postponement of the installation of the new scheme by a year and we were anxious to avoid this contingency.

8. So far as the Team is concerned, we have tried our best to develop a practical alternative to the cumbersome system of control in operation today. The successful execution of our ideas will depend on the extent to which Government can invoke the cooperation of the steel plants, the Joint Plant Committee and other agencies. If all the concerned parties pull together, I think the benefits from the new scheme will become evident very soon.

9. We are extremely grateful to Shri Nagendra Bahadur, Iron & Steel Controller and his officers for their help and cooperation in making this study feasible. The work of the Study Team was greatly assisted by our well-informed and able Secretary, Shri S. C. Mukherjee, and by the programme of case studies organised by the Department of Administrative Reforms.

With kind regards

Yours sincerely,
Sd/-
(R. K. Khadilkar)

Shri T. N. Singh,
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