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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,
Minister of Iron & Steel,
Government of India,
New Delhi.

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CHAPTER 1

INTRODUCTORY

1.1. As a result of the recommendations made by the Committee on Prevention of Corruption (Santhanam Committee), the Government of India appointed four study teams in 1964 to go into the working of the Export-Import Trade Control Organisation, the Directorate General of Technical Development, the Central Public Works Department and the Directorate General of Supplies and Disposals. Although the Santhanam Committee did not specifically refer to the Iron & Steel Control Organisation, the nature of work here was such that the Government of India decided to have the procedures and methods of work in this organisation also examined in a similar way. A study team was consequently appointed on the 26th May, 1965, by the Ministry of Steel & Mines (Department of Iron & Steel) with the following terms of reference:—

“The Team will examine the organisation, structure, methods of work and procedures of the office of the Iron & Steel Controller, with a view to locating the points at which delays occur where bottlenecks exist and where administrative failures are possible. It will suggest measures for improvement so that opportunities for corruption are eliminated.”

1.2. The study team was constituted as under:—

1. Shri R. K. Khadilkar, M.P., Chairman.
2. Shri Nagendra Bahadur, Iron & Steel Controller, Calcutta.
3. Shri N. K. Mukarji, Joint Secretary, Ministry of Home Affairs, Department of Administrative Reforms, New Delhi.
4. Shri P. Sabanayagam, Chief Controller of Imports & Exports.
5. Shri P. C. Kapoor, Director General, Directorate General of Technical Development, New Delhi.
6. Shri P. V. Hingorani, Deputy Inspector General of Police, Central Bureau of Investigation, New Delhi.
7. Shri M. Prasad, Deputy Secretary, Ministry of Iron & Steel, New Delhi.
8. Shri S. P. Mukerji, Deputy Secretary, Ministry of Home Affairs, Department of Administrative Reforms, New Delhi.
9. Shri S. C. Mukherjee, Deputy Iron & Steel Controller, Calcutta—Secretary.

Shri M. Prasad, Deputy Secretary, Ministry of Iron and Steel was transferred to the Cabinet Secretariat with effect from 1st January, 1966 and Shri R. K. Shastri, Deputy Secretary, Ministry of Iron & Steel, was nominated in his place. Shri N. Krishnaswami, Senior Industrial Adviser, Directorate General of Technical Development, also assisted the team as a

deputy for Shri P. C. Kapoor. The study team was asked to submit its report within six months.

1.3. The first meeting of the study team was held on 10th June, 1965, at New Delhi. At the request of the Chairman, Shri N. N. Wanchoo, Secretary, Ministry of Iron & Steel, attended this meeting and explained the rather complicated nature of the present system of production, planning, distribution and regulation of price of steel. He also referred to the somewhat unenviable position of the staff of the office of the Iron & Steel Controller, which faced considerable uncertainty about its future consequent on the implementation of certain recommendations of the Raj Committee, particularly the setting up of the Joint Plant Committee. He agreed that the team could profitably review the policy of control of steel and the working of the Joint Plant Committee and the various other agencies involved. It was felt that for a worthwhile study of organisation, structure, methods and procedures of work to be made, it would be rather artificial to draw a line between policy and procedure and that it would be necessary for the study team to analyse those aspects of policy which have a direct bearing on procedure and methods of control. Only so would it be possible to remove bottlenecks and provide public satisfaction.

1.4. The approach and analysis of the study team was greatly facilitated by the report of the Raj Committee which went into the question of streamlining and devising a procedure for ensuring equitable and speedy distribution of steel. Our report is neither a commentary on nor a review of that report. While the recommendation of the Raj Committee amounted more or less to an advocacy of complete decontrol, our approach has been to formulate in operational terms a process of gradual relaxation of controls within the basic policy framework laid down by the Government. We feel that in a developing economy, between the two extremes of full statutory control and complete decontrol, there is a whole spectrum of alternatives, viz. voluntary control, informal control, supervised control, etc., which can serve the fundamental social purposes more constructively and less obtrusively than a rigid regimentation on the one extreme or a runaway decontrol on the other. The study team's attitude towards control or decontrol has been entirely pragmatic and non-doctrinaire. Our purpose has been mainly to evolve a system which serves the interests of the steel plants, the steel consuming units and ultimately the national economy to the maximum possible extent.

1.5. As the subsequent chapters will show, the existing system even after simplification of the distributional procedures on the basis of partial acceptance of the Raj Committee Report, is still loaded with a number of agencies and stages. In this context a work study or method analysis confined to the office of the Iron & Steel Controller without an analysis of the whole system of demand, allocation, production, delivery and consumption of steel would only touch the periphery of the problem and leave the basic difficulties of procedural complexity, delay and uncertainty of delivery untouched. Our analytical study, therefore, covered the procedures followed by all the authorities concerned in the distribution process, right from the consumer to the integrated steel plant and stock-holder.

1.6. The study team constituted the following four working groups:—

Working group I—On production, price and distribution of indigenous steel.

Working group II—On export and import of steel.

Working group III—On technical development and assistance to the steel producing and processing industry.

Working group IV—On organisation and personnel problems of the Iron & Steel Control Organisation.

1.7. The working groups coopted additional members from the Department of Iron & Steel, the Iron & Steel Control Organisation, the Department of Economic Affairs and other agencies concerned. Each working group identified basic problem areas. A programme of case studies of files, registers and documents selected through random and purposive sampling in the offices of the Iron & Steel Controller, the Joint Plant Committee the Directorate General of Technical Development, the Development Commissioner, Small Scale Industries, the Ministry of Food and Agriculture, the Railway Board, the Central Water & Power Commission, the Directorate General of Supplies & Disposal, the Ministry of Defence and a few directors of industries was taken up. On the distribution system, it was decided to study the histories of a few cases in which actual deliveries had materialised, right from the stage of a party applying to the stage of despatch by the steel plants. The case studies took our analysts to the various agencies involved in the process including a steel plant in the public sector and another in the private sector. A questionnaire as at appendix I was issued to the representatives of the trade and prominent individuals and government officers as listed at appendix II. Appendix III contains a list of individuals and organisations who replied to the questionnaire and also a list of persons with whom the study team had discussions at Calcutta, Bombay, Goa, Madras & Delhi.

1.8. At one of our early meetings at Calcutta, representatives of the Non-Gazetted Staff Association of the Iron & Steel Control Organisation met us. They not only submitted a memorandum but also forcefully presented the problems facing them in the nature of uncertainty of permanent absorption, loss of seniority consequent on transfer to other Government offices and allied problems. The study team was convinced that these problems deserve the immediate attention of the Government irrespective of the system of procedure which may ultimately be adopted. We, therefore, decided to submit an interim report on some immediate aspects of personnel administration. A copy of the interim report together with a copy of the letter of transmittal from the Chairman to the Minister of steel and Mines is placed at appendix IV.

1.9. It was felt that the basic problems which affect firstly, the Iron & Steel Control Organisation, secondly the large number of steel consumers in the procurement of scarce categories of steel, and thirdly the integrated steel plants in the planning of production programmes, should be tackled first on a priority basis. Any rationalisation in this regard would not only give relief to the maximum number of persons and organisations but would also help the study team later in devising a reorganisation of the Iron & Steel Control Organisation.

1.10. Part I of our report is thus mainly concerned with our recommendations about the procedure to be adopted for planning and organising production, distribution and sale of the various categories of iron and steel

and role which the various agencies including the Iron & Steel Control Organisation should play under the proposed scheme of things. Our main objectives have been firstly to avoid delay and bottlenecks secondly to match the interests of producers and consumers, and thirdly and most importantly to ensure certainty about delivery of supply within a reasonable period. Chapter II analyses the existing system and highlights its drawbacks. Chapter III amplifies the concept of graduated decontrol which we have in view. Chapter IV deals with the procedure which we propose for different categories of steel and the time table which we think would be feasible. Chapter V explains the role which the various important participants in the revised scheme are to play. Chapter VI deals with a few practical problems which block implementation; we have ventured to propose measures to remove these difficulties.

1.11. We have hastened to submit our recommendations on distribution alone with a dual objective. Firstly, if the Government accept these recommendations, it may be possible to give effect to the new scheme for the production year 1967-68 for which the time table is to start from July 1966. Postponement of the decision of the Government beyond the 15th of June this year may mean postponement of the implementation of the scheme by one year. Secondly, our recommendations in part II regarding technical development, export and import of steel and structure of the office of the Iron & Steel Controller's organisation will depend a great deal upon the distribution system which the Government accepts at this stage.

1.12. We would take this opportunity to express our gratitude for the cooperation and the valuable assistance and guidance which we received from members of the public, the steel plant authorities, the Joint Plant Committee, the State Governments, the various departments of the Central Government and many others. But for their assistance this report could not have been formulated. And it is from them that we derive the hope of our report's acceptability and the conviction of its feasibility.

CHAPTER II

PRESENT SYSTEM OF STEEL DISTRIBUTION AN APPRAISAL

Historical Background—

2.1. The Steel Control Organisation was established just after the outbreak of the Second World War. In July 1941, the Iron & Steel (Control of Distribution) Order, 1941 was promulgated under the Defence of India Rules, 1939. When the Defence of India Act and Rules lapsed on 30th September, 1946, the order was extended by promulgating the Essential Supplies (Temporary Powers) Ordinance, 1946 which was converted into an Act in November 1946. This enactment expired on 26th January 1955, but Central control over essential commodities, including iron and steel was continued by enacting the Essential Commodities Act, 1955. For this purpose the Constitution of India had to be amended and by virtue of this amendment the Essential Commodities Act, 1955 is now on the permanent statute book of the country.

2.2. During the last twenty five years of its life, statutory control over iron and steel has undergone many changes in its scope and content. The evolution of steel control in India can be divided into six distinct phases.

Phase I

2.3. This was a period of complete control which lasted from July 1941 to March 1946 more or less corresponding to the War years. During this period, all categories of steel including some fabricated items like bolts, nuts screws and wire nails were controlled. Except for small quantities which were allowed to be sold by the stockists to civilian consumers, the entire field of production and import was strictly controlled. The bulk of the supplies was utilised by the Defence Services, Railways and other Government departments connected with War effort.

Phase II

2.4. This was a period during which an experiment was made with partial decontrol. It lasted from April 1946 to August 1952. The system of issue of licence by quota-holding departments to individual consumers was abolished. All restrictions on stock-holders, except price control, were withdrawn. Only the restriction on producers was retained, which meant that all indents were required to be routed through the Iron & Steel Controller. Control over pig iron and pipes was completely withdrawn. The result of decontrol, however, was not what was expected and the producers piled up a huge backlog of orders. A system of decentralised control was, therefore, introduced in August, 1946. This was the beginning of the quota system operated through specified, sponsoring authorities which, to some extent, is in vogue even now.

Phase III

2.5. This phase started in August, 1952 and lasted upto November 1955. There was another attempt at partial decontrol during this period. Certain categories like bars and structurals were selected for decontrol at all levels. The result again was not very satisfactory. Towards the middle of 1955 it was found that the producers had booked orders mostly from stockists for bars and structurals to cover their production for several years. As a result, they were unable to deliver materials against fresh orders, even from important consumers like the Railways, within a reasonable period. Meanwhile, essential demands were also going up as the 2nd Five Year Plan laid more emphasis on the development of industries, irrigation and power projects, and transport, all of which needed considerable quantities of steel. The relaxations were, therefore, withdrawn in November 1955.

Phase IV

2.6. This phase lasted upto December 1959 and was in fact a return to the decentralised system of distribution described in Phase II.

Phase V

2.7. This lasted from December 1959 to February 1964. With the increase in domestic production, the supply of certain categories and sections like bars and rods eased, as a result of which their sale through stockists was relaxed. This meant that stockists could sell these items without any quota certificate or permits. In other respects, there was complete control over the producers, stock-holders and price. The system that obtained merits detailed description.

2.7.1. The Iron and Steel Controller would first make a very rough estimate of the available supply after taking into account (a) the demand of the various sponsoring authorities (who were about 80 in number), (b) the estimated production in the particular half year period, and (c) the outstanding orders pending with each steel producing plant. For scarce categories the volume of pending orders was so great that neither the producers nor the consumers, much less the Iron and Steel Controller or the sponsoring authorities, knew which of the pending orders would materialise, and when. This resulted in sponsoring authorities getting and projecting to the Iron and Steel Controller demands which were inflated and without any rational basis. On receipt of bulk allocation for a particular half year, the Directorate General of Technical Development, for example, would collect the vetted requirements of all industries classified into very high, high, medium and low priority categories and would make a unit-wise allocation using a general formula of percentages of requirements to be met for different priority groups. Quota certificates would then issue accordingly.

2.7.2. Small quota holders placed orders with stockists, but those whose quota exceeded one wagon load, would send their indents to the office of the Iron and Steel Controller. The Controller had his own rating of priority, viz. over-riding priority, top priority and even red hot priority, and 'planned' the indents on the producers on the basis of the priority criteria followed by him. The Controller did not have any data relating to outstanding orders with the producers classified according to priority and non-priority indents

and there was no systematic checking as to whether the priorities were in fact being respected by the producers.

2.7.3. Since several priority ratings were given by the Iron and Steel Controller, there were, within the broad category of outstanding priority indents, several queues with different ratings. The general instruction given to producers was that a certain proportion of indents in each priority category should be taken up when framing a rolling programme, some even from among those which had not been allotted any priority at all. Since demand was always in excess of available supply and actual delivery was not guaranteed in a particular half year, there was an inevitable accumulation of outstanding orders, both in priority as well as in non-priority categories.

2.7.4. After an indent was planned on a producer, the party would book his order with the steel plant and see to a number of financial formalities. The Steel plant would thereafter issue a work order for taking up production of that particular item, but there was no guarantee of delivery. Theoretically the rolling programmes of the steel plants were planned on the basis of pending and new work orders, but this did not happen for the following two reasons:—

- (a) In the context of a huge backlog of work orders for different categories of steel, the producers had a tendency to pick out work orders which suited their convenience rather than those reflecting the urgency of demand.
- (b) The demands of the various Government projects were often placed at the eleventh hour with an over-riding priority which interfered with whatever planning had been possible in the rolling programmes to suit the other demands.

Phase VI

2.8. This phase started from 1st March 1964 as a result of decision taken by the Government on the Raj Committee Report submitted in October 1963, and the system then introduced is in force today.

Raj Committee Report

2.9. It was indeed a bold decision for the Government to appoint a committee of three economists unconnected with the steel industry or trade to examine the planning and distribution control of steel and to suggest measures to streamline and revise the procedure for ensuring equitable and speedy distribution of steel. Apparently, the idea was that the system of distribution then existing should be critically analysed by unbiased minds to locate real defects and problems and to evolve solutions from a fresh angle. It is perhaps unnecessary for us to repeat that findings of the Raj Committee in detail, but we do want to say that we are generally in agreement with its conclusions about the defects of the system of steel control obtaining prior to March 1964. It would, however, be useful to have a look at the system of distribution recommended by the Raj Committee and accepted by Government with certain modifications now that it has been in operation for some time.

2.10. The recommendations of the Raj Committee were the following:—

- (1) A standing Steel Priority Committee should be set up to make priority allocations of steel. The system of scrutiny of demands for giving priority grading should be very strict. Priority 'A' should be given only for defence needs and priority 'B' to demands of basic industries and vital social overheads. Everything else should be non-priority.
- (2) A Joint Plant Committee consisting of general managers of the steel plants and the Iron and Steel Controller as Chairman should be set up. This should receive and screen all indents and be responsible for distributing them to the steel plants. The priority allocations made by the Steel Priority Committee should be the first charge on production, and the planning by the Joint Plant Committee, should take this into account.
- (3) Every one should be free to place indents on the producers through the Joint Plant Committee. Sales and re-sale transactions after the first delivery should not be controlled except in the case of priority deliveries for which there could be no re-sale.
- (4) The sale prices of the main producers should be left to be fixed by the Joint Plant Committee subject to approval by the Government.
- (5) There should be no price control beyond the first delivery line. A free market in steel in respect of sales subsequent to first sale by the main producers should be legally recognised.
- (6) Stockyards under Government control should be opened at selected places throughout the country to meet priority demands for small quantities and to ensure reasonable supplies to small scale industries. The indents of these stockyards should be screened by the Steel Priority Committee and graded 'B' priority.
- (7) Control over the products of the re-rolling industry should be completely withdrawn.

2.11. The basic approach of the Raj Committee to the problem of rationing of an essential commodity like steel was to ensure timely supplies at a reasonable rate against demands which really deserved to be accorded priority and to leave the normal forces of demand and supply to have full play with regard to the balance of the available supplies. The Committee estimated that if priority allocations were made with care, about 60% of the available supplies could be released to the open market.

Decision on Raj Committee Report

2.12. Government's reaction to these proposals was on the whole favourable, but they approached the problem more cautiously. Perhaps the unhappy experience of previous attempts at de-control and relaxation was responsible for such an approach. The proposal to set up a Joint Plant

Committee to distribute indents was accepted, but a representative of the Railway Board was included to look after the interests of consumers. A standing Steel Priority Committee was also set up with the Secretary, Ministry of Iron and Steel as Chairman, but it had nothing to do with allocation. It was only entrusted with the work of screening producers' work orders already booked for inclusion in the periodical rolling programmes. The most important recommendation of the Raj Committee about withdrawal of statutory control over prices and of the quota system for indenting of steel was accepted only for most of the non-flat products. The old quota system was, however, retained for the following categories:—

1. Sheets
2. Plates
3. Skelp and wide strips
4. Billets
5. Tinplates
6. Pig iron (since decontrolled)
7. Defectives of controlled categories.

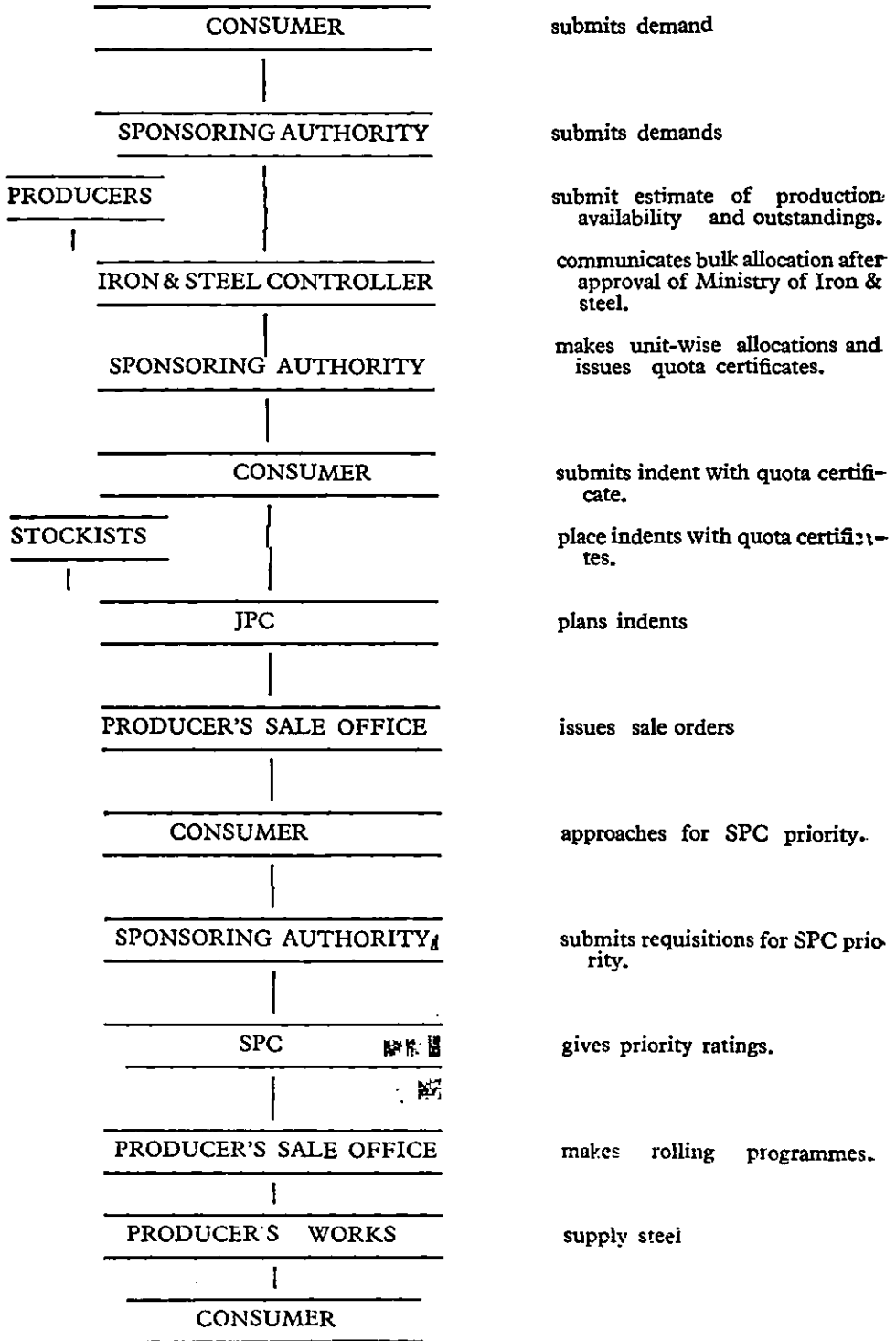
The recommendation about decontrol of re-rollers' products was accepted, but the proposal to set up stockyards controlled by Government was not accepted.

Broad features of existing system—

2.13. The procedure was in the nature of a compromise and brought two parallel system of steel distribution into existence. The various categories of steel were divided into two groups: 'free' categories like structurals, rails, bars and rods, and 'controlled' categories like plates, sheets, skelp, strips, billets and pig iron. For 'free' categories, control over price distribution and sale was taken away altogether. Anybody could send in an indent and the Joint Plant Committee was made responsible for regulating the production and distribution of these categories. For the 'controlled' categories, the previous system of distribution was confirmed except for the interposition of the Joint Plant Committee and Steel Priority Committee. The Iron and Steel Controller continued to make bulk allocations to the same sponsoring authorities with the same degree of rough estimation; the sponsoring authorities continued to issue quota certificates based more or less on whatever demands were received from the various units; the individual consumer places his indent on the basis of his quota certificate on the JPC. The JPC thus replaced the Iron and Steel Controller in the planning of indents on steel plants, once the indent was converted into a work order, it ceased to be related to any specific period of production but merged with other pending work orders in the steel plants. Another full fledged exercise was prescribed under which an individual consumer had to depend on his sponsoring authority to get his work order a Priority rating from the Steel Priority Committee. In the present system, it is at this stage that the first correlation is made between demand and supply for a specific period. Only those pending work orders are included in the rolling programmes of steel plants which obtain the SPC's priority rating.

2.14. A broad schematic flow chart of the existing process is given below:—

**FLOW CHART OF DISTRIBUTION OF CONTROLLED CATEGORIES
(EXISTING METHOD)**



Defects of the system —

2.15. For controlled categories—

- (i) The consumer has to formulate his demand at least a year before he can theoretically expect even part supplies. In fact, the period is much more than a year, because at every stage there are delays.
- (ii) The consumer has to approach his sponsoring authority first for getting a quota certificate and again for getting his work order included in the rolling programme through the Steel Priority Committee.
- (iii) There is no certainty of supply on account of heavy accumulation of outstanding orders and influx of fresh priority demands from time to time.
- (iv) Estimates of demand and production which are made for the purpose of allocation are not realistic. Consumers are prone to inflate their demands knowing that sponsoring authorities are likely to slash them down. Producers also do not give serious consideration to the problem of estimating production because they usually have a large number of outstanding orders for making up their rolling programmes.
- (v) Excess allocations are often made by the Ministry of Iron & Steel, during a particular period and there can, therefore, be no guarantee of delivery during such a period.
- (vi) Due to delay at the various stages through which the process of estimating demand, communicating allocations, issuing quota certificates, placing indents and so on has to pass, there is no correlation between the period for which demands are estimated and the period in which the orders booked against the consequent allocations are actually executed by the producers. For example, orders against allocations made for the year 1964-65 were not booked in some cases even upto the end of March, 1965. The allocation made on the basis of estimated production for the year 1964-65, therefore, had little bearing on the actual supplies made during that year.

2.16. For free categories—

- (i) The Joint Plant Committee does not generally screen indents before planning. It refuses to entertain indents from non-priority indentors only when producers carry heavy backlogs of any section. Indents from priority indentors are entertained without any screening. As the number of priority indentors is quite large, accumulation of excess orders is unavoidable, particularly for sections in heavy demand, e.g. 6 mm and 10 mm rounds, heavy structurals etc.
- (ii) It seems that the Joint Plant Committee has no system of estimating production of different sections on a forward basis before entertaining indents. As a result, delivery of steel against

orders is uncertain. Sometimes supplies are made too early and this results in suspension of orders by the customers. Generally, supplies do not materialise for a long time and this creates the problem of matching steel with the consumer.

- (iii) There is no system of preparing work order-wise rolling programmes by the Joint Plant Committee. As a result, producers are free to pick and choose orders for inclusion in their rolling programmes. The Joint Plant Committee does give priority grading to indents and producers are supposed to prepare rolling programmes after taking this into account as also the factor of chronological sequence. There is, however, no machinery to watch how far the producers actually follow this principle in effecting despatches. In many cases, priority and chronology are disregarded and the excuse of technical difficulties is given when explanations are called for.

2.17. Case studies, the gist of which is in appendices VIII & IX indicate that the average time taken in effecting deliveries of controlled categories was about 748 days in a public sector steel plant, and 997 days in a private sector plant. A case had to pass through about 44 stages in different organisations. As against this, in the same private sector plant, under the relaxed procedure followed for free categories, the average time taken was about 50% of the time taken for controlled categories. It seems doubtful whether any method improvement in the Iron and Steel Control Organisation would improve matters. The whole approach to the procedure of control seems to need rethinking.

Reasons for continuance of statutory control on certain categories—

2.18. We shall now examine why Government did not accept the recommendations of the Raj Committee in toto and why statutory control was retained on certain categories. We understand that a detailed study of the supply position of steel made by Government at the time of consideration of the Raj Committee Report showed that certain categories of steel, i.e. plates, sheets, pig iron, billets, skelp, tinplates and hoops, would continue to be scarce for some time. It was revealed that production at that time was hardly enough to meet half the demand and was not likely to increase until the expansion of steel plants then under way was completed. Government, therefore, decided that it was necessary to continue the then existing form of control over distribution and prices of these scarce products of steel. It is clear that but for the acute shortage of flat products, pig iron and billets Government would have accepted the main recommendations of the Rai Committee in full and might have withdrawn statutory control over all products of iron and steel.

Prospective supply position—

2.19. The crux of the problem, therefore, is to have as accurate an estimate as possible of the present and prospective demands of different categories of steel and estimated supplies, present and prospective. It has to be admitted that the system of assessing demand has been far from

satisfactory. The most convenient system for study of the existing demand has been to take as the base demands vetted by sponsoring authorities. But, as already observed, consumers tend to inflate their requirements because they are quite sure that sponsoring authorities will sponsor only a fraction thereof. Without casting any aspersion on sponsoring authorities, it must be admitted that the machinery for vetting demands, if there be any, is also unsatisfactory and ineffective. We are given to understand that there are technical limitations because of which it is not easy to assess the demand of steel processing units with any reasonable degree of accuracy. There is no uniform or realistic basis for assessing the demand of small scale industrial units, agriculturists and the general public. Even for categories of steel not subject to any statutory control, assessing demand on the basis of indents actually received by the Joint Plant Committee would not be realistic or correct. A large number of indents are received by the Joint Plant Committee from dealers and many of these are of a speculative nature. Sometimes a dealer places an indent on the basis of a tender enquiry received for a project. On the basis of the same tender enquiries, other dealers also place indents on the Joint Plant Committee in the hope of getting a contract from the project. In this manner the demand figure in the JPC gets multiplied several times.

2.20. We are aware of the estimates of demand for steel made by the National Council of Applied Economic Research. Although the Council tried to adopt a scientific basis for assessing demand, the results obtained do not differ very much from estimates based on requirements indicated by sponsoring authorities. It is, therefore, difficult to rely on the figures arrived at by the Council particularly with regard to the current demand. It was brought to our notice that, after the recent decontrol of pig iron and hot rolled sheets within the range of 10 to 14G., the producers are finding it difficult to dispose of their current production and that efforts are in progress to export substantial quantities even though export prices are not attractive. This lends support to the view that there is substantial inflation of demand for the controlled categories, and that the gap between demand and supply is perhaps not as great as was estimated by the Government when it considered the report of the Raj Committee in 1964. To some extent, this fall in demand may be due to the general sluggishness in the market and the shortage of foreign exchange which has prevented many consumers of iron and steel from making full use of indigenously available supplies for want of matching supplies of imported raw material. For example, the fall in demand for skelp and strips including sheets in coils, used mainly for making pipes and tubes, is probably due to the acute shortage of zinc, which is an imported item. The cut in Government expenditure, particularly of the Railways, has also contributed to the recent fall in the demand for steel material. Demand, therefore, may get stepped up to some extent as soon as the present difficulties of foreign exchange are removed and as soon as more funds become available for projects included in the Fourth Five Year Plan. We are, therefore, averse to taking any radical view on the question of decontrol on the basis only of the supply position obtaining in the immediate present.

2.21. However, even if the temporary economic slump is ignored there is no doubt about the fact that the supply position has improved substantially since 1963-64 when the Government of India considered the report of the Raj Committee. The following figures were given by the

Raj Committee while giving the likely future trend of demand and output:—

Estimates of future demand and output of finished steel.

	1965-66		1970-71
	Demand (M. tons)	Output (M. tons)	Demand (M. tons)
Railway materials	0.84	0.83	1.33
Structurals	1.00	1.00	2.07
Bars and rods	2.20	1.80	3.81
Plates	0.60	0.40	1.29
Sheets (excluding galvanised sheets).	1.78	1.23	2.34
Galvanised sheets }	0.25	0.15	1.15
Tinplate			
Others	0.65	0.32	1.14
TOTAL	7.32	5.73	13.13

The Raj Committee also indicated the following position of outstanding orders with the main producers:—

	End of March			
	1960	1961	1962	1963
	(In million tons)			
Railways Materials	0.12	0.23	0.22	0.24
Structurals	0.34	0.54	0.94	1.18
Bars and rods	0.23	0.24	0.75	0.79
Plates	0.12	0.27	0.51	0.78
Sheets (excluding galvanised sheets).	0.19	0.25	0.41	0.42
Galvanised sheets	0.17	0.30	0.01	0.63
Others	0.01	0.02	0.01	0.14
TOTAL	1.18	1.85	2.85	4.18

2.22. It is difficult for us to make an accurate estimate of the demand. The Raj Committee's figures are apparently based on studies made by the National Council of Applied Economic Research. As already mentioned these figures have actually turned out to be on the high side, because producers are unable to book sufficient orders for several sections of rounds and structural. The most glaring instances are pig iron and hot rolled sheets within the range of 10 to 14 G. It can be safely assumed that the demand for flat products is inflated to the extent of about 20 to 30 per cent at least. As against this, production has already improved somewhat, particularly at Rourkela, and is likely to improve further as soon as expansions currently under execution start yielding results.

2.23. Although an accurate estimate is difficult to make there seems little doubt that the gap between real demand and supply for most of the categories of steel will be much smaller during the coming years than what was estimated in 1964. According to a rough estimate made by us, the position may be somewhat as follows:—

	(in million tonnes)					
	1967-68		1968-69		1969-70	
	Demand	Output	Demand	Output	Demand	Output
Railway materials	0.8	0.8	0.9	1.0	1.0	1.0
Structurals	1.0	1.1	1.2	1.1	1.2	1.1
Bars & rods	2.0	2.1	2.2	2.2	2.5	2.4
Plates	0.6	0.4	0.8	0.5	0.8	0.6
Sheets & Strips	1.5	1.2	1.5	1.2	1.5	1.2
Galvanised sheets	0.6	0.18	0.6	0.2	0.7	0.25
Tinplates	0.25	0.15	0.3	0.15	0.4	0.3
Others	0.35	0.25	0.5	0.3	0.8	0.55
TOTAL	7.1	6.18	8.0	6.65	8.9	7.4

2.24. The position of outstanding orders has also changed since 1964. With the removal of statutory control on certain categories many customers, particularly stockists, started asking for suspension of despatches against booked orders. According to the producers, about 30 to 40 per cent of the outstanding orders for structurals and rounds are ineffective. Even for some of the flat products, e.g. sheets and plates, all outstanding orders are not effective. The position of effective outstanding orders is understood to be as follows:—

	(In million ton)		
	End of March		
	1964	1965	1966
Railway Materials	0.41	0.28	0.14
Structurals	1.28	1.36	1.02
Bars and rods	1.32	1.11	1.04
Plates	1.09	0.79	0.72
Black sheets & strips	0.80	0.58	0.51
Galvanised sheets	0.61	0.42	0.38
Others	0.30	0.11	0.11
TOTAL	5.81	4.65	3.92

It will be seen that outstanding orders with the producers have come down. On the whole, therefore, it is our opinion that the supply position of all categories of steel has already improved to some extent and is likely to improve further during the coming years.

2.25. Another aspect of the supply position of steel which one has to take note of is the variable nature of the demand. Factors which have to be taken into account in assessing demand for steel cannot always be defined

in concrete terms. The theoretical capacity of the engineering industries, which is an important factor in determining steel demand, may often be misleading. For various reasons, demand for steel is likely to be inflated whenever there is a slight boom in the money market. At the same time, this inflated demand may rapidly slump at the sign of the slightest tightening of the money market. In other words, steel is a popular medium of speculation and one has to be very careful in accepting the figures of apparent demand for steel.

Broad appraisal—

2.26 In the light of these observations, we are led to the following conclusions:—

- (a) The decisions of Government on the Raj Committee Report constituted an important step in the right direction.
- (b) Experience of working the system has, however, revealed a number of unsatisfactory features.
- (c) The supply position of steel in general, and of many of the controlled categories in particular, has improved considerably since 1964,
- (d) The time has, therefore, come for a further step towards relaxation of controls which should help to cure the unsatisfactory features of the present system.

CHAPTER III

APPROACH TOWARDS RELAXATION OF CONTROLS

3.1 The late Prime Minister recorded the following minute in April 1965:—

“I am concerned with the problems of manpower and economy in administration. In many cases, we choose to exercise control in a manner which required the employment of a large staff. Getting inexperienced people to perform such jobs creates its own difficulties and the cost of administration keeps on increasing at an alarming rate. Some controls may be worth giving up purely on these considerations, while many would stand in need of modification so as to become simpler and less expensive.

Corruption and, even more, the public impression of corruption are often the result of ill-conceived and badly administered controls. From this angle too some rethinking on the policy plan seems to be necessary”.

3.2 When Government announced their decisions on the Raj Committee report, the Minister of Steel made a statement on the Floor of the Parliament in March 1964, which indicated an approach on the same lines as that in the Prime Minister's minute quoted above:—

“While a system of overall strategic controls is an integral part of a planned economy and while controls must be used to protect the community in a situation of shortage, we have to ensure that controls are not too detailed, that they do not bring rigidities and abuses in their wake and above all do not become a vested interest continuing beyond the period when they are economically and socially necessary. It has, therefore, been the Government's declared intention to examine how far and how best they could reduce the operations of detailed controls at various points”.

3.3 In our study, we kept prominently in mind the spirit underlying the late Prime Minister's minute and the Steel Minister's announcement. It is this mainly which prompted us to go into the whole question of relaxation of controls in the field of steel. Several organisations, including the Federation of Indian Chambers of Commerce and Industry forcefully argued before us the case for complete decontrol, and this strengthened our resolve to have a square look at the problem of decontrol.

3.4 The word 'decontrol' has different connotations for different people. There are first the advocates of a totally free economy who would like to see a return to the pre-Second World War position, involving withdrawal of statutory control coupled with complete freedom to steel

producers to fix prices and dispose of their products. The argument is that the supply position of almost all varieties of steel has improved considerably and the time has, therefore, come to take a bold decision to remove all controls. In this view of decontrol, there is no room for a body like the Joint Plant Committee which, it is argued, has created a monopolistic position in the steel trade by preventing competition between individual producers. This has affected the quality of steel produced. Consumers are pressurised to accept whatever is produced and there is little incentive left with producers to diversify their production to meet the special requirements of steel consumers. The example of cement decontrol is cited, where decontrol is reported to have led to easy availability of supplies. It is true that in times of scarcity, consumers tend to inflate their demands. The gap between demand and supply may not, therefore, be as large as is reflected by the statistics available. Even taking this into account, we have no doubt that the availability of some items of steel, e.g. sheets thinner than 14 G, galvanised corrugated sheets, galvanised plain sheets, tested quality plates, skelp, tin-plates and billets, is substantially less than the actual demand. Complete removal of all regulations on the sale and price of these items is bound to create a difficult situation for genuine consumers. We have also no reason to believe that the Joint Plant Committee as at present constituted has created or is likely to create a monopolistic situation in the steel industry. The analogy of cement is misleading, because steel is not one single item in the way cement is. It is our considered view, therefore, that decontrol of this kind, which seeks to jettison even the Joint Plant Committee, would very soon create chaotic conditions and perhaps eventually lead to a swing back to rigid control, thus defeating the objective of the advocates of a free economy.

3.5 There are, then, those who would like to remove statutory control by leaning on a cooperative organisation of the main producers, somewhat like the Joint Plant Committee but without Government having anything to do with it. If the evils associated with monopolistic situations could be avoided, this may well be a desirable objective and one which might in any case come about if and when supplies improve sufficiently. This type of decontrol has been urged only by producers' representatives. Their point of view is understandable, though not one which would be readily accepted by consumer representatives. The present JPC is in any case a body comprised mainly of producers' representatives, and if the producers can give a good account of themselves in the work of the JPC, neither of the remaining two representatives, viz. the chairman and the Railway nominee, can have any reason to stand in their way. The presence of these two non-producers, representing Government and the consumer, is in fact a strengthening factor, because of which the JPC can be regarded as a channel through which the area of decontrol can be progressively widened. It would not be right at this stage to hand over the entire work of distribution and price fixation to a body of producers alone. Such an alternative could possibly be considered when the supply position of scarce steel categories improves and when the working of the present JPC over a period of time has demonstrated the success of such an arrangement beyond doubt.

3.6 There are, finally, those who like the Raj Committee, would like see statutory control give way to a system of decontrolled distribution

through a body like the Joint Plant Committee as at present constituted. This in fact is the arrangement in operation today in regard to the 'free' categories. What is suggested is that the scope of the JPC should be widened to include all that is left out at present, and that this should be done in two ways. Firstly, such categories as were critical in 1964 but have become easy now should be freed from statutory control and passed over to the JPC. And secondly, even for such categories as continue to be critical the JPC should be utilised for attending to the various ingredients of the distribution task, subject to the least possible direction from Government. This approach would concede the need for some form of regulation for scarce categories, but would free the system from the crippling rigidities of statutory, administrative and procedural constraints inevitable in the present arrangement. In our view, this is the form of decontrol which promises to be the most feasible from every angle. While the ultimate aim may be to remove all Government direction so that there is a spirit of competition which helps to bring down costs and improve quality, it is wise in a vital commodity like steel to hasten slowly. Handing over the job of distribution and price fixation to the JPC constituted more or less as at present, with an arrangement for directives from Government at one or two critical points of the procedural chain in regard to scarce categories, is therefore the line of thought we have explored in this report.

3.7 This would amount to kind of regulated decontrol or decontrol with safeguards. It would involve heavy dependence on the idea of voluntary self-discipline on the part of the steel plants. One of the more enduring contributions of the Raj Committee was the idea it put forward of a Joint Committee of the various plants. Their proposal was like a breath of fresh air introduced into the old problem of steel distribution, because it immediately suggested a practical half-way house between regimented Governmental control and total freedom to individual steel plants. When the idea was first mooted it was both new and untried and any hesitation about accepting it fully was understandable. Although both the constitution and the functions of the present JPC fall short in some respects of what the Raj Committee proposed, we are today in the advantageous position of having before us the performance of this body to go by, a factor about which both the Raj Committee and the Government could only make a guess in 1964. Case studies show that, in the work relating to free categories the JPC has been able to cut down delays in planning indents on producers to a very large extent. As against an average of 80 days taken by the Iron & Steel Control Organisation earlier, the JPC has done the job in a week. The arrangements made by the JPC for public relations, publicity, records management and clientele satisfaction have also been much better than what the Iron & Steel Controller could offer in the past. With the IBM electronic computer which the JPC has recently installed, its performance is expected to improve still further. It is, therefore, a basic assumption in our thinking that the Joint Plant Committee can be relied upon to operate the kind of system of decontrol we have in mind responsibly, efficiently and successfully.

3.8 A scheme of distribution under conditions of decontrol should take care of the following points:—

- (i) The fact that some categories of steel are in short supply will need to be provided for in some way. But the present distinction between 'free' and 'controlled' categories is rather

rigid and not based strictly on the supply position. Many free categories are in fact in short supply, while several controlled categories are available in plenty. There should be a flexible system in which transfers can take place through periodical reviews between lists of scarce and easy categories of steel. Judgment in regard to whether an item should be categorised as scarce or easy should be based on reliable assessments of the supply and demand position.

- (ii) There should be an effective arrangement for matching the flow of orders to the steel plants with actual production. This is necessary to bring in an element of certainty in regard to supply against orders booked for a particular period of production. Also, unless effective matching is done, the problem of backlogs will continue to get worse. It is necessary, therefore, that the demand pattern should be studied on a forward basis, and also that there should be an attempt to have an advance tentative rolling programme for each steel plant which takes the demand pattern into account.
- (iii) For easy categories, there should as far as possible be no restrictions on consumers, producers or distributors, except that all concerned should conform to whatever drill the JPC prescribes. If there is to be an annual matching exercise to bring demand and production patterns closely to each other, the JPC drill for easy categories may require the introduction of some more discipline than obtains at present.
- (iv) For scarce categories, there should be an arrangement which ensures supply to priority consumers but which should be as unrestrictive as possible. There need not be the present elaborate system of collecting demand figures, issuing quota certificates and so on. The gap between demand and supply, even for scarce categories, is not likely to be large, and it should be possible for the JPC to operate a quick rationing system, with the Steel Priority Committee coming in only to make bulk allocations to various consumer groups and the liaison officers of priority consumers like Defence, Railways and so on assisting the JPC in channelising flow of supplies to the right individual consumers.
- (v) For both easy and scarce categories, demands entertained should be related to the production of a specific period, and supply out of that should be assured. The number of stages of handling in individual cases should be reduced to the minimum, and the time-lag between the placing of an indent and actual delivery should be the shortest possible.
- (vi) With the removal of statutory control on prices, a degree of flexibility will automatically come in. But it would be desirable for price variations to take place only on the basis of systematic cost studies which ensure fair play to both producers and consumers.

- (vii) The distribution machinery for scarce categories should be such that as far as possible supplies go to the eventual consumers without travelling through the open market. It is particularly necessary to provide for a reliable channel in the case of consumers who are not allowed to procure their requirements from producers direct.

3.9 It is with this general approach that we have devised a distribution scheme, which is described in detail in the next chapter.

CHAPTER IV

PROPOSED SCHEME OF DISTRIBUTION

Section I—Outline of the scheme

4.1. In our anxiety to see that the revised scheme of distribution we wish to propose is feasible from every angle, we have gone into considerable detail in spelling the scheme out at various stages and for various categories of steel. If the scheme is found acceptable, all this detail should be useful at the time of giving effect to it. However, we are at present faced with a presentational problem. Explaining the scheme at length might result in its clear outlines getting blurred. An impression might be created that what we are suggesting is cumbersome whereas it is really exceedingly simple. The plan we have adopted, therefore, is to give in this section an outline of the scheme, leaving it to the subsequent sections to spell out the details for different categories of steel.

4.2. Since the scheme is essentially one of regulated decontrol, it is proposed that statutory control over distribution and prices should go. For the successful working of the scheme, the present constitution of the Steel Priority Committee and the Joint Plant Committee is satisfactory enough. The proposed scheme visualises an annual cycle of events and it is convenient, therefore, to describe the system with reference to an annual time-table. The broad outlines of the scheme are as below:—

- (i) Every year, in the month of July the Joint Plant Committee should make an estimate of likely demand, effective outstandings and estimated production for the following year and on that basis classify steel sections into 'easy' and 'scarce' categories. The classifications should be subject to approval by the Iron & Steel Controller and should be made known to the consumer public through suitable advertising.
- (ii) The joint Plant Committee should then, in consultation with the technical staff of the steel plants, prepare tentative rolling programmes for the following year for each steel plant, covering both 'easy' and 'scarce' categories.
- (iii) For the 'easy' categories the system of distribution may continue to be more or less what it is today in respect of the so-called 'free' categories. However, in order that the annual cycle is effectively geared to the production of the particular year in question, consumers should be required to submit indents according to a time-table rather than being left free to indent at any time as at present. The prescribing of a time-table is no doubt a kind of restriction, but a necessary one if the objective of assured supplies is to be achieved.

- (iv) For the 'scarce' categories, the Joint Plant Committee should in consultation with the appropriate authorities formulate proposals for bulk allocations to nine specific heads (mentioned in section IV). After the Steel Priority Committee has approved the proposal, with or without modification, and the various consumer groups falling within the nine heads have been appropriately informed, the Joint Plant Committee should receive indents direct from these sources up to the limits of the allocations specified by the Steel Priority Committee and within the time-table laid down. This will ensure that demands are entertained only to the extent of estimated production for the particular year in question.
- (v) On the basis of indents received by the end of December for both 'easy' and 'scarce' categories, the Joint Plant Committee should plan them on the various steel plants and in consultation with the latter formulate final rolling programmes before the commencement of the production year. This will effectively tie the indents received to the production programme of the year in question and assure supplies to all concerned.
- (vi) The cushion for steel plants should be the existing backlog of orders, which should normally remain suspended and should be dipped into only in the event of shortage of work orders.
- (vii) Price fixation should be left entirely to the Joint Plant Committee assisted by a price sub-committee consisting of experts in cost accountancy.

4.3. While the following sections spell out the details of the scheme, the roles assigned to the Joint Plant Committee and other agencies involved are described in the next chapter. In spelling out details, it has been assumed that it will be possible to introduce the new system with effect from July 1966 and the reference to dates, months and years is on that assumption.

Section II—Classification of 'easy' and 'scarce' categories

Recommendation

4.4. The Joint Plant Committee should make an analysis of the effective outstanding orders as on the 1st July 1966. On the basis of statistics of likely demand, effective outstandings and estimated production, it should then classify the steel sections to be produced during 1967-68 into two broad groups :—

- (a) Categories and sections of which the supply position is likely to be easy and demand is not likely to exceed estimated availability.
- (b) Categories and sections of which the demand is likely to be in excess of the availability.

For facility of reference, the former group may be referred to as 'easy' and the latter 'scarce'. The JPC should also at this stage draw up tentative rolling programmes for the steel plants.

Recommendation

4.5. The grouping into 'easy' and 'scarce' categories as well as the tentative rolling programme should be subject to approval by the Iron and Steel Controller, whose decision in the matter should be final. This safeguard is necessary to obviate any tendency on the part of the Joint Plant Committee to assume a rolling programme which is favourable to the producers and not sufficiently responsive to the consumers' need. It would be for the Iron & Steel Controller to see that the tentative rolling programme strikes the correct balance between the interests of producers and those of consumers.

Recommendation

4.6. Lists of 'easy' and 'scarce' categories should be finalised by the 15th July 1966, and so should the tentative rolling programme. The JPC should then advertise the two lists by the end of July 1966. As the classification of categories and sections is an essential pre-requisite to the further programming of the distribution scheme, it is important that decisions at this stage should be taken strictly according to the time-table suggested. Any delay here is likely to affect the rest of the scheme.

Section III—Easy categories

Existing system

4.7. Easy categories under the revised scheme would be more or less the same as those treated as 'free' categories now. The existing system for these is that any person can place an indent on the Joint Plant Committee at any time and there is no fixed time-table for entertaining indents. The JPC does not, however, plan any indent on the producers for sections of which the load of orders exceeds 12 months' estimated production, unless the indenter is entitled to priority grading. Priority gradings (called JPC status) are given by the Joint Plant Committee on the following basis:—

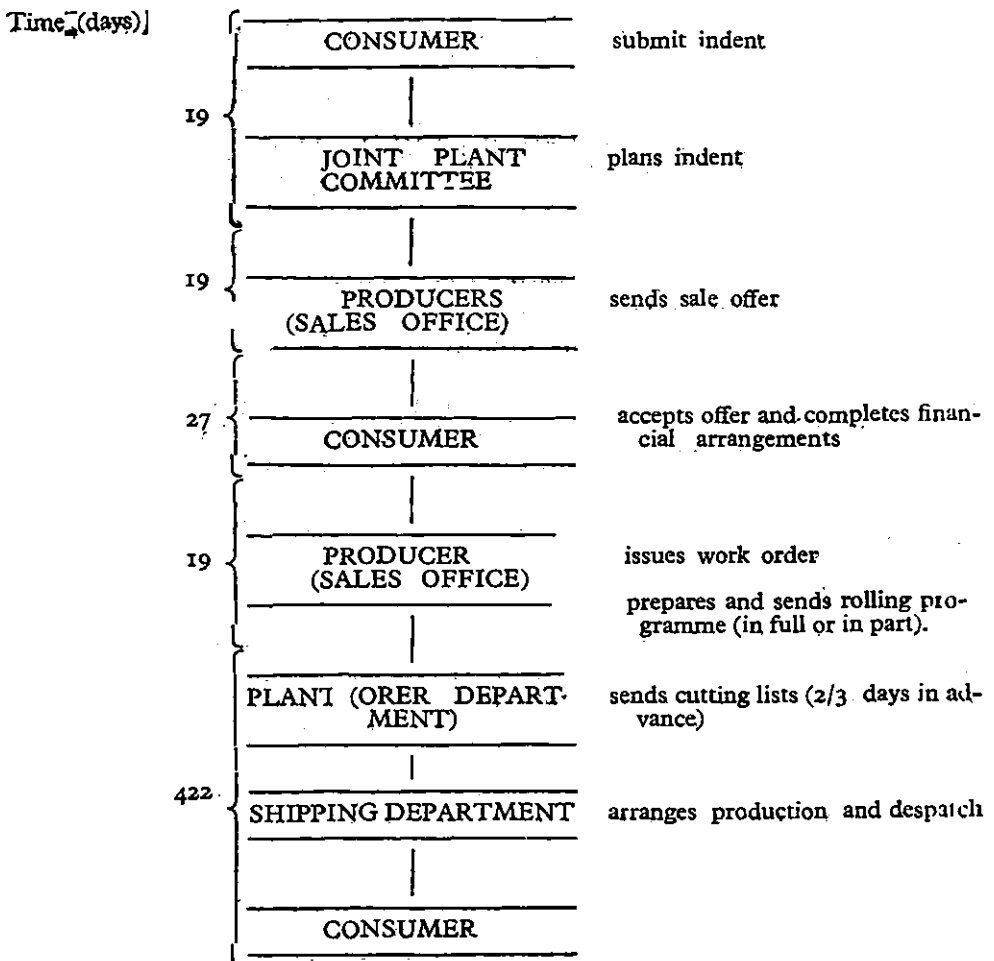
- (a) JPC Status I for operational defence demands.
- (b) JPC Status II for core project demands and export orders.
- (c) JPC Status III to all other Government orders, and demands of the steel processing industries and small scale industries.
- (d) JPC Status IV for all other demands.

Indents qualifying for JPC Status I, II and III are entertained even if the load of orders exceeds 12 months' production, but no indent qualifying for JPC Status IV is entertained if the load of orders of that particular section is equal to or more than 12 months' production. The main attraction of the existing system is that it does not call for any advance planning by the indentors. On the other hand, its main defect is that *there is no certainty about the date of delivery* as much depends on the load of outstanding orders at the time of booking of a particular order. If the section is one for which the producers are booked for, say, 8 months, supply against a fresh indent can be expected only after 8 months and that too provided this order is not displaced subsequently by a higher priority order. In the existing system there is also no time-table for making financial arrangements

or issue of work orders by the producers, with the result that neither the customer nor the producer is aware at the time of booking of an order when supply against it will materialise.

4.8. A gist of the case studies made in 19 cases of free categories where deliveries materialised from a private sector unit is given in appendix V. A time flow chart derived out of the case studies is given below:—

FLOW CHART (DECONTROLLED CATEGORIES)



TOTAL 505 days.

*Proposed system**Recommendation*

4.9. The system proposed for the distribution of easy categories is as follows :—

Stage I.—A list of the easy categories and the tentative rolling programme in respect of them for the year 1967-68 will be ready by the end of July, 1966 (see section II).

Stage II.—By the end of July 1966, the Joint Plant Committee should issue a circular or a press advertisement giving details of the easy categories and sections and inviting indents from all consumers and dealers. The advertisement should also indicate that the last date of placing orders for supply in 1967-68 is 31st December, 1966.

Recommendation

Stage III.—As indents begin coming in, the Joint Plant Committee should start planning them on the producers immediately. As the last date suggested is 31st December, 1966, all indents received for execution in 1967-68 should be planned by the Joint Plant Committee by 15th January, 1967. While planning the indents, the JPC should screen them to ensure that orders booked correspond to the advance rolling programme in quantity, section and specifications.

NOTE.—If the estimate of demand and supply is made realistically, and a particular section is declared easy on that basis, it should be possible for indents for that section to be fitted within the production, and therefore, the question of assigning of any priority status should not arise. Where, however, the booking is heavy, it is possible under the proposed scheme that low priority indents received earlier are booked as a result of which high priority indents received later have to be rejected. In order to avoid this contingency, the JPC should for such categories book indents only upto 80% of the available production upto 31-12-1966. The unbooked indents may thereafter be screened on the basis of priority and adjusted against the remaining 20%.

Recommendation

Stage IV.—On receipt of indents from the Joint Plant Committee, the producers should issue works orders as at present. As planning by the Joint Plant Committee for the year 1967-68 will be completed by 15th January, 1967, the producers should complete the job of issuing works orders by the 15th February, 1967 at the latest. This time-limit is an essential feature of the scheme and should be adhered to strictly by the producers. This should not be difficult for the following reasons :—

- (i) Before planning an indent the Joint Plant Committee would be expected to make sure that the sizes and specifications of the material indented for are within the programme of the steel plant. There would, therefore, be no need to enter into correspondence with the indenter for amending his specifications and so on. Case studies have shown that in many cases such correspondence with indentors drags on for a number of weeks and is a major cause of delay in the issue of work orders.

- (ii) The Joint Plant Committee would also be expected to ensure that the indentor has accepted the general terms and conditions of supply prescribed by the main producers before planning his indent.
- (iii) The indentor is required to make financial arrangements within 15 days from the date of offer by the producer. If, therefore, the producers are prompt in sending their offers, the booking of works order should not take much time.

NOTE.—The offer letter should normally be issued by the producers within a week from the date of receipt of the planning note from the Joint Plant Committee and indentors should not normally take more than 15 days to confirm it. In any case, if customers do not confirm terms and conditions within four weeks, the indent should be treated as cancelled and it should be returned to the Joint Plant Committee to enable them to plan another indent in lieu of the indent so cancelled. If prompt action is taken by the producers in this manner, the indentors are bound to be more careful than at present. At present the indents sometimes remain dormant with producers for as much as a year and no action is taken by the producers, although under the terms and conditions of the indent the indentors are required to make financial arrangements against a planned indent within 15 days at most.

Recommendation

Stage V.—As soon as all work orders to be executed in 1967-68 are issued, *i.e.* immediately after 15th February and by the 1st March 1967, the JPC should, in consultation with the producers, prepare their final rolling programmes for the year 1967-68. This can be done either quarterly as at present or monthly as may be found convenient by the producers and the Joint Plant Committee.

Recommendation

Stage VI.—In addition to the quarterly or monthly rolling programmes which would normally indicate only the sections and tonnage to be rolled on different dates, the Joint Plant Committee should also prepare a detailed rolling-cum-despatch programme about a week or 10 days before a particular section is rolled. At present this despatch programme (which is also called the cutting list) is prepared by the producers themselves after taking into account the chronology of orders booked and the priority status accorded to them. Case study reports show that this system has not worked in the desired manner and there have been many deviations from chronology for reasons not properly explained. With the help of its computer which should be fed with information about work orders and despatches from day to day, the Joint Plant Committee should be able to prepare a despatch-cum-rolling programme for individual sections before each rolling. If these programmes are prepared only about a week before the actual rolling period it should not be necessary for the producers to deviate from them.

NOTE.—In preparing final rolling-cum-despatch programmes, the Joint Plant Committee and the producers should carefully take into account the need for making phased deliveries against large indents. We were told that some times the rolling programmes are made in such a manner that supplies are made to consumers in bulk covering their indents for different periods. Some time the same section is rolled by more than one producer

at the same time and an indenter receives supplies of the same section from more than one producer. This should be avoided as far as possible. Such bulk supplies create problems of finance with the traders as well as with consumers. On the other hand the requirements of some other consumers and traders remain unmet. It is, therefore, essential that the indent form should call for a phasing of the delivery required by the indenter and both planning of indents as well as preparation of the rolling programme should take into account this phased delivery programme indicated by the indenter. It is appreciated, of course, that it may not always be possible for the producers to adhere strictly to the phasing requested by the customer, but it is necessary that due attention should be paid by the Joint Plant Committee and the producers to the need for staggering of supply to meet the requirements of individual customers according to their convenience, to the maximum extent possible. It is also necessary that in preparing rolling programmes for sections which may be rolled more than once during the year the Joint Plant Committee should take into account not only the chronology of the orders to be included in the rolling programme but also the importance of the end-use. For example, the requirements of defence, Railways and some of the core projects may have to be accommodated out of turn.

Section IV—Scarce categories other than billets, skelp and tin plates
Existing system—

4.10. It is not possible for us to say which categories of steel, if any, would be treated as scarce for the year 1967-68. Presumably black sheets of thinner gauges, galvanised sheets and plates of tested quality would be candidate items. The existing system for these is what is in vogue for controlled categories. The important stages of the existing drill are listed below, together with the salient points relevant to each stage thrown up by case studies :—

- (a) The Iron & Steel Controller collects demands from the sponsoring authorities listed at appendix VI.
- (Case studies indicate that for the production period October 1963-March 1964 the last demand from a sponsoring authority came in early August 1963 and more than 50% of the sponsoring authorities did not send any demands. Some sent their demands in a piecemeal fashion. No yard-stick for calculating demand has been prescribed.)
- (b) The Iron & Steel Controller obtains an estimate of availability and also statistics of outstanding orders from the producers.
- (For the same half year, case studies show that the producers sent no figures whatsoever.)
- (c) A proposal for allocation of bulk quotas to various sponsoring authorities is submitted by the Iron & Steel Controller to the Ministry of Iron & Steel for approval. This is supported by statistics of availability, outstanding and demands.

(The proposal for the same half year was sent by the Iron & Steel Controller to the Ministry of Iron & Steel on 28th August 1963 and was returned by the Ministry without any change on 3rd

October 1963 when the allotment period had already started. Case studies indicate that in 6 out of 7 items, even when the volume of outstanding orders exceeded the total production, fresh bulk allocations were proposed. There was no reference to the priority to be given to end-use. Allocations were made on a more or less ad hoc manner inasmuch as small demands were met in full in spite of their low priority.)

- (d) On receipt of approval, the Iron & Steel Controller communicates the bulk quotas for each category to the sponsoring authorities.

(Bulk allocations for the period October 1963 to March 1964 were communicated to the sponsoring authorities on 22nd October 1963.)

- (e) The sponsoring authorities either issue quota certificates themselves to individual consumers within their bulk quotas, or allocate sub-quotas to subordinate authorities who in turn issue quota certificates to individual consumers.

(For the half year October 1963-March 1964, quota certificates continued to be issued by the sponsoring authorities right up to 30th April 1964, i.e. even after the production period was over.)

- (f) The consumer on receipt of a quota certificate sends an indent to the Joint Plant Committee if his quota is large enough to be entertained by the producers direct. In case the quota is small, the consumer sends his quota certificate to a stockist of his choice, who in turn bulks such quota certificates from different consumers and sends a consolidated indent to the Joint Plant Committee.

(Case studies indicate that consumers took on an average 10 days to send indents to the JPC.)

- (g) The Joint Plant Committee sends the indent to an appropriate producer (sales organisation). One copy of the indent is returned to the quota holder, which also serves as an acknowledgment of his indent and indicates the name of the producer to whom it has been sent for execution.

(Case studies show that the JPC planned indents on producers within 7 days on an average. Out of 23 cases examined only 2 indents were finally rejected by the JPC.)

- (h) The sales organisation of the producer, on receipt of the indent, communicates the terms and conditions of sale, as well as the price to be charged, to the indenter for his formal acceptance.

(Case studies reveal that in the case of a public sector unit it took on an average 16.5 days for the above communication to be made.)

- (i) On receipt of these terms and conditions the indentor is required to communicate his acceptance and also to make the requisite financial arrangements.

(This stage took on an average 65.4 days.)

- (j) On receipt of the acceptance and completion of financial arrangements, the sales organisation of the producer issues a work order of a sale order. The sale order is a vital document in the system of distribution of steel because only after one issues does the producer start taking supply action. Before the issue of the sale order the quota allocation remains merely a paper allocation.

(This stage took on average 17 days.)

(The total time taken for the issue of a work order on an average was 99 days in the case of public sector unit and 84 days in the case of private sector unit.)

- (k) The work order goes into the pool of pending works orders, some of which may be as much as five years old. All of them stand in a queue to be included in future rolling programmes. For this the Steel Priority Committee meets at intervals of 6 months to consider proposals of the various sponsoring authorities for inclusion of works orders in ensuing rolling programmes. (For the rolling programme commencing April 1965, the Steel Priority Committee met on 2nd March 1965. The basic proposal was made by the under secretary and approved by the deputy secretary in the Ministry: this was vetted by the SPC. There was no break up between priorities 'A' and 'B', as suggested by the Raj Committee. The draft proposal suggested a percentage of the total available production for SPC priority allocation.)

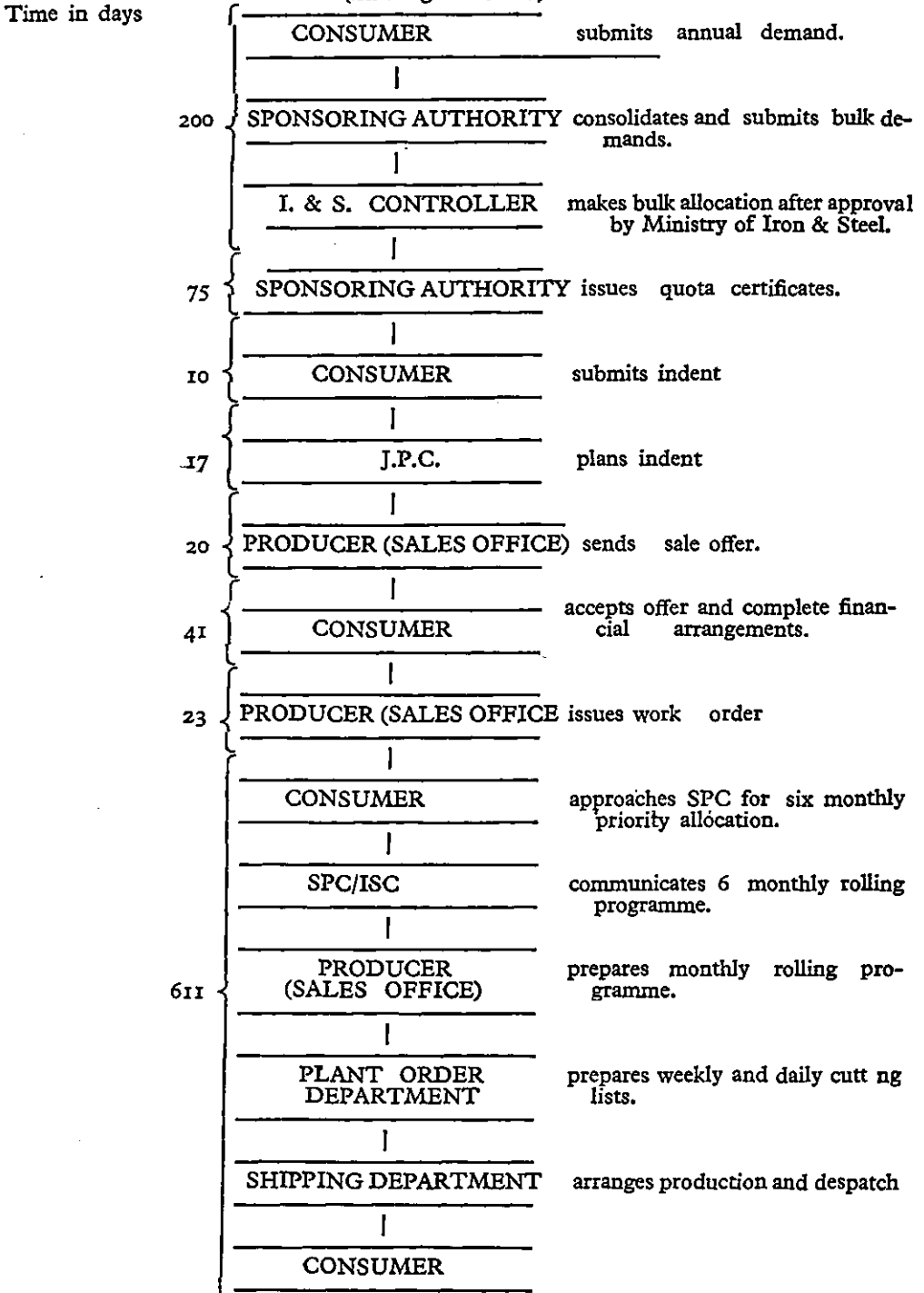
- (1) The list of work orders drawn up by the Steel Priority Committee is communicated to the steel plants through the Iron & Steel Controller.

(Case studies indicate that for the rolling programme of October 1965-March 1966 the meeting was held on 28th August 1965, and the Iron & Steel Controller on the basis of SPC's bulk allocations, on his own made the unit-wise allocation and intimated the steel plant and the sponsoring authorities on the 25th October 1965.)

4.11. In selected cases where deliveries materialised, the average time between the issue of a work order and its selection by the Steel Priority Committee for inclusion in a rolling programme was 185 days. Thereafter deliveries materialised 87 days later. Gists of the various case studies made

are at appendices VII, VIII and IX. A time flow chart of the whole process derived out of the case studies is given below :—

TIME FLOW CHART OF DISTRIBUTION OF CONTROLLED CATEGORIES AT A PRIVATE STEEL PLANT
(Existing Method)



TOTAL 997 days.

Proposed system—

Recommendation:

4.12. The system proposed for the distribution of 'scarce' categories to be announced by the JPC with the approval of the Iron & Steel Controller by the end of July 1966 is as below :—

Recommendation :

Stage I.—As in the case of easy categories the Joint Plant Committee will prepare a tentative rolling programme of the scarce categories for the year 1967-68 by the end of July 1966.

Stage II.—Immediately thereafter the Joint Plant Committee should communicate the details of the scarce categories and the approximate tonnage likely to be produced during 1967-68 to the following :—

- (1) Defence liaison officer in Steel Control.
- (2) Railway liaison officer in Steel Control.
- (3) CWPC liaison officer in Steel Control.
- (4) DGS&D liaison officer in Steel Control.
- (5) DGTD, New Delhi.
- (6) Iron & Steel Controller.

Stage III.—After receiving the details of scarce sections from the Joint Plant Committee, the above mentioned officers should make a rough and ready estimate of their likely demand for scarce sections during 1967-68.

Stage IV.—The Joint Plant Committee should ascertain the likely demands from these officers and prepare a draft proposal for earmarking scarce sections under the following heads:—

- | | <i>To be sponsored by</i> |
|---|------------------------------|
| (1) Defence | Defence liaison officer. |
| (2) Railways | Railways liaison officer. |
| (3) Irrigation & Power projects | C.W. & P.C. liaison officer. |
| (4) D.G.S.&D. contractors | D.G.S.&D. liaison officer. |
| (5) Other Government projects private sector integrated steel plants and steel industry licensed under the Industries (D.&R.) Act. | Iron and Steel Controller. |
| (6) Steel processing industries borne on D.G.T.D. list (all steel requirements) and other units borne on D.G.T.D. list (excluding maintenance but including packing requirements). | D.G.T.D. |
| (7) Wagon load demands of industries licensed under the Industries (D&R) Act but not borne on D.G.T.D. list (other than maintenance requirements but including packing requirements). | Iron & Steel Controller. |
| (8) Reserve including export promotion. | Iron and Steel Controller. |
| (9) Small scale industries, agriculture, general public and all other demands not specifically covered above (to be called 'State quota' for facility). | Iron & Steel Controller. |

Stage V.—The draft proposal should be considered by the Steel Priority Committee composed as at present. The meeting of the Committee for 1967-68 should be held in the *first week of September* 1966. Although the final decision about earmarking scarce sections under different heads would be for the Steel Priority Committee to make, we would suggest that it should have the benefit of discussing the proposals at a meeting with the following:—

- (1) Liaison officers of Defence, Railways, C.W. & P.C., and D.G.S. & D.
- (2) The D.C., S.S.I.
- (3) A representative of the Ministry of Agriculture.
- (4) The D.G.T.D; and
- (5) The Executive Secretary, Joint Plant Committee.

Stage VI.—After having made bulk allocations under the nine heads mentioned above, the Steel Priority Committee should also decide the State-wise distribution of the bulk quota earmarked for the State sector. A proposal for this should be formulated by the Iron & Steel Controller in consultation with the Ministry of Food & Agriculture, the Development Commissioner, Small Scale Industries, and representatives of the State Governments. We shall give our views about the principles for allocating quotas to individual States in chapter V.

Stage VII.—In the second week of September 1966, after the decision of the Steel Priority Committee about allocation to various heads and States is known, the Joint Plant Committee should issue a circular and a press announcement calling for indents for scarce sections from the following:—

- (i) All Government and semi-Government indentors (including statutory bodies, municipalities and public sector undertakings).
- (ii) All private consumers to be sponsored by the D.G.T.D.
- (iii) Private sector integrated steel plants and other steel industries licensed under the Industries (D&R) Act.
- (iv) Industries licensed under the Industries (D&R) Act but not borne on the list of D.G.T.D., whose requirements exceed a wagon-load.

NOTE.—It should be made clear that, in the case of units other than steel processing units under (ii) and all units under (iv), maintenance requirements will not be entertained but requirements of packing will be.

The Joint Plant Committee should also simultaneously write to the State Governments communicating their quotas and requesting them to send indents from State industrial corporations or any other agencies nominated by them for lifting their quotas. Our recommendations about the agencies

to be nominated by State Governments in this regard are in a later chapter. Indents for scarce categories should be required to be submitted to the Joint Plant Committee by all concerned before 31st December, 1966.

Stage VIII.—Indents will be received by the Joint Plant Committee *between the third week of September and end of December 1966*. These (except indents from D.G.T.D. units) should be planned in consultation with the liaison officers and the Iron & Steel Controller to ensure that bulk allocations made under different heads are not exceeded. If demand in excess of a particular bulk allocation is received, this should be considered for planning against the reserve quota, but the orders of the Iron & Steel Controller should be taken before committing any part of the reserve. About 50% of the reserve quota should be kept aside for meeting emergent demands which may be received after 1st January, 1967.

Indents for scarce sections coming from D.G.T.D. consumers should be planned only to the extent of the tonnages fixed for them by the D.G.T.D. For this purpose the D.G.T.D. should be required to send a statement giving unit-wise distribution of the bulk quota placed at his disposal by the Steel Priority Committee. This should be sent within six weeks of the date of communication of bulk allocation by the Steel Priority Committee. The J.P.C. should ensure that indents for these units are booked in conformity with allocations recommended by the DGTD or quantities indented, whichever are less. After the planning of all indents of DGTD consumers is over, the Joint Plant Committee should send a consolidated list of the planings to the DGTD to enable him to keep posted with actual off-takes of individual units during the year.

As in the case of easy categories, planning of indents for scarce categories should also be completed by the 15th January 1967. The producers also should complete issue of work orders by 15th February 1967.

NOTE.—In accordance with the indenting procedure laid down by the Joint Plant Committee, indents for wagon-loads only are entertained for planning on producers. Quantities of scarce sections allocated to individual consumers by the DGTD as well as by liaison officers should, therefore, as far as possible be in wagon-loads. If, however, fractional wagon-load allocations have to be made in some cases the Joint Plant Committee should bulk these on a State-wise basis and make arrangements for supply of this bulk tonnage to a State industrial corporation or a suitable authorised dealer of the Joint Plant Committee so as to ensure that the material is actually supplied to the consumers for whom it is indented. It may be preferable to utilise producers' stockyards for distributing these fractional wagon-load quantities. Indents for these bulked allocations will have to be called for by the Joint Plant Committee specially from the selected agencies and this may have to be done even after 1st January 1967.

Stage IX.—Immediately after 15th February 1967, the Joint Plant Committee should in consultation with the producers prepare final rolling programmes for the year 1967-68. At this stage, Joint Plant Committee may be able to persuade the steel plants to shift production capacity from easy to scarce categories or sections, if necessary by means of suitable price incentive for scarce categories.

Note.—The final rolling programme may be on a quarterly or monthly basis. It is expected that the rolling programmes would be finalised by the 1st March 1967.

Stage X.—In addition to the quarterly or monthly rolling programmes, which would normally indicate only the sections and tonnage to be rolled on different dates, the Joint Plant Committee should also prepare a detailed rolling-cum-despatch programme about a week or 10 days before a particular section is rolled.

It is expected that the Joint Plant Committee would also follow up the despatches against the rolling-cum-despatch programme finalised by them to ensure that there is no major deviation.

A time flow chart of the proposed system is given below:—

A TIME FLOW OF DISTRIBUTING OF SCARCE CATEGORIES

(PROPOSED METHOD)

Time-table
Period 1-4-67—

31-3-68

(1) 15.7.66

(2) 31.7.66

(3) 1.8.66

(4) 7.9.66

(5) 8-15.9.66

(6) 21.9.66 to

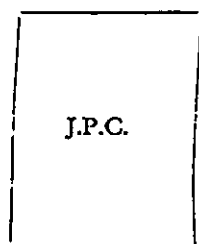
31.12.66

(7) 15.1.67

(8) 15.2.67

(9) 1.3.67

(10) 1-31.3.67



obtains approval of I & S C for categories
prepares tentative rolling programme
communicates details in approximate
tonnage of production during
1967-68 to L.O.s.—Defence, Railways, CWPC
& DGSD and DGTD

ascertains demands from L.D. & DGTD and
I & S C ; prepares draft proposals for earmarking
under different heads

finally earmarks

decides State-wise distribution of bulk quota on
a draft proposal of I & S C

issues circular/press advertisement calling for
indents from (a) Government and semi-Govern-
ment indentors (b) DGTD, (c) Private sector
integrated steel plants (d) Licensed
industries not borne on DGTD books

writes to State Governments

receives indents
completes planning of indents

complete issue of work orders

finalise rolling programme

prepare detailed rolling-cum = despatch pro-
gramme

Recommendation

4.13. *Distribution of defectives.*—A gist of the case studies on defectives is at appendix X. There will be no separate procedure for distribution of defectives under the revised scheme. If the defectives of any particular category are 'easy', they will be treated in the manner indicated in section III. If they are 'scarce' they will be treated as in this section, except that the whole quantity will be released to state industrial corporations or other agencies nominated by States for handling the state quota, as Government consumers and steel processing industries borne on the DGTD's list will not need defective steel. State-wise allocations should be made by the SPC after taking into account past consumption and the needs of the agricultural sector.

SECTION V—BILLETS*Existing system—*

4.14. Mild steel billets are a controlled category and their distribution is based on 'basic entitlements' calculated on their production during 1960-61. The entitlement of newcomers is assessed on the basis of their capacity. Sometime towards the end of January or the beginning of February, the Iron & Steel Controller ascertains from the producers the likely availability of billets for the ensuing financial year beginning April. Usually a meeting is convened to finalise an estimate of availability and tonnages are fixed for supply by each steel plant. Thereafter, the Iron & Steel Controller formulates a proposal for the distribution of billets to individual re-rollers taking into account the requirements of export, the requirements of DGS&D contractors and special weightage to be given to manufacturers of special sections. The proposal goes to the Ministry of Iron & Steel for approval, and a re-rollerwise distribution list is then prepared by the Iron & Steel Controller and communicated to the Joint Plant Committee and the Steel Re-rolling Mills' Association. The SRMA collects indents from individual re-rollers and forwards them to the Joint Plant Committee for planning. The Iron & Steel Controller also prepares schedule of monthly despatches of billets to individual re-rollers from each plant. A flow chart of the existing procedure is at appendix XI.

4.15. Case studies, a gist of which is at appendix XII, indicate that whereas entitlements are calculated on a firm basis, (though there are considerable changes in individual cases due to "special" weightage given to the exporters, D.G.S. & D. contractors etc.) availability is estimated in a rough and ready way only. Though producers commit themselves in a meeting, if one is held at all, they do not keep to the schedule and as a result, huge backlogs pile up. Further, the monthly despatch rates indicated by the Iron & Steel Controller are sometimes flagrantly violated and despatches are made to parties to whom no allocation is made. For the period July 1964 to March 1965 the allocation proposals made by the Iron & Steel Controller were approved by the Ministry of Iron & Steel on 17th October 1964, *i.e.*, long after the period had commenced.

*Proposed system—**Recommendation :*

4.16. The proposed system is as follows :

- (a) In the first week of December, the Joint Plant Committee should ascertain availability from the producers and communicate this

to the Iron & Steel Controller. It should be the duty of the Controller to ensure that the supply of billets to re-rollers is maintained at a reasonable level.

- (b) A meeting should be convened by the Iron & Steel Controller in the *second week of December* 1966 to be attended by—
- (i) the Executive Secretary of the Joint Plant Committee,
 - (ii) the Railway liaison officer, and
 - (iii) the D.G.S.&D. liaison officer.

It is suggested that the Iron and Steel Controller should be the final authority for allocating billets to individual re-rollers. It should not be necessary to refer the matter to the Ministry of Iron and Steel for approval. The policy of allocation should be decided at this meeting.

- (c) In *the first week of January*, 1967 the Iron and Steel Controller should prepare a re-rollerwise annual allocations and communicate it to—
- (i) the Joint Plant Committee,—
 - (ii) the Steel Re-rolling Mills' Association, and
 - (iii) individual re-rollers.

The allocation should also be published in the monthly bulletin for general information.

- (d) Indents from individual re-rollers should be received by the Joint Plant Committee *in the second half of January*, 1967 and issue of work orders should be completed by the producers by *the 15th of February*, 1967.
- (e) After all work orders have been booked, the Joint Plant Committee should prepare a schedule of monthly despatches for each steel plant with the help of the computer and also make arrangements to watch actual despatches from month to month. If any deviation from the monthly schedule is noticed, immediate steps should be taken to rectify the matter by making suitable adjustments in the despatch programmes of subsequent months.

4.17. A flow chart of the proposed scheme is at appendix XIII.

Section VI—Skelp

Existing System—

4.18. At present skelp is produced only by the Tatas Iron and Steel Co. There are about 25 consumers of skelp. The present procedure for distribution is more or less the same as that for billets. The Iron & Steel Controller ascertains availability from the producers and puts up allocation

proposals to the Ministry of Iron and Steel on the basis of annual entitlements. Case studies indicate that the unit-wise allocation is often changed during the year, more or less on an *ad hoc* basis. For the year 1965-66, the unit-wise allocation was intimated to the parties concerned in the month of July, 1965, *i.e.* four months after the commencement of the production year. It seems that the production of wide strips is much more than that of narrow strips and the demand for narrow strips could be met fully if Rourkela were to instal adequate slitting capacity.

4.19. A gist of case studies is at appendix XIV. The flow process chart of the existing system is given at appendix XV.

Proposed System—

4.20. The proposed system is as follows :—

Recommendation :

(a) As in the case of billets it is suggested that the Iron and Steel Controller should be the final authority for deciding allocation of skelp. For preparing a consumer-wise annual entitlement list, the Controller should convene a meeting in the *first week of January to be attended by—*

- (i) the Executive Secretary of the Joint Plant Committee,
- (ii) a representative of Tata Iron and Steel Co., and
- (iii) a representative of the D.G.T.D.

The annual distribution list should be finalised at this meeting.

- (b) The Iron and Steel Controller should then communicate the entitlements to individual consumers, the Joint Plant Committee and the Tata Iron and Steel Co., by the end of January, 1967.
- (c) The consumers should simultaneously be advised to send their indents direct to the Tata Iron and Steel Co. (it is not necessary to route indents through the Joint Plant Committee) by 15th February, 1967.
- (d) The Joint Plant Committee would be kept in the picture about actual booking of orders by the Tata Iron and Steel Co. and copies of all work orders should be sent to the Joint Plant Committee, as in the case of other categories of steel.
- (e) In case of skelp also, the Joint Plant Committee should make arrangements for watching the actual month to month despatches from the Tata Iron & Steel Co. as against the annual entitlement. If there is any deviation from allocations, immediate steps should be taken to rectify matters by adjusting subsequent programmes of despatches.

4.21. A flow chart of the proposed scheme is at appendix XVI.

Section VII—Tin plates

Existing system—

4.22. There are three procedures and only three sponsoring authorities. The production of tin plates is dependent on availability of tin and tin mill

black plates, both of which are imported. It is, therefore, not always possible to make a realistic annual estimate of availability. Because of this, allocation of tin plates is now made on six monthly basis. This is done at a meeting convened by the Iron & Steel Controller which is attended by representatives of the D.G.T.D., the Ministry of Petroleum & Chemicals and D.C., SSI, as also by representatives of tin plate producers. At this meeting bulk allocations in favour of the D.G.T.D., the Ministry of Petroleum & Chemicals and the DCSSI are settled and submitted to the Ministry of Iron & Steel for approval. On receipt of approval the allocations are communicated to the three sponsoring authorities, who then communicate unit-wise break-up to the Iron and Steel Controller. Thereafter, the Controller issues authorisations in favour of individual units under intimation to the producers. The holders of authorisation letters are allowed to submit their indents direct to the producers. The main defect of the existing system is that there is no fixed time-table and many a time allocations are made after the period has already started. There is therefore, no certainty of supply against allocations in the particular period. A flow chart of the existing process is at appendix XVII.

4.23. Case studies, a gist of which is at appendix XVIII indicates that the sponsoring authorities do not take much interest in devising allocation proposals, and that quantitative allocations are unrealistic and not related to available production. The producers in their turn do not reach the scheduled level of production, as a result of which there is accumulation of arrears all around.

Proposed System—

4.24. The proposed system is as follows :—

- (a) The existing arrangement for making six monthly allocation of tin plates may continue. In the first week of January and July each year, the Iron and Steel Controller should convene a meeting which should be attended by the followings :—
 - (i) a representative of the D.G.T.D.
 - (ii) a representative of the Ministry of Petroleum & Chemicals.
 - (iii) a representative of the DCSSI, and
 - (iv) representatives of all tin plate producers.

The bulk allocation, producer-wise and sponsoring authority-wise should be decided at this meeting and it should not be necessary to submit these allocations to the Ministry of Iron and Steel for approval. The allocations to be made at this meeting should be for the periods April-September and October-March respectively.

- (b) *Within 30 days from the date of bulk allocations*, the DGTD and the Ministry of Petroleum and Chemicals should send consolidated statements showing unitwise distribution to each producer direct, with a copy to the Iron and Steel Controller. The Joint Plant Committee is not concerned with the distribution of tinplates.

Within 15 days from the date of the meeting, the DCSSI should communicate statewise distribution of bulk quota allotted to him to individual States and ask them to send indents from small industries corporations or any other State agency nominated for lifting the State quota of steel. The State Governments may be given four weeks time for placing these indents. If any State nominee fails to place indents and make financial arrangements for booking of orders before the commencement of the period, the quota should lapse.

- (c) The producers should, on receipt of consolidated statement from the sponsoring authorities, call for indents from the allottees and book their orders. The booking of orders must be completed by the producers *before the commencement of the half year* for which the allocations are made.
- (d) In case any allottee fails to send an indent and book his order, the producer concerned should inform the sponsoring authority and the Iron and Steel Controller.
- (e) Initial allocation should be made for nine months production to provide a cushion to cover failure on the part of allottees.
- (f) The producers should submit monthly statements showing despatches made to each party and quantities outstanding on their account. The statement should be sent to the sponsoring authorities and to the Iron & Steel Controller.

4.25. A flow chart of the proposed system is at appendix XIX.

CHAPTER V

AGENCIES FOR IMPLEMENTATION OF THE REVISED SCHEME

SECTION I—ROLE OF JOINT PLANT COMMITTEE

Constitution of JPC.

5.1. The Joint Plant Committee will have to play a pivotal role in the new scheme of distribution proposed by us, and much will depend, therefore, on the efficiency of this organisation. As observed earlier, in the work so far entrusted to the JPC, it has given a good account of itself, and there is every reason to hope that it will continue to do so even in the new scheme of things. However, the suggestion has been offered by several individuals and organisations that the composition of the JPC should be enlarged to include representation from consumer interests, particularly since the new scheme proposes to vest considerably wider functions in the committee. We felt it important to examine this point carefully. It is obviously necessary that genuine interests other than purely those of producers should be adequately looked after, but it is equally essential that in this process the JPC, on which organisation so much depends, should not be rendered an unworkable proposition.

5.2. Let it be said straightaway that in the matter of relaxation of controls we cannot eat the cake and have it too. If it is appropriate on an overall judgment that there should be a marked shift towards decontrol, there must be a severe limit on the number and extent of safeguards that can be fitted into even a scheme of regulated decontrol. There would obviously be no point in handing out decontrol with one hand and taking away its benefits under the garb of regulation with the other. While, therefore, everything should be done within reason to provide for satisfactory operation of the new scheme from points of view other than that of the producers, there should be a willingness to accept the risk (if any) of letting the Joint Plant Committee handle its new job without too much insistence on representations and safeguards.

5.3. Conceding, therefore, that the Joint Plant Committee must have liberty to operate the scheme in the spirit in which it has been formulated, it is still necessary to make adequate provision for three important items of safeguard:—

Recommendation:

- (a) Firstly, the JPC must operate the distribution system equitably, particularly in the case of scarce categories. Here, it is our view that no amount of representation from consumer interests would deliver the goods. What is important is to build into the scheme itself elements of safeguard that would ensure equitable channelisation of supplies, particularly scarce supplies. It is for this reason that the intervention of governmental authority has been provided for at two critical points of the distribution scheme: (i) at the stage of deciding which categories

of steel are scarce; and (ii) at the stage of ear-marking bulk allocations of scarce categories for the different consumer groups. These built-in provisions are, in our opinion, adequate safeguards for ensuring equitable distribution.

- (b) Secondly, the JPC's functioning in respect of price fixation should be such as inspires confidence all round. Our proposals in this respect are in the next portion of this chapter. The arrangement visualised by us would, in our opinion, serve as an adequate safeguard, and it should not be necessary even from the price point of view to insist on consumer representation on the JPC.
- (c) Thirdly, the JPC should be able to make an effective impact on the production pattern of the producers, so that the consumer's demand for scarce categories is met to the maximum extent possible and as a consequence there is a saving in the import bill. Here, more important than having any consumer representation on the JPC is the need to give more developmental and technical content to the governmental representation on the committee. The chairman has so far functioned without much technical support, since the Iron & Steel Control Organisation is weak technically. We hope to make recommendations in the second part of our report for strengthening the technical side of the governmental set up and we shall at that time give our views about the relationship that should obtain between the technical wing that we visualise and the Joint Plant Committee.

5.4. Reasonable safeguards are thus visualised already for the more important points which might concern interests other than producers. That being the case we see little justification in burdening the JPC with additional membership which might make for difficulties in its working. It should be mentioned that representatives of the producers were categorically opposed to any enlargement of the JPC in the direction of including consumer interests. Their argument was that for no other commodity was there any system for associating consumers with matters like price fixation or production and sale policy. They pointed out that, although the steel industry itself was the biggest consumer of coal, it had no say in fixing coal prices or in the policy governing coal distribution. There is much force in this line of argument. Even the Raj Committee visualised that the JPC should be a body primarily of representatives of the steel plants, with the Iron & Steel Controller there as chairman only to resolve differences if any. We think it is important not to disturb the fundamental concept underlying the setting up of this organisation, namely that it should be a body essentially of the producers. The safeguard already devised by Government in the shape of representation given to the Railways appears to have worked well so far. On the whole, therefore, we see no need for a change in the constitution of the JPC simply on account of the distribution system proposed by us.

Price Fixation.

5.5. One of the most important functions of the Joint Plant Committee would be to fix prices of all categories of steel, as there will no longer be statutory control over prices of iron and steel of any category. Before the Joint Plant Committee was appointed, Government used to fix prices of

all categories of steel on the basis of recommendations from the Tariff Commission. Although we have not studied the mechanism of cost analysis followed by the Tariff Commission, we believe that the system followed was not altogether satisfactory. The Raj Committee expressed views about price fixation with which we are generally in agreement. The following extract from its report is of interest:

“It is our view that the pricing policies followed hitherto in regard to steel have not taken adequate account of the need for the prices of different categories and sections to reflect their relative costs. As a result, prices have exerted pressures of a distorting character on the pattern of steel production.”

The retention prices payable to producers for different categories of steel have been based until now on the recommendations of the Tariff Commission. The recommendations of the Commission, which are confined to the prices of the base sections in each category, have been governed however by a variety of considerations. Until its report of April 1962, the main objective of the pricing policy recommended by the Commission was to make it possible for the two private sector plants (TISCO and IISCO) to earn profits large enough to finance part of the expenditure on their approved expansion schemes, after earning a specified rate of return on their gross block capital. With this in view, the Commission worked out (at the then existing, labour costs and prices for the various intermediate goods required for steel production) an overall average price per ton of steel which had to be guaranteed to each of these plants. For categories which were produced by both the plants (described as “common” categories), prices were then fixed with reference to the works costs and overheads of the plants with the comparatively higher level of costs (namely, the IISCO). But for other (*i.e.* the “non-common” categories), prices were fixed merely with a view to ensuring that the plant producing them (namely the TISCO) would not get for the “common” and “non-common” categories put together “a weighted average price per ton of steel higher than was required for the objective initially set out.”

Naturally, the prices recommended for the “non-common” categories bore no direct relation to their respective costs of production.

“It is also our view that there should be more flexibility in the fixation of the relative prices of different categories than is allowed by the present system of fixing these prices on the basis of the recommendations of the Tariff Commission. The recommendations of the Commission are based on records of costs already incurred, and the prices finally fixed on the basis of its recommendations take effect retrospectively. If relative prices are to perform their function in directing the use of existing production capacity to the lines where shortages exist, and away from those in which surpluses develop, it should be

possible to change those prices more frequently and through less elaborate procedures. For this reason, we suggest that the fixation of the first sale prices of all the Main Producers should be left to the Joint Plant Committee”.

5.6. While therefore we also recommend that the Joint Plant Committee should be free to fix prices of all categories of steel, we do feel that some safeguard should be provided whereby proposals of price escalation submitted by the producers are properly scrutinised in an objective manner by competent persons with technical and accounting knowledge. We have examined the trend of prices notified by the Joint Plant Committee since they were empowered to fix prices of certain categories of steel and we have formed no evidence of prices having been pushed up unreasonably. With the Iron & Steel Controller as its Chairman and a Railway representative to look after the interests of the consumers, it cannot be expected that the Joint Plant Committee would be party to an unjustified escalation of prices. Even so, we feel there is room for systematising price fixation work in the JPC. Proposals for price escalation invariably involve technical problems of operational efficiency and also problems of cost accounting. It is necessary therefore, that the JPC should have the benefit of advice from competent technical officers and cost accountants before it approves or rejects proposals submitted by the producers.

Recommendation

5.7. We recommend that a standing price sub-committee should be appointed by the Joint Plant Committee with the following composition:—

- (1) A nominee of the Iron & Steel Controller—Convenor.
(He may be the Chief Cost Accounts Officer, Ministry of Finance).
- (2) A representative of the Railway Board (Finance) assisted by a Railway metallurgist.
- (3) The Chief Planning Officer of the Joint Plant Committee, who should normally be a metallurgist with experience in steel plants.
- (4) The Chief Accounts Officer of the Joint Plant Committee (The post is now vacant and should be filled immediately).
- (5) The chief accounts officers of the five steel plants.

All proposals for revision of prices or price extras should be scrutinised by this sub-committee and put up to the Joint Plant Committee with detailed comments. We would also recommend that, except for unforeseen circumstances such as increase in excise duties or railway freight, the Joint Plant Committee should not entertain proposals for price revision more than once a year. Frequent changes in price of a vital commodity like steel is we think harmful to the economy.

Advance Rolling Programme

5.8. The success of the revised scheme of distribution will to a large extent depend upon the accuracy with which the Joint Plant Committee draws up a tentative rolling programme for the steel plants, and how far the classification of steel categories into two groups, “easy” and “scarce” is

correct. Representatives of the producers on the Joint Plant Committee may exhibit a tendency to resist the kind of regulation inherent in the new scheme. It would not be surprising to find the producers refusing to spell out their production patterns in advance. Again, unless the forward production programme is worked out after giving serious consideration to the problem, it may turn out to be operational and technically difficult for the producers to adhere to such a programme in practice. We would recommend therefore that the Joint Plant Committee should give special attention to this problem of preparing a realistic tentative rolling programme. The rolling programme should take into account not only the most economic product-mix of the steel plants but also the likely pattern of demand in the coming year. For the purpose of making an assessment of the likely demand, the Joint Plant Committee should set up a market research cell with qualified staff and a suitable field organisation. The data collected by the field organisation and the market research cell may be processed by the computer to be available at the time of preparation of an annual tentative rolling programme. The Joint Plant Committee should also guide the steel plants about the new sections which should be developed by them during the year, or the sections for which production may need be increased at the expense of some other sections so that the estimated production pattern comes closer to the estimated demand pattern for the year.

Scrutiny of Indents

5.9. A very important function which the Joint Plant Committee will have to discharge is the scrutiny of indents before planning. Under the new scheme the consumers will send indents direct to the Joint Plant Committee without going through any sponsoring authority. The Joint Plant Committee is really the final authority for determining which indent should be entertained and which rejected or accepted in part. In the case of indents for scarce categories only, the Joint Plant Committee will be assisted by the Steel Priority Committee, various liaison officers, the Iron & Steel controller and the D.G.T.D. but here too it would be for the Committee to scrutinise the indents initially and to consult these authorities whenever necessary. The main purpose of scrutinising indents would be to ensure that the flow of indents to individual producers is generally in accordance with the rolling programmes drawn up tentatively.

5.10. Even in the case of easy categories some amount of scrutiny will be needed before an indent is planned on a producer. It is essential that indents for a section which is not likely to be produced during the year should not be entertained. It is also necessary that unusually large indents from traders, which are sometimes of a speculative nature, should be carefully screened. An indent should indicate the tonnage acceptable to the indenter at a time. On this basis the Joint Plant Committee should calculate the tonnage likely to be supplied to the indenter during 1967-68 and this tonnage alone should be planned. This proposal may seem to be somewhat rigid and uncalled for in the case of easy categories, but we feel that even for the so called easy categories there is little point in booking orders indiscriminately when such orders are not likely to be executed during the ensuing year. It is this indiscriminate booking of orders and absence of any correlation of orders booked with the estimated rolling programme that has created the present situation in which producers have large outstanding orders even for structurals and rounds of certain sections and yet do not have adequate orders for some other sections. If the customs are made aware in advance of the sections which are likely to be available, we are

quite sure that they would try to alter their requirements to the extent possible so that there would be a closer relation between the orders booked and the production pattern than at present.

Recommendation.

In this connection we would, however, like to reiterate that the original rolling programme which would be drawn up by the Joint Plant Committee in July, 1966 should be only a tentative one. If the subsequent flow of indents shows that the demands are for certain sections which are not included in the rolling programme or of which the tonnage proposed to be produced is much less than what is required by the indentors, it would be necessary for the Joint Plant Committee to react immediately and to alter the rolling programme to the extent possible in consultation with the producers concerned. This process of adjustment in the rolling programme to fit in with the demand pattern, to the extent such adjustment is technically and operationally possible, should not be avoided simply because a tentative rolling programme has been drawn up initially. Unless the Joint Plant Committee is able to perform this function satisfactorily, the improvement which we have envisaged under the new scheme will not materialise. We therefore recommend that the Joint Plant Committee should pay great attention to the task of scrutiny of indents so as to ensure that the booking of orders is in accordance with actual production.

Indent Form:

5.11. To facilitate scrutiny of indents the Joint Plant Committee should amend the existing indent form to provide for the following details being submitted by indentors:—

Recommendation:

- (a) tonnage acceptable to the indenter at a time;
- (b) phased programme of delivery desired by the indenter; and
- (c) declaration that the terms and conditions of sale of the producers are acceptable to the indenter: (the terms and conditions of sale should be reproduced on the reverse of the indent form for facility of reference).

Follow up action until despatches:

5.12. The new scheme of distribution envisages that the Joint Plant Committee should not confine its work only to the distribution of indents, but that it should also take regular follow-up action to ensure that all indents entertained by the Committee for execution in a particular year are actually complied with by the producers during that year. This follow-up action is required not only for scarce categories but also for easy ones. For the success of this follow up action, the Joint Plant Committee should regularly receive vital documents like work orders and despatch advices from the producers and process the statistical data collected from these documents with the help of the computer. Periodical statements should be prepared through the computer to show the progress of execution of indents, and these should be forwarded to the producers and discussed at periodical meetings with the Joint Plant Committee. Maintenance of accurate and upto-date statistics is the key to the success of the new scheme and the role

of the Joint Plant Committee in maintenance of these statistics will be of utmost importance.

Section II—Role of State Governments—State quotas

5.13. The proposed scheme visualises a State quota for scarce categories of steel to be operated by the various State Governments. This matter requires some elucidation. The broad issues which arise in this connection are the following:—

- (a) In what manner should the bulk quota earmarked by the Steel Priority Committee for the State sector should be distributed to individual States ?
- (b) Whether the quota to be allotted to a State should be a bulk quota or whether there should be indication of sub-division of the quota for the different purposes intended to be covered by the State quota ?
- (c) What agency should be for handling the State quota and the policy for its distribution at the State level?

Basis for fixation of State quotas:

5.14. While it would be for the Steel Priority Committee to decide how the quantum of allocation to individual States should be fixed, we would like to make some suggestions in this regard for consideration. The State quota is expected to meet demands under the following heads:

- (a) agriculture;
- (b) small scale industries;
- (c) private sector industries which cannot send indent direct to the Joint Plant Committee: these will be (i) indents of less than one wagon load for non-DGTD units; and (ii) maintenance needs (excluding packing) of all units except only steel processing units borne on DGTD's list;
- (d) small maintenance requirements of the State Governments; and
- (e) requirements of the general public for house building, etc.

We appreciate that it will not only be difficult but next to impossible to make any realistic assessment of the demand of individual States under these various heads on a uniform basis. There is, therefore, little point in calling for demands from individual States under these heads. Such demands, if called for, are likely to be inflated or based on different norms in different States. There could be some scientific basis of assessing demand at least for agriculture and small scale industry, but as far as we are aware, no reliable data is available either at the Centre or in the States for making such an assessment. A practical method to fix State quotas under the different heads would be to do so on the basis of past consumption. For this it would perhaps be necessary to equate past despatches to the States with consumption, because statistics of actual consumption may be difficult to compile. We understand that statistics of past despatches, at least for the critical

categories, may be available either from the records of the Iron & Steel Controller or from those of the producers. Here again, it may not be correct to fix State quotas on the basis only of last year's despatches. It would be more appropriate to take into account the average despatches during the three years ending March, 1966. In this connection it has been represented by some State Governments that past despatches alone may prove an inequitable basis for States like Assam or the southern States, as despatches to these areas are sometimes low due to Railway restrictions. We feel there is some force in this argument. We, therefore, suggest that 50% of the bulk quota may be distributed on the basis of despatches during the last three years, and 50% on the basis of allocations made to the States during the last three years.

Break-up of State quota:

5.15. The next point to be considered is whether the quota to be communicated to the State Governments should be a bulk quota covering all heads or whether there should be specific tonnages earmarked under each of the heads mentioned in paragraph 5.14 above. Representatives of the Ministry of Agriculture and the Development Commissioner, Small Scale Industries have argued that amounts should be earmarked for agriculture and small scale industries, as otherwise they fear the interests of the consumers falling under these two heads are likely to suffer. Similarly, authorities like the Coal Controller and the Tea Board feel that State Governments may not give due consideration to the requirements of industries looked after by the Centre unless specific quantities are earmarked for them in the bulk State quota. We have carefully considered these points and are not able to share the apprehensions expressed by these agencies.

Recommendation.

We consider that State Governments are as eager and as competent to look after the interests of different types of consumers within their area as the Central Government. In fact being on the spot, they are expected to be in the best position to adjudge the relative priorities of demands under different heads. For consumers also, there would be greater facility with effective decentralisation to the State Government authorities. We are, therefore, not at all keen to restrict the discretion of the State Governments by imposing on them a system of earmarked allocations with binding force. We understand that even under the existing system, the quota released to the State Government is "pooled". Although specific tonnages are indicated under different heads like steel processing industry. Government development schemes, non-agriculture, small scale industry and agriculture, the State Governments are free to readjust quotas to suit their requirements whenever necessary. We do not think, therefore, that it would be proper for the Iron & Steel Controller to deviate from the existing system. In other words, while communicating the bulk quota to a State Government the Iron & Steel Controller may indicate a notional break-up under the five heads only to show how the bulk State quota has been calculated. This earmarking would only serve as a general guide to the State Government about the relative priority attached to the different sectors by the Central Government. The State Government would, however, be free to utilise the bulk quota in any manner it likes and need not feel bound by Central earmarking.

Statistics of consumption of State quota:

5.16. Although State Governments would be free to utilise their bulk quotas according to their own judgement of priorities, we would suggest that they should maintain complete statistics of actual consumption under the five heads mentioned in para 5.14. These statistics should be regularly compiled and furnished to the Iron & Steel Controller and the Joint Plant Committee. The information so furnished would serve as a valuable guide for determination of State quotas in future years. The Joint Plant Committee could feed this statistical data into its computer for facility of future reference.

Agency of procurement:

5.17. As regards the agency for handling the State quota, our preference is for utilising State small scale industries corporations. We understand that such corporations are functioning in most of the States and it should not be difficult for State Governments to enlarge their activities by opening more depots or stock-yards at suitable locations where there is likely to be sizable consumption of steel in the State. During our discussions with the State Governments we were given to understand that most of them would actually utilise such corporations for procurement and distribution of State quotas. The agency of procurement and distribution of the State quota is important in the revised scheme of distribution proposed by us. It will be seen that we have suggested that indents for scarce sections of steel should be entertained only from a selected consumer groups and that supplies should not be made by the producers to the general public or to the traders. Although for obvious reasons we would prefer that the State Governments should normally employ the agency of State industrial corporations or raw material depots for procurement and distribution of scarce sections, we would not like to fetter the discretion of the State Government in this matter. The point is that the sector which the State quota is to serve is mostly the responsibility of the State Governments themselves and the scheme ensures that the tonnage of scarce sections earmarked for State requirements is physically placed at the disposal of the State Governments. It is primarily for the State Governments themselves not only to arrange for its procurement but also its distribution in a proper manner taking into account the priority attached to the various types of demands to be met by them. If, therefore, any State Government should prefer a non-Governmental agency for handling its quota of scarce sections, there should be no objection.

Distribution in the States:

5.18. State Governments should evolve a simple and clear-cut procedure for the distribution of supplies within the State. For this purpose they would, we hope, set up coordinating committees comprising representatives of the departments concerned with different types of demands. During our discussions with the State Governments we were assured that they would have no difficulty in distributing the State quota in a proper manner through the State industrial corporations or through any other agencies, if necessary. While it will be for individual States to evolve their own procedures in this regard, Central Government agencies like the D.C.S.S.I. and the Ministry of Food & Agriculture may from time to time communicate guidelines on policy matters, which we are sure will be given proper consideration at the State level. Similarly, the Iron & Steel Controller may advise the State Governments about principles of fixation of selling prices from the State

industrial corporations or other handling agencies. In this connection, we would like to mention that during our round of discussion with the State Governments, it was brought to our notice that the Gujarat Government has evolved a scheme of distribution of scarce materials and has associated the general public through an advisory committee. We understand that allocations are published for general information and there is a provision for entertaining appeals, which are considered by a duly constituted appellate authority. Although we could not study the details of this procedure to judge its merits and demerits, we are in general agreement with the principles of clientele satisfaction and natural justice underlying this procedure and would commend to all State Governments the need for setting up machinery on the same lines. For the purpose of our scheme, however, it is necessary that each State Government should nominate a single official to liaise with the Iron & Steel Controller and the Joint Plant Committee in all matters connected with the distribution of scarce sections in the State. The Joint Plant Committee should also clearly know the particulars of the agencies which the State Governments would like to employ for the distribution of these sections because they will need to correspond with them from time to time.

Industries' demands:

5.19. Under the new scheme the State Governments will have to cater to the requirements of not only small scale industries, agriculturists and the general public, whose demands are being met by them even now, but would also have to cater to the requirements of private industries which were so far receiving quota certificates from Central sponsoring authorities like the Textile Commissioner, the Coal Controller, the Salt Commissioner, the Ministry of Food & Agriculture, the Ministry of Petroleum & Chemicals and the Iron & Steel Controller. Such requirements may be for the maintenance needs of industry as well as for development. We would urge that State Governments should take special care to meet the genuine needs of such industries. They will need to make the requisite administrative arrangements for getting information about the demands of units in this sector. For the initial period, State Governments may find it useful to try to respect notional sub-allocations within their bulk quotas to the maximum extent possible.

Section III—Role of advice agencies

5.20. The existing system of distribution of controlled categories operates through a large number of sponsoring authorities. Each gets an allocation under different heads like SPI, GDS, IMP etc. All of this makes for a complexity of agencies and quota heads. Case studies on the role of sponsoring authorities (gist at appendix XX) show that the contribution of such authorities in the assessment of demand and in the planning of distribution is on the whole only nominal. Their intervention certainly makes for delays in the whole process. Under the system proposed by us we have, therefore, tried to do without depending on a large number of sponsoring authorities. Not only has the number of such authorities been brought down to a mere handful, their functions will also be more in the nature of assistance to the JPC than the range of tasks presently associated with 'sponsoring'. In the new scheme of things, it might be more appropriate to think of them as 'advisers' than 'sponsoring authorities'.

5.21. In its job of distributing scarce categories, the Joint Plant Committee will need assistance from the following advisers:—

- (a) the DGTD;
- (b) Liaison Officers from Defence, Railways, CW&PC and the DGS&D; and
- (c) the Iron & Steel Controller.

DGTD

5.22. The position of the Director General of Technical Development as an adviser is a special one, because his units account for most of the consumption of scarce categories in the private sector. As soon as scarce categories have been listed in July each year, the DGTD will have to make a rough and ready estimate of the likely demand for these categories from his units. A bulk quota of scarce categories will then be communicated to him soon after the meeting of the Steel Priority Committee to be held in September each year and he will advise a unit-wise distribution of this quota to the Joint Plant Committee. Indents for scarce sections coming from the DGTD's units will be planned by the Joint Plant Committee only to the extent of the tonnages advised by the DGTD.

5.23. We are of the view that for making a unit-wise distribution the DGTD need not have an elaborate drill of calling for demand statements or applications from individual units. As the case study has shown inviting applications or demand statements only adds to work of every body without serving much useful purpose. The demands put forward are more often than not inflated and if the DGTD makes a *pro rata* cut, the consequent unit-wise distribution is bound to be rather unreal and to the disadvantage of the consumer who is honest enough to give his genuine requirement. We suggest, therefore, that unit-wise distribution of the bulk quota of scarce sections should be made by the DGTD on the basis of the assessed capacity of the units, their past consumption and the relative importance of the various products manufactured. The DGTD receives regular returns from his units indicating their steel consumption and their manufacturing programmes, and with this information it should be possible for him to make a unit-wise distribution without calling for demands from individual units. Only in respect of new units requiring allocation for the first time would it be necessary for the DGTD to call for demands or make an assessment or requirements on some rough and ready basis.

5.24. The unit-wise distribution list should be sent by the DGTD to the Joint Plant Committee as early as possible and in any case not later than six weeks from the date of communication of the bulk allocation to him. Until this list is received the Joint Plant Committee should keep the indents from the DGTD consumers pending. We suggest that the DGTD need not communicate the entitlement of individual units to the units direct as this would entail unnecessary work for him. On the basis of the distribution list supplied by the DGTD, the Joint Plant Committee should plan indents and copies of indents should as usual be returned to the indentors indicating the tonnages planned. This will give the necessary information about entitlement to the consumers.

Recommendation.

5.25. A case may arise where the quantity indented for by a consumer is less than what has been earmarked for him by the DGTD. Such a case of course is likely to be very rare. If, however, there is such a case, the lesser quantity indented for should be planned by the Joint Plant Committee. In that case, the bulk allocation of scarce sections earmarked by the DGTD is likely to be unutilised in full. The unutilised tonnage should be added to the reserve. The DGTD may, however, sponsor emergent demands for planning by the Joint Plant Committee out of the reserve with the specific approval of the Iron & Steel Controller irrespective of the fact whether there is any saving in his bulk quota or not.

Liaison Officers

5.26. Amongst Government consumers, Defence, Railways, the CW&PC and the DGS&D account for most of the consumption of scarce categories. Each one of these organisations has a liaison officer in the Iron & Steel Control Organisation, mainly to chase cases. We visualise that the role of these liaison officers in future will be a markedly bigger one in which they will have to function as important advisers to the Joint Plant Committee. Mainly their help will be required at two stages.

5.27. Firstly, immediately after scarce categories have been listed in July, each liaison officer will have to make a forecast of demand for these categories. This will not be an easy task. But since these officers deal with the requirements of the clientele units of their organisations from day to day and should be fully aware of the nature of their requirements, we do not expect them to find much difficulty in making a realistic estimate. We do not think it should be necessary for these officers to make any elaborate arrangement for collection of estimates of demands from individual projects or departments whose indents are required to be entertained during the year. Our general experience is that any attempt to collect demand figures leads to an inflation of the demand for scarce items because consumers take it for granted that actual supply will be much less than what they ask for. It would, therefore, be better for the liaison officers to rely on knowledgeable estimates of their own. However, there is nothing to prevent these officers consulting higher authorities or individual projects whose demands they are not in a position to estimate accurately, provided they adhere to the time-table prescribed in the revised scheme. The main purpose of these forecasts of demands is to enable the Steel Priority Committee to make bulk allocations and for this the forecasts should be accurate and prompt.

Recommendation

5.28. The second important function of the liaison officers will be to assist the Joint Plant Committee in screening the firm indents when they are actually received. An attempt has to be made to ensure that the booking of indents matches the quantities earmarked under different bulk allocations. It will be for each liaison officer to ensure that his organisation's bulk allocation is utilised to the full and in the best manner. If any unusually large indent is received, it may be necessary for the liaison officer to contact the indenter and to persuade him to reduce it, particularly if it cannot be fitted within the bulk allocation. If the demand is a pressing one, it may be necessary to seek for a special release from the

reserve quota. As the screening of indents would be almost a day to day affair, we would suggest that for facility of working the liaison officers may be allowed to sit in the office of the Joint Plant Committee.

Section IV—Role of the Iron & Steel Controller.

5.29. Under the new scheme, the role of the Iron & Steel Controller will undergo a metamorphosis. Even at present his domain as a control officer does not extend to the 'free' categories and is confined to the few 'controlled' varieties only. With the passing on of planning work for all categories to the JPC and with the withdrawal of statutory control, he will practically cease to be a control officer. It was even suggested to us that his title should undergo a change. We may have something to say about this in our second report.

5.30. But while his control functions will almost disappear, the Iron & Steel Controller will have to perform a vital role in the new scheme. It will be mainly his responsibility to see that the scheme operates smoothly. As Chairman of the JPC, he will need to provide the guidance and leadership necessary to enable that organisation to perform its key role in the proposed system. As the representative of Government on the JPC, he will be the chief link with that body and will be expected to project the policy of Government in various ways. As member-secretary of the Steel Priority Committee, he will act as the chief adviser for making bulk allocations and will also be the bridge between this Committee and the JPC. And finally as Iron & Steel Controller he will have to continue to be Government's chief watchdog in regard to steel in all its distributional aspects. Since he will have to do all this in a situation of decontrol, his task will be a delicate and a challenging one.

5.31. Apart from these overall responsibilities, the Iron & Steel Controller will be expected to perform in a specific fashion and at various points of the scheme:—

- (a) He will be the approving authority for the lists to be drawn up every July of scarce and easy categories, with which is linked the tentative rolling programme to be drawn up by the J.P.C. Positive and watchful guidance will need to be provided at this stage.
- (b) He will be the 'adviser' to the J.P.C. for the utilisation of the following quotas:—
 - (i) Government projects other than Defence, Railways, Irrigation & Power and D.G.S. & D. contracts, and private sector integrated steel plants and steel plants under the Industries (D. & R.) Act.
 - (ii) Wagon load demand of industries licensed under the Industries (D. & R.) Act but not borne on D.G.T.D. books (other than maintenance requirements but including packing requirements).
 - (iii) State quota.
 - (iv) Reserve including export promotion.

He will carry a special responsibility for securing adequate allocations under these heads from the Steel Priority Committee.

- (c) In regard to the State quota, the Iron & Steel Controller will have to obtain statistics from the States, consult central authorities like the D.C., S.S.I. and the Ministry of Agriculture and perhaps meet State Government authorities in advance of the September meeting of the Steel Priority Committee. This is necessary so that the States' point of view is presented effectively.
- (d) In regard to the reserve quota, the I. & S. Controller will first have to advise the Steel Priority Committee about its quantum. We would suggest that the reserve quota should be adequate to meet all unforeseen demands. There is a possibility of unforeseen demands emanating from important consumers like Defence organisations, Railways and public sector projects, because at the initial stages of the scheme the liaison officers may not be able to assess future requirements very accurately. As time goes on, we hope that estimation of demands will improve and the quantum of the reserve quota in future may accordingly come down.

Section V—Role of the Steel Priority Committee

5.32. At present the Steel priority Committee comes in late in the procedure chain, *i.e.* after work orders have issued, and attempts a task involving much detail. It selects individual work orders for inclusion in rolling programmes. A gist of case study report on the working of the Steel Priority Committee is at Appendix XXI. In the new system, the Committee will come in almost at the start of the procedure chain. Its impact will, therefore, be more telling. Also, it will confine its work to making bulk allocations to various consumer groups (nine in number), and to individual states. This will save it from getting involved in unnecessary detail as at present, and will also enable it to give the priority-based steering to the distribution scheme at the right stage.

CHAPTER VI

MISCELLANEOUS RECOMMENDATIONS

Withdrawal of statutory control—

6.1. It is inherent in the new scheme proposed that statutory control over production, distribution and prices of all categories of steel should be withdrawn. Provision already exists in the Iron & Steel (Control) Order for exempting any or all categories of steel from the application of any or all the clauses of the Order. It is under this provision that the so-called 'free' categories have been exempted. We recommend that exemption should now be extended to cover all categories of steel.

6.2. It is necessary to consider whether there would be any possible ill-effects from the withdrawal of the existing statutory control. The chief outcome will be that those who receive scarce categories may sell what comes to them rather than utilise it. Should this happen, as is not at all unlikely, there will of course be no longer any statutory penalty available. The question to consider is whether this would create an impossible situation. It has to be kept in mind that the remedy of prosecution available under the statutory system in vogue is not one which can be invoked very easily, because it is difficult to bring cases home to offenders. At best the existence of a penalty clause in the statute acts as a deterrent, and with controls being withdrawn it is this deterrent which would disappear. The only corrective available in the new system would be an administrative one; parties found indulging in sales to profiteer can always be penalised by not being given any further allocations, whether by the D.G.T.D. or by the State Government concerned or any other allocating authority. In a system freed from control over sales, the most effective sanction can only be for allocating authorities to ensure that scarce steel categories go only to genuine consumers and that too only in the amounts required by them. Profiteering through sales in preference to actual utilisation is possible only when allocating authorities do not do their job properly. And if wrong allocations continue to be made, any sales that take place will ultimately go towards rectifying the mal-distribution by official agencies. Withdrawal of control need not, therefore, be considered a calamity simply because of the possibility it opens up for sale by consumers.

6.3. With controls suspended, the proposed scheme will have to work on a sort of gentleman's agreement between the Government on the one hand and the Joint Plant Committee, the steel plants and consumers on the other. If such a system has been able to work well in regard to the 'easy' categories without legal support, there should be no insuperable difficulty in running a system which extends to 'scarce' categories as well. It must be conceded that an informal arrangement like this does involve the risk that one or the other party to it may refuse to abide by his obligations, and in that event there would be no statutory sanction available to enforce the scheme. We are confident, however, that all concerned will readily cooperate to make a success of the new arrangement because

of the promise it holds for a better and quicker deal for all. If things go terribly wrong, there is the fact that statutory control can always be reimposed at short notice; perhaps this may have its own enforcing effect.

6.4. We considered whether some kind of legal support could be given to the new scheme by providing for the possibility of statutory directives from Government in case of need. We understand that there may be difficulty in invoking clause 17 of the Iron & Steel (Control) Order since all categories of steel will have been exempted from the major provisions of the Order. While it is for the legal experts to advise in the matter, it would seem not impossible to redraft the Iron & Steel (Control) Order in such a way as to provide for the possibility of directives being issued under the new scheme if circumstances so warrant at any point of time. We have in hand a review of the Iron & Steel (Control) Order from other points of view, and may have something to say about the issue discussed here in the second part of our report.

Stock-holders—

6.5. The Raj Committee recommended that the system of appointing controlled and registered stockists should be abolished and there should be freedom for everyone to place indents directly on producers and to receive supplies at the producers' price. This recommendation was not accepted for the controlled categories and the system of stockists carried on. A gist of a case study report on the appointment of stockists is at appendix XXII. Under the proposed scheme, there will be no change in regard to dealing in easy categories. However, in the case of scarce categories, the Joint Plant Committee will accept indents only from consumers and procurement agencies nominated by the State Governments, such as state small industries corporations. There will thus be no need to continue with the appointment of registered and controlled stock-holders and the system may, therefore, be abolished. The J.P.C. will need to maintain a complete list of state agencies of procurement so as to be able to have dealings with them in respect of the state quota for scarce categories.

6.6. We have suggested elsewhere that the J.P.C. should scrutinise all indents, including those for 'easy' categories, before planning. The fact that anyone is free to trade in steel with the removal of statutory control should not mean that the J.P.C. is bound to entertain all indents. In the steel trade it sometimes happens that firms pose as traders and obtain planning notes in their favour which they invariably transfer when orders materialise. It should be the duty of the Joint Plant Committee to eliminate such pseudo-dealers, and for this purpose the J.P.C. should make sure that only genuine dealers get supplies from producers.

Backlog of orders—

6.7. One of the main difficulties in introducing a simple scheme for rationing steel supplies is the existence of a huge backlog of orders with the steel plants. So long as the backlog remains effective and extends backwards to work orders issued several years ago, it is difficult to establish a direct and matching relationship between current demand and current production. Basic in our approach, therefore, is the need to eliminate the distorting shadow cast by the mountain of backlogs in some effective manner.

6.8. We have not gone into the legal aspects relating to cancellation of backlogs. We should recommend, however, that every effort should be made to overcome the legal difficulties if any by providing for a competent authority having the power to cancel outstanding orders on the books of producers whenever such cancellation is in the interest of an efficient system of distribution. If cancellation is not found feasible, we recommend that outstanding orders should at least be kept under suspension by invoking suitable legal provisions. In short, a statutory remedy for the problem of backlogs should be found if at all possible.

6.9. Heavy backlogs do not help either producers or consumers. In fact, consumers are put to some hardship in that their finances get blocked in order to keep old orders alive without any compensating hope of execution within a sure period. Apart from any statutory remedy, therefore, we recommend that parties should be allowed the facility of cancelling old work orders and adjusting the amounts already paid by them against fresh work orders booked in their favour under the new scheme. Since the new scheme promises assured supplies, it could be expected that parties to outstanding orders will over a course of time help in liquidating backlogs through expressing a preference for new work orders in the manner suggested above.

Cushion for steel plants—

6.10. We understand that producers need to have a cushion of orders to the extent of at least six months' production, because many orders are rendered ineffective at the last minute due to Railway restrictions or the inability of customers to lift materials. In the new scheme of distribution, the chances of orders becoming ineffective due to the lack of financial arrangements on the part of consumers will not be there, because orders will be booked only to cover a single year's requirements of the customers, and there is also provision for phasing of supplies at the convenience of the customers. However, it is recognised that the steel plants will still need a reasonable cushion.

6.11. There could be two alternatives for providing the cushion which is required for operational reasons. Assuming that it will be possible to cancel or suspend the backlog of orders, we would suggest that a six months' cushion should be created at the time of introducing the new scheme by covering the production of each section for 18 months rather than only a year. This would ensure that at the end of the year the producers would have six months' orders in hand. In the next year, however, allocations should be made for 12 months only; and so on. If there is any difficulty about cancelling or suspending backlogs, our alternative suggestion would be that these backlogs may be regarded as the cushion available to producers, subject to first preference being given to all work orders under the new scheme, whether for 'easy' or for 'scarce' items. In other words, while backlogs may be used as a cushion in case of need, there should be no in-road whatsoever into the principle of assured supplies against the new work orders under the proposed scheme.

6.12. During discussions with the Joint Plant Committee, we were told that the rigid time-table of the new scheme may land producers with shortages of effective economical rolling tonnage even for sections which are in demand. We are confident that a reasonable kind of self-discipline on the part of both producers and consumers will help to overcome this kind of difficulty. What is necessary is that consumers should plan

ahead so that they have no difficulty in adhering to the time-table for booking their orders. Should, however, a situation actually arise when producers are short of effective rolling tonnage for any section, the following steps should be taken to remedy the situation:—

- (a) The Joint Plant Committee may entertain indents for such sections as are included in the rolling programme but for which bookings fall short of anticipated production even after the last date of acceptance of indents is over. Such indents will normally be collected by the producers themselves from their own stockyards or from dealers of their choice. We do not see any objection to this concession (which is even now available to the producers) being continued under the revised scheme as well.
- (b) The producers may include some of the suspended old outstanding orders in their rolling programme to the extent of the short-fall. In such cases, however, the Joint Plant Committee should be approached with details of the orders to be included and formal approval of the Joint Plant Committee should be taken.

6.13. Since the new scheme is based on an annual cycle, it calls for a certain degree of advance planning on the part of both producers and consumers. The producers will have to prepare their tentative rolling programmes about 9 months ahead of the production year. Consumers will need to place orders on the assumption that these will be executed within a period ranging from 4 to 15 months. The degree of discipline that this will involve for both producers and consumers is not, in our judgement, one which is impossible to achieve; it is certainly necessary if a decontrolled scheme of rationing is to be made feasible. There is really no good reason why both producers and consumers should not benefit from the advance planning that is inherent in the working of the new scheme.

6.14. Many consumers, particularly engineering units, may find it difficult to plan ahead in their ultimate consumers particularly Government departments, fail to do their bit in placing orders in advance. The discipline of advance planning must, therefore, go all the way back to Government departments, particularly the Railway Board and the D.G.S. & D., who place large contracts on engineering firms. As far as possible, adequate delivery periods should be permitted to enable contracting firms to take account of their requirements against such contracts in the annual cycle of steel distribution.

6.15. Where the D.G.S. & D. finds it unavoidable to ask for immediate delivery of materials, it should be possible to accommodate the requirements of the contractors concerned from the reserve quota to be operated by the Iron & Steel Controller. In special circumstances, we also think that the Joint Plant Committee should have the freedom to accept late indents provided it can accommodate them within the year's rolling programme. Apart from D.G.S. & D. contractors this relaxation may have to be afforded to export promotion orders.

Six-monthly rolling programme for 'easy' categories—

6.16. A representative of the Railways suggested that for 'easy' categories the rolling programme may be drawn up on a six-monthly basis instead of annually, as this would give indentors an opportunity to place orders more frequently and would reduce the timelag between the date of order and the date of supply. Our preference for annual rolling programmes is there because it gives more time to both producers and the Joint Plant Committee to plan indents, issue work orders and so on. If, however, the J.P.C. finds that genuine consumers, particularly Government indentors like the Railways and the Defence organisations, experience difficulty in placing indents according to the time-table prescribed in the new scheme, it may consider splitting up the rolling programme for 'easy' categories into two six-monthly parts. If this is done, it would be necessary for the J.P.C. to prescribe a fresh time-table for the placing of indents, the issue of work orders and the formulation of rolling programmes. So long as the fundamental objective of matching orders with actual production and avoiding accumulation of backlogs is preserved, there need be no objection to a six-monthly programme for 'easy' categories.

CHAPTER VII

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS IN PART I

Chapter I—Introductory

1. If the new scheme recommended by the study team is to be implemented for the production year 1967-68 for which the time table starts from July 1966 a decision by Government is required to be taken by the 15th of June 1966. Postponement of the decision beyond this date may mean postponement of the implementation of the scheme by one year. (Para 1.11)

CHAPTER II

The present system of steel distribution—an appraisal

2. (a) The decisions of the Government on Raj Committee's Report constituted an important step in the right direction.

(b) Experience of working of the system has however revealed a number of unsatisfactory features.

(c) The supply position of steel in general and in all the controlled categories in particular, has improved considerably.

(d) The time has, therefore, come for a further step towards relaxation of controls, which should help to cure the unsatisfactory features of the present system. (Para 2.26)

Chapter III—Approach towards relaxation of controls

3. Withdrawal of statutory control coupled with complete freedom to steel producers (without the intervention even of the JPC) to fix prices and dispose of their products is not desirable at this stage because certain items of steel are in short supply. (para 3.4)

The alternative of giving unfettered power to the JPC in distribution and price fixation in scarce categories can be considered only when the supply position improves and the working of the JPC over a period of time has demonstrated success of such an arrangement beyond doubt. (Para 3.5)

4. The form of de-control in operation today with regard to 'free categories' with additional provision for directives from Government at one or two critical points of the procedural chain in regard to scarce categories is not appropriate at this stage. (Para 3.6)

5. A scheme of distribution under conditions of decontrol should take care of the following points:—

- (i) The system of determining 'easy' and 'scarce' items should be flexible and based on reliable assessment of supply and demand position.
- (ii) Demand pattern should be studied on a forward basis and an attempt should be made to prepare advance tentative rolling programme for each steel plant taking the demand pattern into account.
- (iii) For 'easy' categories, there will be no restriction on consumers, producers or distributors except conforming to the drill prescribed by the JPC (Joint Plant Committee) for the purpose of matching demand and production.
- (iv) For 'scarce' categories there should be an arrangement which ensures supply to priority consumers. The JPC should operate a quick rationing system with the assistance of the Steel Priority Committee and the liaison officers of priority consumers like Defence, Railways, etc.
- (v) The number of stages of handling should be reduced to the minimum and the time lag between the placing of an indent and actual delivery should be the shortest possible.
- (vi) Although a degree of flexibility will be obtained by removal of statutory control on prices, price variations should take place on the basis of systematic cost studies ensuring fair play to both the producers and the consumers.
- (vii) Distribution machinery for 'scarce' categories should provide for a reliable channel in the case of consumers who cannot procure from producers direct. (Para 3.8)

Chapter IV—Proposed scheme of distribution

Section I—Outline of the scheme

6. Statutory control over distribution and prices of all categories of steel should be withdrawn. (The proposed scheme envisages an annual cycle of events in accordance with a stage-wise time table detailed in subsequent Sections.) Price fixation should be left entirely to the JPC assisted by a price sub-committee consisting of experts in cost accountancy. (Para 4.2)

Section II—Classification of 'easy' and 'scarce' categories

7. By 15th July 1966, the Joint Plant Committee should—

- (a) classify steel sections to be produced during 1967-68 in to two broad categories (i) 'easy'—those of which demand is not likely to exceed availability; and (ii) 'scarce'—those of which demand is likely to exceed availability;

- (b) draw up a tentative rolling programme of the steel plants for 1967-68;
 - (c) obtain approval of the Iron & Steel Controller (whose decision should be final) to the classification and the tentative rolling programme. (Paras 4.4 and 4.5)
8. The JPC should advertise lists of 'easy' and 'scarce' categories for general information by the end of July 1966. (Para 4.6)

Section III—'Easy' categories

9. The system of distribution proposed for 'easy' categories is—

- (a) In the advertisement to be issued by the Joint Plant Committee regarding lists of 'easy' and 'scarce' categories, indents for 'easy' categories will be called for from all consumers and dealers by 31st December 1966 for supply during 1967-68.
- (b) On receipt of indents, the JPC will complete planning by 15th January 1967 after screening them to ensure that orders booked correspond to the advance rolling programmes in quantity, sections and specifications. To avoid filling up of the entire order book with low priority indents received earlier, the JPC should book indents only upto 80 per cent of the available production upto 31st December 1966. The unbooked orders should thereafter be screened on the basis of priority and adjusted against the remaining 20 per cent.
- (c) The producers should complete booking of orders against indents planned by the JPC by 15th February 1967. This should be possible because JPC will make sure that sizes and specifications indented for are within the programme of the steel plant and that the indenter has accepted the general terms and conditions of supply prescribed by the producers. The producers need not correspond with indentors for issue of work orders as at present. The offer letter should be issued by the producers within a week from the date of planning note and if customers do not confirm within 4 weeks, the indent should be cancelled and returned to JPC.
- (d) After issue of work orders the JPC should prepare the final rolling programme for the producers for the year 1967-68 on either quarterly or monthly basis as may be found convenient by the producers and the JPC.
- (e) The JPC should also prepare a detailed rolling-cum-despatch programme about a week or 10 days before a particular section is rolled. In that case it should not be necessary for the producers to deviate from the prescribed programme. The JPC should take into account the need for making phased deliveries against large indents in preparing the rolling-cum-despatch programmes so that supplies are staggered without

causing financial difficulties to the customers which may lead to suspension of orders. If one section is rolled more than once during the year the JPC in finalising the rolling-~~cum~~-despatch programme should take into account not only the chronology of the order but the importance of the end-use, (Para 4.9)

Section IV—Scarce categories other than billets, skelp and tinplates

10. The system proposed for distribution of scarce categories is as follows:—

- (a) After listing out all the 'scarce' categories and preparation of the tentative rolling programme by the end of July 1966, the JPC should communicate the details of scarce categories and tonnage likely to be produced during 1967-68 to the liaison officers of Defence, Railways, CW&PC and DGS&D and also to DGTD and the Iron & Steel Controller. These officers are to make a rough estimate of their likely demand for 'scarce' sections during 1967-68.
- (b) The JPC should ascertain the likely demands of the scarce sections from the liaison officers, DGTD and the Iron & Steel Controller and prepare a draft proposal [under the heads indicated in (c)] for consideration of the Steel Priority Committee.
- (c) A meeting of the Steel Priority Committee should be held in the first week of September 1966 for earmarking scarce sections under following heads:—
 - (i) Defence (sponsored by Defence liaison officer)
 - (ii) Railways (Railways liaison officer)
 - (iii) Irrigation and Power Projects (CW&PC liaison officer)
 - (iv) DGS&D contractors (DGS&D liaison officer)
 - (v) Other Government projects, private sector integrated steel plants and steel industry licensed under the Industries (D&R) Act (Iron & Steel Controller)
 - (vi) Steel processing industries borne on the DGTD list (all steel requirements) and other units borne on DGTD (excluding maintenance but including packing requirements) (DGTD)
 - (vii) Wagon load demands of industries licensed under the Industries (D&R) Act but not borne on DGTD list (other than maintenance requirements but including packing requirements) (Iron & Steel Controller)
 - (viii) Reserve including export promotion (Iron & Steel Controller)
 - (ix) Small scale industries, agriculture, general public and all other demands not specifically covered by above (to be called State quota for facility). (Iron & Steel Controller)

Before finalising the allocation of scarce sections the Steel Priority Committee may find it useful to discuss the proposals at a meeting with the following

- (i) Liaison officers of Defence, Railways, CW&PC, DGS&D;
 - (ii) DC, SSI;
 - (iii) A representative of the Ministry of Agriculture;
 - (iv) DGTD; and
 - (v) Executive Secretary, Joint Plant Committee.
- (d) The Steel Priority Committee should also decide State-wise distribution of the bulk quota earmarked for the State sector. A proposal for this should be formulated by the Iron & Steel Controller in consultation with the Ministry of Food & Agriculture, the Development Commissioner, Small Scale Industries and the representatives of State Governments.
- (e) In the second week of September 1966 the JPC should call for indents of scarce sections from all consumers other than those to be covered by the State quota. The JPC should also communicate the quotas earmarked for individual States and request the State Governments to send indents from State industrial corporations or any other agencies nominated by them for lifting their quotas. The last date for placing indents should be 31st December 1966.
- (f) On receipt of indents (except indents from the DGTD units) the Joint Plant Committee should plan them in consultation with the liaison officers and the Iron & Steel Controller to ensure that bulk allocations made under different heads are not exceeded. Such demands which may not be covered within the bulk allocations should be planned against reserve quota after taking specific approval of the Iron & Steel Controller. 50 per cent of the reserve quota should be kept aside for meeting emergent demands which may be received after January 1967.
- (g) Indents from DGTD units should be planned on the basis of a unit-wise distribution list to be communicated by the DGTD within six weeks of the date of bulk allocation by the Steel Priority Committee. A consolidated list of all plannings made in favour of DGTD units should be sent by the JPC to the DGTD after planning is over.
- (h) The JPC should complete planning of all indents by 15th January 1967 and producers should complete issue of work orders by 15th February 1967 as in the case of 'easy' categories.
- (i) If any indent for 'scarce' categories is recommended for a quantity which involves fractional wagon load supply, the JPC should bulk these small allocations on a State-wise basis and make arrangements for supply through a State industrial corporation or a suitable authorised dealer of the JPC preferably a stock-yard of a producer.

- (j) After the issue of work orders is completed final rolling programme should be prepared by the JPC in consultation with the producers, either on a quarterly basis or monthly basis as in case of 'easy' categories. This should be done by 1st March 1967.
- (k) As in case of 'easy' categories a detailed rolling-cum-despatch programme should also be prepared by the Joint Plant Committee about a week or 10 days before a particular section is rolled. (Para 4.12)

11. The defectives of 'easy' categories should be treated in the manner indicated in Section III. The defectives of 'scarce' categories should be distributed in the manner given in Section IV except that the whole quantity will be released to the State industrial corporations or other agencies nominated by them. (Para 4.13)

Section V—Billets

12. The proposed system is as follows:—

- (a) In the first week of December, 1966 the Joint Plant Committee should ascertain availability from the producers and communicate this to the Iron & Steel Controller whose responsibility will be to ensure supply of billets to re-rollers at a reasonable level.
- (b) A meeting is to be convened by the Iron & Steel Controller in the second week of December, 1966 with the representatives of the JPC, Railways, DGS&D, to finalise the policy of distribution.
- (c) The Iron & Steel Controller should finalise the re-roller-wise annual entitlements in the first week of January 1967 and communicate to all (JPC, S.R.M.A. and individual re-roller) concerned. He need not take the approval of the Ministry.
- (d) Indents should be received by the JPC by the end of January 1967 and work orders should be issued by the producers by 15th February 1967.
- (e) The JPC should prepare a schedule of monthly despatches and watch actual performance of the producers from month to month. Remedial measures should be taken in case of deviation. (Para 4.16)

Section VI—Skelp

13. The proposed system is as follows :—

- (a) A meeting is to be convened by the Iron & Steel Controller in the first week of January with the representatives of the JPC, TISCO and the DGTD to finalise consumer-wise annual entitlement list which should be communicated to the individual consumer, producers and the JPC by the end of January 1967.

- (b) The consumers will submit indents direct to the Tata Iron and Steel Co. (the only producer of skelp at present) by 15th of February 1967.
- (c) The producer will issue work orders with copies to the Joint Plant Committee.
- (d) The Joint Plant Committee should watch monthly despatches against annual entitlements and take immediate measures in case of deviation. (Para 4.20)

Section VII—Tinplates

14. The proposed system is as follows :—

- (a) The allocation is to be made on a half yearly basis as at present. A meeting with the representatives of the DGTD, DC SSI, Ministry of Petroleum & Chemicals and tinsplate producers is to be convened by the Iron & Steel Controller in January and July each year to finalise bulk allocation producer-wise and sponsoring authority-wise.
- (b) Within 30 days from the date of bulk allocation, the sponsoring authorities are to communicate unit-wise entitlements to producers concerned direct.
- (c) The State quota of tinplates to be communicated by the DC SSI within 15 days from the date of bulk allocation, with instruction to send indents from the State agencies nominated for procurement of scarce categories to producer concerned direct. If the State Government nominee fails to book order before the commencement of the period, the quota will lapse.
- (d) The producers should on receipt of bulk allocations call for indents from the consumers and book orders before the commencement of allocation period.
- (e) If an allottee fails to book order, the producer should inform the sponsoring authority and the I&SC.
- (f) The producers should submit a monthly statement showing the despatches made to each party and quantities outstanding on their own account, to the sponsoring authorities and the Iron and Steel Controller. (para 4.24)

Chapter V—Agencies for implementation of the revised scheme :

Section I—Role of the Joint Plant Committee

15. The JPC should function under the following three safeguards:—

- (a) The governmental intervention should be at two critical points of the distribution system, once at the stage of deciding which categories of steel are scarce and again at the stage of earmarking bulk allocations of scarce categories to the different consumer groups.

- (b) The mode of price fixation by the JPC should inspire public confidence. For this purpose a special arrangement has been visualised.
- (c) The JPC should be able to make an effective impact on the production pattern of the producers so that the demand of scarce categories is met to the maximum extent possible and there is a saving in the import bill. More important than having any consumer representation in the JPC is the need to give more technical and developmental content to the governmental representation. (para 5.3)

16. The new scheme provides adequate safeguards on all these points. There is, therefore, no need to change or enlarge the constitution of the Joint Plant Committee simply on account of the distribution system proposed by the study team. (para 5.4)

17. The Joint Plant Committee should fix price of all categories of steel (para 5.5)

18. In order to ensure objectivity and adequate technical appreciation of proposals for price escalation the JPC should appoint a standing price sub-committee with the following composition:—

- (i) A nominee of Iron and Steel Controller—Convener (he may be the Chief Cost Accounts Officer, Ministry of Finance).
- (ii) A representative of the Railway Board (Finance) assisted by a Railway metallurgist.
- (iii) Chief Planning Officer of the Joint Plant Committee (who must be a Metallurgist with steel plant experience).
- (iv) Chief Accounts Officer of the Joint Plant Committee.
- (v) Chief Accounts Officers of the 5 steel plants. (para 5.7).

19. Except for unforeseen circumstances, the Joint Plant Committee should not entertain proposals for price increase more than once a year. (para 5.7)

20. The Joint Plant Committee should give special attention to the problem of preparing a realistic tentative rolling programme.

The rolling programme should take into account not only the most economic product mix of the steel plants but also the likely pattern of demand in the coming year. For assessing the likely demand, the JPC should set up a market research cell with qualified staff and a suitable field organisation. The data collected by the field organisation and the market research cell may be processed by the computer to be available at the time of preparation of an annual tentative rolling programme. The JPC should also guide the steel plants about the new sections to close the gap between the demand and supply patterns. (para 5.8)

21. The JPC should carefully scrutinise the indents after consulting the I&SC or other sponsoring agencies, if necessary, before planning to ensure that orders booked match with actual production of different sections so that accumulation of backlog is avoided. (para 5.9)

22. Indents for section which is not likely to be produced during the year should not be entertained. Larger indents should be carefully screened and should be accepted only to the extent that tonnage is possible to be rolled during that year. Indent should also indicate the tonnage acceptable to the indenter at a time. (Para 5.10).

23. If the subsequent flow of indents indicates demands for certain new sections or tonnages which are not covered by the tentative rolling programme prepared in July 1966, the JPC should react immediately and alter the rolling programme to the extent possible in consultation with the producers concerned in order to meet such demands. Unless the JPC is able to perform this function satisfactorily, the improvement which we have envisaged under the new scheme will not materialise. (para 5.10).

24. The indent form should be amended to provide for the following:—

- (a) tonnage acceptable to the indenter at a time;
- (b) phased programme of delivery desired by the indenter; and
- (c) declaration that the terms and conditions of sale of the producers are acceptable to the indenter: (the terms and conditions of sale should be reproduced on the reverse of the indent form for facility of reference). (para 5.11).

25. The JPC should take follow up action both for 'scarce' and 'easy' categories by scrutinising vital documents like work orders and despatch advices from the producers and processing the statistical data with the help of the computer. The statements regarding progress of execution of indents should be prepared through the computer and forwarded to the producers and discussed at periodical meetings of the JPC. (para 5.12)

Section of State Governments—State quotas

26. The State quota should meet demands under the following heads:—

- (a) agriculture;
- (b) small scale industries;
- (c) private sector industries which cannot send indent direct to the Joint Plant Committee: these will be (i) indents of less than one wagon load for non-DGTD units; and (ii) maintenance needs (excluding packing) of all units except only steel processing units borne on DGTD's list;
- (d) small maintenance requirements of the State Governments; and
- (e) requirements of the general public for house building, etc.

(para 5.14)

In order to fix State quotas under the different heads figures of average despatches during the three years ending March 1966 may be a guide. 50% of bulk quota may be distributed to the States on the basis of despatches during the last three years and 50% on the basis of allocations made to the States during the last three years. (para 5.14).

27. While communicating the bulk quota to the individual State Government the Iron and Steel Controller may indicate the notional break-up under the five heads mentioned above only to show how the bulk State quota has been arrived at. This earmarking should only serve as a general guide but the State Government should be free to utilise the bulk quota *inter se* different heads in any manner it likes. (para 5.15).

28. The State Governments should maintain regular statistics of actual consumption of scarce categories under different heads and furnish such statistics to the Joint Plant Committee and the Iron and Steel Controller for guidance in fixing State quotas in future. (para 5.16).

29. State Governments should normally employ the agency of State industrial corporation or raw materials depots for procurement or distribution of scarce sections. But if any State Government should prefer the non-governmental agency there should be no objection. (para 5.17).

31. Central Government agencies like the Development Commissioner, Small Scale Industries, the Ministry of Food and Agriculture and the Iron and Steel Controller may from time to time communicate guide-lines on policy matters to the State Governments which should be given proper consideration. (para 5.18).

31. Central Government agencies like the Development Commissioner, Small Scale Industries, the Ministry of Food and Agriculture and the Iron and Steel Controller may from time to time communicate guide-lines on policy matters to the State Governments which should be given proper consideration. (para 5.18).

32. For the purpose of distribution of State quotas the State Governments may set up advisory committees and suitable appellate authorities (as in Gujarat) for giving clientele satisfaction, and serving the principles of natural justice. (para 5.18).

33. Each State Government should nominate a single officer to liaise on steel matters with the Iron and Steel Controller and the Joint Plant Committee. (para 5.18).

34. The State Government should take special care to meet the genuine needs of industries which are at present receiving supplies through Central Government agencies but have been included in the State quota under the proposed system of distribution. Requisite administrative arrangements may be made for getting information about the demands of units in this sector. In the initial stages the State Governments may find it useful to try to respect notional sub-allocations within their bulk quotas to the maximum extent possible. (para 5.19).

Section III—Role of advice agencies

35. Under the new scheme the Joint Plant Committee will be assisted by the following advisers:—

- (i) the DGTD;
- (ii) liaison officers from Defence, Railways, CW&PC and DGS&D
- (iii) the Iron and Steel Controller. (para 5.21).

36. In advising the Joint Plant Committee about unit-wise distribution of the bulk tonnage of scarce sections earmarked for DGTD units, the D.G.T.D. need not call for demands from individual units. The unitwise distribution may be made on the basis of the assessed capacity of the units, their past consumption and the relative importance of the various products manufactured. Only for new units demands may have to be obtained for the first time. (para 5.23).

37. The unit-wise distribution list should be sent by the DGTD to Joint Plant Committee within six weeks from the date of bulk allocation. Until this list is received, the JPC should keep the indents from the DGTD consumers pending. (para 5.24).

38. Entitlement of individual units need not be communicated by the DGTD to the units direct. (para 5.24).

39. Between the amount indented and the amount indicated by the DGTD for a particular unit, only the lesser quantity should be planned by the JPC. The unutilised tonnage out of DGTD quota if any should merge with the reserve. DGTD can sponsor emergent demands also.

(para 5.25)

40. For the purpose of assessment of demand for scarce sections the advising authorities should as far as possible rely on their own judgment and need not introduce an elaborate system of collection of demand from their clientele. But they must adhere to the time table set out earlier.

(para 5.27)

41. The liaison officers of Defence, Railway, CWPC and the DGS&D may sit in the office of the Joint Plant Committee and assist the committee in the scrutiny and booking of indents received from their clientele, especially when the indent is unusually large or demand a pressing one. They should ensure that the bulk allocations are not exceeded but utilised in the most effective and useful manner. (para 5.28)

Section IV—Role of the Iron and Steel Controller

42. Although control functions of the Iron and Steel Controller will almost disappear under the new scheme it will be his responsibility to guide the Joint Plant Committee in the operation of the scheme and to be Government's chief watch-dog in regard to steel in all its distributional aspects. He will be the bridge between the JPC of which he is the chairman and the SPC of which he is the member-secretary. (para 5.30)

43. The Iron and Steel Controller will have following major functions:—

- (a) Approving the lists of scarce and easy categories, which are linked with the tentative rolling programme to be drawn up by the JPC.
- (b) Act as the 'adviser' to the JPS for the utilisation of the following quotas :—
 - (i) Government projects other than Defence, Railways, Irrigation and Power and DGS&D contracts, and private sector integrated steel plants and steel plants under the Industries (D&R) Act.
 - (ii) Wagon load demand of industries licensed under the Industries (D&R) Act but not borne on DGTD books (other than maintenance requirements but including packing requirements).
 - (iii) State quota.
 - (iv) Reserve including export promotion.

He will be responsible for securing adequate allocations under these heads from the Steel Priority Committee.

- (c) In regard to the State quota, the Iron and Steel Controller will have to obtain statistics from the States, consult central authorities like the DC SSI and the Ministry of Agriculture and perhaps meet State Government authorities in advance of the September meeting of the Steel Priority Committee. This is necessary so that the States' point of view is presented effectively.
- (d) In regard to the reserve quota, the I&S Controller will first have to advise the Steel Priority Committee about its quantum which should be adequate to meet all unforeseen demands emanating

from important consumers like Defence organisations, Railways and public sector projects. It is expected that as the estimation of demands improves the quantum of the reserve quota may progressively come down. (para 5.31).

Section V—Role of the Steel Priority Committee

44. Under the new scheme the Steel Priority Committee will make bulk allocation of scarce categories before indents are accepted by the Joint Plant Committee. Its impact on the distribution system will, therefore, be more telling and it would not get involved in unnecessary detail as at present. (para 5.32).

Chapter VI—Miscellaneous recommendations

Withdrawal of statutory control—

45. Statutory control over production, distribution and prices of all categories of steel should be withdrawn by extending the existing notification about exemption granted to 'free' categories to all categories of steel. (para 6.1)

46. If consumers receiving scarce categories indulge in resale for purpose of profiteering, administrative action should be taken by withholding further allocations. (para 6.2).

47. As in the case of the present system with regard to 'free' categories the proposed scheme will have to work on a sort of gentleman's agreement between the Government, the Joint Plant Committee, the steel plants and consumers. If things go wrong, statutory control can always be reimposed at short notice. (para 6.3).

48. It may not be impossible to redraft the Iron and Steel Control Order in such a way as to provide for the possibility of directives being issued under the new scheme if circumstances so warrant at any point of time. (para 6.4).

Stockholders—

49. The present system of appointment of registered and controlled stockists will not be necessary under the new scheme and may be abolished. The JPC, however, will need to maintain a complete list of State agencies of procurement in respect of State quota for scarce categories. (para 6.5)

50. It should be the duty of the Joint Plant Committee to make sure that only genuine dealers get supplies from producers and firms who pose as traders but do not actually deal in steel materials should be eliminated. (para 6.6)

Backlog of orders—

51. Legal provision should be made to empower a competent authority to cancel outstanding orders on the books of the producers whenever such cancellation is in the interest of an efficient system of distribution. If this is not possible, outstanding orders should be kept under suspension by invoking suitable legal provisions. (para 6.8).

52. Indentors should be allowed to cancel old work orders and to adjust the amounts already deposited by them, against fresh work orders booked in their favour under the new scheme. (para 6.9).

Cushion for steel plants—

53. If the backlog of orders is cancelled or suspended as suggested a cushion should be created at the time of introducing the new scheme by covering the production of each section for 18 months. (para 6.11)

54. If there is any difficulty about cancelling or suspending backlogs, they may be regarded as a cushion available to producers subject to first preference being given to all work orders issued under the new scheme.
(para 6.11)

55. If a situation arises when producers are short of effective rolling tonnage for any section, the following steps should be taken to remedy the situation:—

- (a) Indents for such sections may be entertained even after the last date of acceptance of indents is over.
- (b) Producers may include with the approval of the Joint Plant Committee some suspended old outstanding orders in their rolling programme to the extent of the shortage. (para 6.12).

General—

56. Government departments, particularly the Railway Board and the D.G.S.&D., who place large contracts on engineering firms should place orders in advance and permit adequate delivery periods in consonance with the annual cycle of steel distribution recommended by us. (para 6.14).

57. Whenever immediate delivery of materials is required *e.g.* export promotion orders, or emergent D.G.S.&D. contracts, the J.P.C. with the approval of the Iron and Steel Controller should accommodate the demand from reserve. (para 6.15).

58. In special circumstances Joint Plant Committee should have freedom to accept late indents provided it can accommodate them within the year's rolling programme. (para 6.15).

59. So long as the fundamental objectives of matching orders with actual production and avoiding accumulation of backlogs is preserved, the J.P.C. may be permitted, if found more convenient and necessary, to split up the rolling programme for 'easy' categories into two six monthly parts.

(para 6.16)

(R. K. KHADILKAR)

Chairman

(N. K. MUKARJI)

Member

(NAGENDRA BAHADUR)

Member

(P. SABANAYAGAM)

Member

(P. C. KAPOOR)

Member

(P. V. HINGORANI)

Member

(S. P. MUKERJI)

Member

(R. K. SHASTRI)

Member

(S. C. MUKHERJEE)

Member-Secretary

NEW DELHI;

The 13th May, 1966.

APPENDIX I

QUESTIONNAIRE

(Replies may kindly be supported by detailed reasons for the views expressed)

Planning of Production

1. What further controlled categories of steel would you recommend for de-control?
2. Have you any comments about the present distribution of orders for different categories of steel *inter se* different Steel Plants?
3. In what way regulation of prices by the J.P.C. of decontrolled categories is different from control of prices of controlled categories of steel? Would you recommend further complete relaxation of price control on decontrolled categories?
4. How can the present price control system be improved upon?
5. Do you think the fixing of price extras be done best by the Tariff Commission instead of by J.P.C.?
6. Do you think there should be strict watch of actual prices charged and if that is not possible, the price control should be done away with altogether?
7. What your recommendation is for reducing the cost of production of steel in the country?
8. Would you recommend standardisation of production of particular categories in particular Plants?
9. Do you think there is any tendency to produce more of decontrolled and non-priority items at the expense of controlled and priority items already planned?
10. Should there be any overlapping of production between Re-rolling Mills and the Steel Plants?
11. Do you advise abolition of control on establishment or expansion of steel units with capital investment below 25 lakhs?
12. Is the recent decision to totally ban steel producing units requiring scarce raw-materials or foreign exchange, hampering production of steel items which are *otherwise* being imported?

13. How has the Joint Plant Committee helped in rationalising planning of production and matching it with demand?

14. What defect you have noted in the functioning of J.P.C.?

15. Will you prefer J.P.C. to be wound up?

16. Are you experiencing any duplication or overlapping of functions between the J.P.C. and the Steel Priority Committee?

17. In what way the existing control is hampering rolling programmes?

Distribution of Indigenous Steel

1. Do you think that there is multiplicity of decision by different agencies in the distribution of steel specially in regard to fixation of priorities once by the Sponsoring Authorities again by the J.P.C. and finally by the Steel Priority Committee?

2. Do you think that deliveries are being made on either low priority items or non-priority indents under the existing system when some priority indents have to stand in the queue?

3. Do you think that it would be possible to indicate in sufficient details specific tonnage of steel available from each Producer for fresh quota certificates in a particular period after taking into account the outstanding Work Orders to be executed in that period and if so, whether it will not facilitate deliveries if Works Orders are issued direct on the basis of quota certificates issued by the Sponsoring Authorities without the intervention of the J.P.C. or the Steel Priority Committee. The J.P.C. and Steel Priority Committee between them should in that case indicate the broad priorities and decide the production pattern on the basis of which ceilings for fresh quota certificates will be allowed to each Sponsoring Authority?

4. What, in your opinion, is the optimum load of outstanding orders to be maintained by a Producer for efficient production planning,

(a) at the beginning of a period,

(b) at the end of the period?

5. How according to you can the pending load of Works Orders in excess of the optimum load be liquidated and further accumulation excesses eliminated?

6. Would you suggest abolition of Controlled and Registered Stockists?

7. What are the types of malpractices under the existing distribution system and what are the remedies?

8. Do you think that the relaxation of control on distribution of controlled categories would reduce delay and malpractices? If so, in what way?

9. Do you think that the system of control on distribution exercised by J.P.C. need be further relaxed? If so, in what way and why?

10. Would you suggest any field organisation of Iron & Steel Controller to verify the demands and inspect the utilisation?

11. Do you think there is lot of uncertainty about deliveries even after the Works Orders are issued?

12. In what way, in your opinion, can the existing distribution system through the State Governments to the Small Scale Sector give rise to malpractices?

13. Do you think that the existing system has encouraged a close circle of distributing agencies which is only interested to charge the intermediaries' commission?

Assistance to Steel Industry

1. In what respect the organisation of Iron & Steel Controller can improve upon its performance towards licensing and registration of Steel Industry?

2. In what respect the organisation can be more helpful in the issue of Essentiality Certificates, distribution of scarce materials like cement, coal, billets, etc.?

3. In what way should the Organisation be strengthened by Technical Officers and field staff to facilitate existing units?

4. In what way can the Organisation be more effective in providing timely transport facilities to the Steel Industry?

Import of Steel

1. Will it in any way help if Import Licences for steel are issued by the C.C.I. & E. Organisation instead of Iron & Steel Controller's Office?

2. Will it be more helpful to the Steel Industry if all licensing work in regard to the requirements of *all* imported raw materials for Steel Industry is centralised in the Iron & Steel Controller's Office?

3. What according to you are the usual malpractices in the existing system of barter imports? What are your suggestions for eliminating them?

4. Are there any avoidable difficulties with the Customs in importing Steel?

5. Is there any scope of reducing malpractices in regard to distribution of imported steel through agents or the scrap barterers and the agents of M.M.T.C.?

6. Do you think that Import Licences are issued only to a closed circle of importers and if so, how can it be avoided?

7. Do you think that under the existing system imports are being made of any non-essential items which can be made available from indigenous sources?

8. Do you think that applications for Import Licences from actual users can be better screened as to the genuineness so that possibility of any imports declared surplus does not arise?

Steel Exports

1. Do you think that the existing system of export of finished steel in the context of extreme scarcity is anomalous?

2. In what way handling of scrap export trade by the Metals Scrap Corporation would avoid malpractices and creation of vested interest in the export-import trade?

3. Do you think there should be any regulation of export of melting scrap so long as they are not utilised indigenously and earn foreign exchange for us?

4. Do you think it is necessary to continue cash incentive for the export of finished steel?

5. Do you think it will be better if foreign exchange earnings through export of melting scrap, manganese ore etc. (by giving cash subsidy in lieu of import entitlement) are amalgamated with the total foreign exchange pool for Steel imports against which licences are issued direct to the actual users? What difficulties can be visualised in the proposed scheme?

Organisation and Structure

1. Do you think the public relations aspect of the Organisation can be improved upon and if so, in what respects?

2. Can you suggest any item of work or decisions or policy which are now kept confidential but which can be published so that the parties do not have to seek information?

3. Do you think that the existing system of enquiry slips is functioning well?

4. On what categories of cases has there been undue delay?

5. Do you think there is adequate provision for representation and appeals with a reasonable degree of openness, fairness and impartiality?

6. In what respects a counter system of disposal of applications is possible and in what categories?

Method of Work

1. What are your specific suggestions for reducing the number of periodical returns and simplifying the Forms?

2. Is there need of a Technical Cell in the Organisation dealing only with technical matters? What should be its strength and composition?

3. Are the statistical data fully utilised and reflected in policy matters? What are your suggestions?

4. What incentives do you suggest for improving efficiency and integrity?

Vigilance

1. Do you think that the existing system of vigilance exercised through the Directorates of Industries of the State Governments is satisfactory? If not, why not? What improvements would you suggest?

2. Do you think that the existing system of vigilance exercised by the Police Authorities for detection of contraventions of the Steel Control regulations is satisfactory and thorough? If not, why not? What improvements would you suggest?

QUESTIONNAIRE

Supplementary List (For Departmental Staff)

(Replies may kindly be supported by detailed reasons for the views expressed)

1. Would you recommend fixation of priorities as done by the Steel Priority Committee at the time of planning of indents by the J.P.C. instead of after the Works Orders have been issued?

2. Do you think that the routine work of keeping accounts of freight equalisation fund by the Joint Plant Committee should be taken out and J.P.C. enabled to take up more technical productive work?

3. Do you think that the Steel Priority Committee should not made unit-wise allocation which should be left with the Sponsoring Authorities?

4. Do you think the Organisation needs a full-fledged Enforcement Wing to effectively discharge the duties under the Iron & Steel (Control) Order?

5. In what Sections can an Officer oriented system be usefully introduced?

6. In what Sectors further delegations from the Ministry would be useful?

7. Are Officers enjoying adequate powers to take decisions? If not, what are your suggestions about delegation?

8. What are your suggestions for improving the working conditions and morale of the staff?

9. What have been defects in appointments, promotions, confirmations and fixation of seniority?

10. What are your suggestions for the absorption of surplus staff?

11. Is the distribution of work and staff properly balanced within the Organisation?

12. Do you think there is scope of regulating discretion at lower levels by broad guide lines to ensure uniformity and fairness?

13. Do you think that quality and strength of staff is adequate? At what levels does the staff need strengthening or reduction?

APPENDIX II

List of Organisations/individuals to whom the Questionnaire sent

I. Chambers

1. Andhra Chamber of Commerce, 68-B, Rastrapathi Road, Secundra-
bad, (A.P.)
2. Associated Chamber of Commerce & Industry of India, The Royal
Exchange, 6-Netaji Subhas Road, Calcutta-1.
3. Bengal National Chamber of Commerce & Industry, P-11, Mission
Row Extn. Cal-1.
4. Bharat Chamber of Commerce, State Bank Building, 11-Mahatama
Gandhi Road, Cal.
5. Bengal Chamber of Commerce & Industry, Royal Exchange, 6-Netaji
Subhas Road, Cal.-1.
6. Bihar Chamber of Commerce, Judges Court Road, Patna.
7. Bombay Chamber of Commerce & Industry, Measurement Deptt.
Alexandra Dock, Bombay-1.
8. Chamber of Iron & Steel Trade Industry & Commerce, 10/49A-
Deshpran Sasmal Road, Cal.-33.
9. Delhi Chamber of Commerce, Chandni Chowk, Delhi.
10. Federation of Indian Chamber of Commerce and Industry, Fede-
ration House, New Delhi-1.
11. Goa Chamber of Commerce, Panjim.
12. Indian Chamber of Commerce, India Exchange Place, Calcutta.
13. Iron & Steel & Hardware Merchants & Manufacturers' Chamber
of India, 'Steel Chambers' 153, Narayan Dhuru Street, Bombay-3.
14. Kanara Chamber of Commerce, Mangalore.
15. Mysore Chamber of Commerce, Kempegowada Road, Banga-
lore-9.
16. Northern India Chamber of Commerce & Industry, Chandigarh.
17. National Chamber of Commerce, Tinsukia (Assam).
18. Punjab Federation of Industry & Commerce, Amritsar.

19. Travancore Chamber of Commerce, Alleppey.
20. Southern India Chamber of Commerce, India Chamber Buildings, Esplanade, Madras-1.
21. United Provinces Chamber of Commerce, Kanpur.
22. Vidarbha Chamber of Commerce, Cotton Market, Akola.
23. Gujarat Bapari Mahamondal, Ramchhodlal Road, Ahmedabad-9.
24. Western U. P. Chamber of Commerce Bombay Bazar, Meerut Cantt-7.
25. Oriental Chamber of Commerce, 6-Clive Row, Cal.
26. Maratha Chamber of Commerce, Poona.
27. Maharashtra Chamber of Commerce, 12, Rampart Road, Bombay.
28. Indian Merchants' Chamber of Commerce, 76, Veer Narriman Road, Church Gate, Bombay-1.

II. Association of Consumers.

1. All India Manufacturers' Organisation, Co-operative Insurance Building (4th Floor), Bombay.
2. All Mysore Small Scale Industries' Association, 18, 1st Main Road, Ghandhinagar, Bangalore-9.
3. Bombay Small Industries' Associations, 91/93, Ist Pathan Street, Bombay-4.
4. Engineering Association of Northern India, Batala, Punjab.
5. Federation of Small & Medium Industries, West Bengal, P. 11, Mission Row Extension, Calcutta-1.
6. Federation of Associations of Small Industries of India, "Lagho-odyog Kutee", 23-B/2, Rohtak Road, New Delhi-5.
7. Indian Engineering Association, Royal Exchange, 6, Netaji Subhas Road, Calcutta-1.
8. Engg. Association of India, 'India Exchange' India Exchange Place, Calcutta-1.
9. Indian Foundry Association, India Exchange, Calcutta-1.
10. Indian Wire Industries' Association, 137 Canning Street, Calcutta-1.
11. Steel Furnace Association of India, C/o M/s Mukand Iron & Steel Works, Kurla, Bombay-70.
12. Shree Loha Committee, Rajgaddi, Kanpur.
13. Mill Owners' Association, 10, Veer Nariman Road, Bombay-1.
14. India Mining Association, Royal Exchange Bldg., 6, Netaji Subhas Road, Calcutta-1.

III. Association of Stockists:—

1. All India Iron & Steel Merchants' Federation, Loha Mandi, Motia Khan, New Delhi.
2. All India Iron & Steel Stockholders' Federation, Ajmere Gate, Delhi-6.
3. Bengal Galvd. Sheet Merchants Association, 20, Strand Road, Calcutta—1.
4. Bezwada Iron & Hardware Merchants' Association, Bezwada.
5. Controlled Steel Stockists' Association of India, India Exchange Place, Calcutta—1.
6. Tata—IISCO Dealers' Association, 20, Strand Road, Calcutta—1.
7. Patna Iron & Hardware Merchants' Association, Patna.
8. South India Iron & Hardware Merchants' Association, Post Box No. 283, "Catholic Centre", 6, Armenian Street, Madras—1.
9. Tested Steel Stockists' Association, Calcutta.

IV. Association of Producers

1. Executive Secretary, Joint Plant Committee, 18, Rabindra Sarani, Calcutta—1.
2. Bharat Small Re-Rollers' Association, 66, Grand Trunk Road, Howrah.
3. Steel Re-Rolling Mills' Association of India, "Gobind Bhawan", 2-Brabourne Road, Annexe, Calcutta—1.
4. Upper India Re-Rolling Mills Association, Gobindgarh, Punjab.

V. Association of Exporters

1. Indian Steel Scrap Association of India, 515/5th Floor, Loha Bhavan, P. D. Millo Road, Bombay—9.
2. Engineering Export Promotion Council, 14/1B, Ezra Street (3rd Floor), Calcutta—1.
3. Steel Exporters' Association, 18, Rabindra Sarani, Calcutta—1.

VI. Association of Importers

1. Steel Importers' Association, India Exchange, India Exchange Place, Calcutta—1.

VII. Miscellaneous

1. Steel Control Non-gazetted Employees Association. C/o Iron & Steel Control, 33-Netaji Subhas Road, Calcutta—1.

VIII. Sponsoring and Co-ordinating Authorities

1. Ministry of Defence, New Delhi.
2. Ministry of Railways (Railway Board), New Delhi.

3. Tea Board, 14-Brabourne Road, Calcutta—1.
4. Indian Jute Mills' Association, 6-Netaji Subhas Road, Calcutta.
5. Indian Central Cotton Committee, Indian Mercantile Chambers, Nicol Road, Bombay—1.
6. Coir Balers' Association, Cochin.
7. Coal Controller, 1-Council House St., Calcutta—1.
8. Textile Commissioner, Wittlet Road, Bombay—1.
9. Director General Technical Development, Udyog Bhavan, New Delhi.
10. Ministry of Food & Agriculture (Deptt. of Agriculture and Deptt. of Food), New Delhi.
11. Central Water & Power Commission (Power Wing), Simla.
12. Central Water & Power Commission (Water Wing), Bikaner House, New Delhi—11.
13. Director General of Supplies & Disposals, Parliament Street, New Delhi—1.
14. Development Commissioner, Small Scale Industries 'Udyog Bhavan', New Delhi.
15. Chief Engineer, Central Public Works Deptt., L-Block New Delhi-1.
16. Ministry of Transport, New Delhi.
17. Ministry of Scientific Research & Cultural Affairs, New Delhi.
18. Ministry of External Affairs, New Delhi.
19. Ministry of Rehabilitation, New Delhi.
20. Director of Industries & Commerce, Government of Andhra Pradesh, Hyderabad.
21. Director of Controlled Commodities, Government of Andhra Pradesh, Hyderabad.
22. Director of Agriculture, Government of Andhra Pradesh, Hyderabad.
23. Director of Industries, Government of Assam, Shillong.
24. Director of Consumer Goods, Government of Assam, Shillong.
25. Additional Under Secretary, Department of Industries & Co-operation, Government of Bihar, Patna.
26. Director of Industries, Government of Bihar, Patna.
27. Director of Agriculture, Government of Bihar, Patna.
28. Director of Industries, Government of Gujrat, Ahmedabad.
29. Controller of Iron & Steel Cement, Government of Gujrat, Ahmedabad.
30. Director of Industries & Commerce, Government of Kerala, Trivandrum.

31. Director of Agriculture, Government of Kerala, Trivandrum.
32. Director of Industries, Government of Maharashtra, Bombay.
33. Controller of Iron, Steel & Cement, Government of Maharashtra, Bombay.
34. Agricultural Iron & Steel Supply Officer Government of Maharashtra, Bombay.
35. Director of Industries, Government of Madhya Pradesh, Indore.
36. Director, Civil Supplies, Government of Madhya Pradesh, Indore.
37. Director of Industries & Commerce, Government of Madras, Madras.
38. Director of Agriculture, Government of Madras, Madras.
39. Director of Industries, Government of Mysore, Bangalore.
40. Commissioner for Food Production in Mysore, Government of Mysore, Bangalore.
41. Iron & Steel Controller, Government of Mysore, Bhadravati.
42. Director of Industries, Government of Orissa, Cuttack.
43. Director of Agriculture & Food Production, Government of Orissa, Cuttack.
44. Special Officer-cum-Under Secretary to the Government of Orissa, Supply Department, Bhubaneswar.
45. Director of Industries, Government of Punjab, Chandigarh.
46. Director of Agriculture, Government of Punjab, Chandigarh.
47. Director of Industries & Civil Supplies, Government of Rajasthan, Jaipur.
48. Director of Agriculture, Government of Rajasthan, Jaipur.
49. Provincial Iron & Steel Controller, Government of Uttar Pradesh, Kanpur.
50. Director of Industries, Government of Uttar Pradesh, Kanpur.
51. Director of Consumer Goods, Government of West Bengal, Calcutta.
52. Director of Industries, Government of West Bengal, Calcutta.
53. Special Officer (Progress), Department of Agriculture and Food Production, Government of West Bengal, Calcutta.
54. Director of Civil Supplies, Delhi Administration, Delhi.
55. Director of Industries, Delhi Administration, Delhi.
56. Director of Civil Supplies, Administration of Himachal Pradesh, Simla.
57. Director of Industries, Administration of Himachal Pradesh, Simla.
58. Director of Agriculture, Administration of Himachal Pradesh, Simla.

59. Director of Industries, Manipur Administration, Imphal.
60. Director of Agriculture, Manipur Administration, Imphal.
61. Under Secretary, Civil Supplies Department, Manipur Administration, Imphal.
62. Controller of Supplies, Tripura Administration, Agartala.
63. Director of Industries, Tripura Administration Agartala.
64. Director of Agriculture, Tripura Administration, Agartala.
65. Director of Food & Supplies, Government of Jammu & Kashmir, Srinagar.
66. Director of Industries, Pondicherry Administration, Pondicherry.
67. Director of Industries, Government of Goa, Daman and Diu, Panjim.
68. Secretary, Supply & Transport, NEFA Administration, Shillong (Assam).
69. Deputy Commissioner, Andaman & Nicobar Islands, Port Blair.

IX *Individuals—non-officials*

1. Shri R. R. Morarka, M.P., 25, Firoz Shah Road, New Delhi—1.
2. Shri Nath Pai, M.P., 19, Rabindra Nagar, New Delhi-11.
3. Shri H. C. Mathur, M.P., 216, North Avenue, New Delhi—1.
4. Shri K. Hanumantaiah, M.P. 6, Firoz Shah Road, New Delhi—1.
5. Shri D. N. Tiwary, M.P., 9, Windsor Place, New Delhi—1.
6. Shri P. C. Barooah, M.P., I, Gurdwara Rakabganj Road, New Delhi-1.
7. Shri R. Tantia, M.P., 12 D, Firoz Shah Road, New Delhi—1.
8. Shri S. M. Banerjee, M.P., 113, North Avenue, New Delhi—1.
9. Shri M. R. Masani, M.P., C1/9, Pandara Road, New Delhi—11.
10. Shri N. N. Dandekar, M.P., Department of Parliamentary Affairs, Parliament of India, New Delhi—1.
11. Shri Indrajit Gupta, M.P., Western Court, New Delhi—1.
12. Shri Arun Chandra Guha, M.P., 4, Dr. Rajendra Pd. Road, New Delhi—1.
13. Shri Govind P. Menon, M.P., 3, Western Court, New Delhi—1.
14. Shri Shamlal (Kashmir), M.P., Department of Parliamentary Affairs, Parliament of India, New Delhi—1.
15. Shri J.R.D. Tata, 24, Bruce Street, Bombay—1.
16. Shri Biren Mukherjee, C/o Indian Iron & Steel Co., 12 Mission Row, Calcutta—1.
17. Shri G. D. Birla, Birla House, Tees January Marg, New Delhi—11.

18. Shri K. K. Birla, C/o Birla Brothers, 8, India Exch. Place, Calcutta—1.

19. Shri P. R. Kamani, Kamani House, Pedder Road, Bombay—26.

20. Shri K. P. Goenka, C/o Rallis India Ltd., 16, Hare Street, Calcutta—1.

21. Shri Bharat Ram, C/o Delhi Cloth & General Mills, Bara Hindu Rao, Delhi—6.

22. Dr. P. S. Lokanathan, 5B, Pusa Road, Delhi—5.

23. K. N. Raj, Flat No. 4, 38-Chhir Marg, Delhi—6.

24. Shri Rajkrishna, C/o Institute of Economic Growth, University Enclave, Delhi.

25. Shri Sachin Choudhury, Editor, The Economic Weekly, Sir P. M. Road, Bombay—1.

26. Da Costa, C/o Eastern Economist Ltd., United Commercial Bank Bldg., Parliament Street, New Delhi—1.

27. Shri S. L. Kirloskar Oil Engines Ltd., Kirkee, Poona.

28. Shri J. V. Jardine Paterson, 12, Asoka Road, Calcutta—27.

29. Shri A. R. Bhat, C/o Federation of Associations of Small Industries of India, 23-B/2, Rohtak Road, Delhi—5.

30. Shri G. Kumar, General Manager, Tata Iron & Steel Co., Jamshedpur.

31. Shri J. Mc Cracken, General Manager, Indian Iron & Steel Co., Burnpur.

32. Shri A. H. Sethna, Sales Manager, Tata Iron & Steel Co., 23-B, Netaji Subhas Road, Calcutta—1.

33. Shri A. K. Gupta, Sales Manager, Indian Iron & Steel Co., 12, Mission Row, Calcutta—1.

34. Shri R. N. Kapur, Indian Iron & Steel Co. Ltd., 12, Mission Row, Calcutta—1.

35. Shri R. L. Bhartia, Calcutta Steel Co., Steel House, Government Place, Calcutta—1.

36. Shri Sardar D. Inder Singh, Kanpur Iron & Steel Co. (P) Ltd., Kalpi Road, Kanpur.

37. Shri A. K. Mitra, Mahindra & Mahindra Ltd., Hall & Anderson Bldgs., Park Street, Calcutta.

38. Shri K. Prasad, Indian Foundry Association, India Exch. Bldg. Calcutta—1.

39. Shri P. V. Mehta, C/o. All India Mfg. Organisations, Co-operative Insurance Bldg., 4th Floor, Bombay.

40. Shri C. R. Ramaswamy, M.L.A., Oriental Bldgs., Armenian Street, Madras—1.

41. Shri V. Ramakrishna, C/o. K. C. P. Ltd., Ramakrishna Bldgs., 38, Mount Road, Madras.
42. Shri V. D. Swami, 8, Ritche Road, Calcutta—19.
43. Shri P. Prasad, Indian Mining Asson., C/o., Bird & Co., Chartered Bank Bldg., Calcutta—1.
44. Shri Ram Prasad Khandelwal, Khandelwal Brothers (P) Ltd., Khandelwal Bhawan, Veer Nariman Road, Bombay—1.
45. Shri Tara Chand K. Gupta, Broach Street, Bombay—9.
46. Shri Viren Shah, C/o. Mukund Iron & Steel Works Ltd., 51, M. Gandhi Road, Bombay—1.
47. Shri K. L. Chowdhury, Enggr. Association of India, India Exch. Bldg., Calcutta—1.
48. Shri N. D. Sahukar, 39, F, Hill Road, Bombay—50.
49. Shri T. S. Krishnan, T. V. & Sons, Madras.
50. Shri S. Banerji, Technical Adviser, SRRMA, 2, Brabourne Rd. (Annexe), Calcutta—1.
51. Shri S. C. Laul, Grand Smithy Works, 11, Government Place (East), Calcutta—1.
52. Shri S. A. Nathani, 204, Bullock Road, Bombay-50.
53. Shri S. N. Sapru, Member (Joint Plant Committee), Tata Iron & Steel Co. Ltd., 23-B, Netaji Subhas Road, Calcutta—1.
54. Shri Indar Prasad, Tata Iron & Steel Co. Ltd., 23-B, Netaji Subhas Road, Calcutta—1.
55. Shri P. L. Tandon, Hindustan Levers Ltd., Ilaco House, 1 & 3, Brabourne Road, Calcutta—1.

X. *Individuals—Officials*

1. Shri S. Boothalingam, Secretary, Economic Affairs Deptt., Ministry of Finance, New Delhi.
2. Shri N. N. Wanchoo, Secretary, Deptt. of Iron & Steel, Udyog Bhavan, New Delhi.
3. Shri T. Swaminathan, Secretary, Deptt. of Technical Development, 'Udyog Bhavan', New Delhi.
4. Shri N. Subramaniam, Addl. Secretary, Deptt. of Heavy Industries, 'Udyog Bhavan', New Delhi.
5. Shri N. C. Srivastava, Secretary, Deptt. of Mines & Metals, 'Udyog Bhavan', New Delhi.
6. Shri K. L. Ghei, Addl. Secretary, Ministry of Finance, 'Udyog Bhavan', New Delhi.
7. Shri M. R. Chopra, Chairman, C.W.P.C., New Delhi.
8. Shri Kripal Singh, Railway Board, New Delhi.

9. Dr. B. D. Kalelkar, C/o. Director General Technical Development Udyog Bhavan', New Delhi.

10. Shri G. Ramanathan, Jt. Secretary, Deptt. of Iron & Steel, 'Udyog Bhavan', New Delhi.

11. Shri Chhedil Lal, Deptt. of Mines & Metals, Udyog Bhavan, New Delhi.

12. Shri M. S. Rao, Chairman, Hindustan Steel Ltd., Ranchi.

13. Shri Suku Sen, Technical Adviser, Hindustan Steel Ltd., Ranchi.

14. Shri A. N. Banerji, General Manager, Rourkela Steel Plant, Rourkela.

15. Shri Inderjit Singh, General Manager, Bhilai Steel Plant, Bhilai (M. P.).

16. Shri A. S. Bam, Chairman, Tea Board, 14, Brabourne Road, Calcutta-1.

17. Shri R. K. Chatterjee, General Manager, Durgapur Steel Plant, Durgapur (W. B.).

18. Shri V. Subramaniam, Chief Sales Manager, Hindustan Steel Ltd., 2, Fairlie Place, Calcutta-1.

19. Shri M. D. Shivannanjappa, Vice-Chairman, Mysore Iron & Steel Ltd., Bhadravati (Mysore State).

20. Shri R. Rajagopalan, Director, Wagon Production, Railway Board, New Delhi.

21. Coal Mining Adviser, Deptt. of Mines & Metals, 'Udyog Bhavan', New Delhi.

22. Shri N. K. Mukherjee, Price & Accounts Officer, Iron & Steel Control, Calcutta.

23. Shri V. Doraswamy, Dy. Iron & Steel Controller, Central Govt. Offices New Building, 2nd floor, North-West Wing, New Marine Lines, Churchgate, Bombay-1.

24. Shri P. R. Nair, Dy. Iron & Steel Controller, Iron & Steel Control, Calcutta.

25. Shri C. B. Mathur, Dy. Director (Administration), Iron & Steel Control, Calcutta.

26. Shri A. C. Chatterjee, Jt. Director, Railway Board, Iron & Steel Control, Calcutta.

27. Col. C. Balasundaram, Defence Liaison Officer, Iron & Steel Control, Calcutta.

28. Shri H. R. S. Rao, Member (Joint Plant Committee), Hindustan Steel Ltd., 2, Fairlie Place, Calcutta-1.

29. Dr. A. S. Nagarkatti, Member, Joint Plant Committee, C/o Hindustan Steel Ltd., 2, Fairlie Place, Calcutta.

30. Shri K. Senthippan, Asstt. Iron & Steel Controller, Regional Office of the Iron & Steel Controller, 32/33, Linghi Chetty Street, Madras-1.

31. Shri S. B. Basu, Asstt. Iron & Steel Controller, Regional Office of the Iron & Steel Controller, C/o Deptt. of Iron & Steel, 'Udyog Bhavan' New Delhi.

XI. *Government Organisations*

1. Planning Commission, Yojna Bhawan, Parliament Street, New Delhi-1.

2. Minerals & Metals Trading Corporation of India, Express Building, Mathura Road, New Delhi.

3. Metals Scrap Trading Corporation, 18, Rabindra Sarani, Calcutta-1.

4. Collector of Customs, Bombay.

5. Collector of Customs, Custom House, 15/1, Strand Road, Calcutta-1.

6. Collector of Customs, Madras.

7. Collector of Customs, Goa.

8. Coir Board, Ernakulam.

9. Fertiliser Corporation of India Ltd., D-15, South Extension, Ring Road, New Delhi-14.

10. Hindustan Machine Tools, Bangalore.

11. Hindustan Shipyard Ltd., Vishakhapatnam.

12. Heavy Engineering Corporation, Ranchi.

13. Jute Commissioner, P-8, Mission Row Extension, Calcutta-1.

14. Heavy Electricals Ltd., Bhopal.

15. Neyveli Lignite Corporation, 151, Lloyds Road, Madras-14.

16. Industries Department of Govt. of Andhra Pradesh, Hyderabad.

17. Industries Department of Govt. of Assam, Shillong.

18. Industries Department of Govt. of Bihar, Patna.

19. Industries Department of Govt. Gujrat, Ahmedabad.

20. Industries Department of Govt. of Kerala, Trivandrum.

21. Industries Department of Govt. of Madhya Pradesh, Bhopal.

22. Industries Department of Govt. of Maharashtra, Bombay.

23. Industries Department of Govt. of Mysore, Bangalore.

24. Industries Department of Govt. of Orissa, Bhubaneswar.

25. Industries Department of Govt. of Punjab, Chandigarh.

26. Industries Department of Govt. of Rajasthan, Jaipur.

27. Industries Department of Government of U.P., Lucknow.

28. Industries Department of Government of West Bengal, Calcutta.
29. Industries Department of Govt. of Jammu & Kashmir, Srinagar.
30. Industries Department of Govt. of Goa, Daman & Diu, Panjim.
31. Industries Department of Govt. of Himachal Pradesh, Simla.
32. Industries Department of Govt. of Andaman & Nicobar Islands—
Portblair.
33. Industries Department of Govt. of Delhi.
34. Industries Department of Govt. of Manipur.
35. Industries Department of Govt. of Pondicherry.
36. Industries Department of Govt. of Tripura, Agartala.
37. Chief Controller of Imports & Exports, 'Udyog Bhavan' New Delhi.

APPENDIX III

List of persons/organisations with whom Study Team held discussions at Calcutta, Bombay, Madras, Goa, New Delhi, Jamshedpur & Rourkela

Officials

1. Director, C.W. & P.C., New Delhi.
2. Director, Ministry of Irrigation & Power, New Delhi.
3. Joint Secretary, Dept. of Defence Production, New Delhi.
4. The Planning & Co-ordination Dept., Defence Production, New Delhi.
5. The Dy. Secretary, Ministry of Industry, New Delhi.
6. Joint Director, Railway Board, New Delhi.
7. The Dy. Secretary, Ministry of Food & Agriculture, New Delhi.
8. The Director, D.C., S.S.I., New Delhi.
9. The Joint Secretary, Ministry of Industry, New Delhi.
10. Industries Commissioner, Govt. of Maharashtra, Bombay.
11. Joint Director of Industries, Govt. of Maharashtra, Bombay.
12. Dy. Director of Industries, Govt. of Maharashtra, Bombay.
13. Controller of Iron & Steel, Bombay.
14. Joint Textile Commissioner, Bombay.
15. Dy. Director, Textile Commissioner's Orgn., Bombay.
16. Controller of Iron, Steel & Cement, Govt. of Gujarat, Ahmedabad.
17. Asstt. Director of Industries, Govt. of Gujarat, Ahmedabad.
18. The Secretary, Civil Supplies Dept., Government of Gujarat, Ahmedabad.
19. Chief Secretary, Goa Administration. Goa.
20. Iron Ore Adviser, Goa.
21. Director of Industries, Goa.
22. J.C.C. (I), Goa.
23. Dy. Director of Industries & Commerce, Trivandrum, Kerala.
24. Managing Director, Kerala State Small Industries Corporation, Kerala.
25. Joint Director of Industries & Commerce, Bangalore, Mysore.

26. Agricultural Engineer, Directorate of Agriculture, Madras.
27. Addl. Director of Industries & Commerce, Andhra Pradesh, Hyderabad.
28. Joint Director of Industries, Madras.
29. Dy. Secretary, Industries Dept., Govt. of Madras, Madras.
30. Secretary, Industries Dept., Govt. of Madras, Madras.
31. Dy. Chief Engineer (H. & R.W.), Madras.
32. Dy. Director (Iron & Steel), Dept. of Industries & Commerce, Madras.
33. Agricultural Engineer, Dte. of Agriculture, Madras.
34. Director of Industries, Delhi.
35. Director General of Supplies & Disposals, New Delhi.
36. The Director of Industries, Bihar.
37. The Director of Industries, Orissa.
38. The Director of Industries, Assam.
39. The Director of Industries, Tripura.
40. The Coal Controller, Calcutta.
41. Jute Commissioner, Calcutta.
42. The Chairman, Tea Board, Calcutta.
43. General Manager, Rourkela Steel Plant, Rourkela.
44. Dy. Secretary, Ministry of Food & Agriculture, New Delhi.
45. Central Water & Power Commission, New Delhi.

List of parties from whom written replies were received against questionnaire issued by the Study Team

Officials

1. Director of Industries and Commerce, Kerala.
2. Controller of Iron, Steel & Cement, Govt. of Gujarat.
3. Iron & Steel Controller, Govt. of Uttar Pradesh.
4. Director of Industries, Govt. of Uttar Pradesh.
5. Govt. of West Bengal, Food and Supplies Dept.
6. Director of Industries, Rajasthan.
7. Director of Industries, Andhra Pradesh.
8. Director of Industries, Maharashtra.
9. Director of Industries, Gujarat.

10. Ministry of Railways.
11. Madras State Electricity Board, Madras.
12. Director of Agriculture, Punjab.
13. Naval Headquarters, Delhi.
14. Army Headquarters, Delhi.
15. Director of Industries, Delhi Admn.
16. Bihar State Electricity Board, Patna.
17. Addl. Chief Engineer, CPWD (Irrigation).
18. Superintending Engineer, CPWD, Calcutta.
19. West Bengal State Electricity Board, Calcutta.
20. CPWD, Food Wing, New Delhi.
21. Director of Industries, Delhi.
22. Addl. Director of Industries, Hyderabad.
23. Deputy Iron & Steel Controller, Bombay and Delhi.
24. Industries Commissioner, Bombay.
25. Director of Industries, Himachal Pradesh.
26. Jute Commissioner, Calcutta.
27. Director, Control & Khadi, Govt. of Andhra Pradesh.

Individuals

1. Shri N. D. Sahukar of Godrej Boyce.
 2. Shri C. R. Ramaswamy.—Indian Steel Rolling Mills, Ltd., Nagapatham.
 3. Shri D. Fordwood—Jardine Henderson Ltd., Calcutta.
 4. Shri V. D. Swamy—V. D. Swamy & Co., Calcutta.
 5. Shri Rameshwar Tantia—M.P.
 6. Shri V. R. Sivaraman—Wheels India Ltd.
 7. Shri Prabhu Mehta—Textile Machinery Manufacturers Asscn.
 8. Shri S. L. Kirloskar—Kirloskar Oil Engineering Ltd.
 9. Sir Biren Mukherjee
 10. Shri McCracken
 11. Shri R. N. Kapoor
 12. Shri A. K. Gupta
- } Indian Iron & Steel Co., Ltd.
Calcutta.

13. Shri A. H. Sethna—Tata Iron & Steel Co. Ltd.
14. Shri A. K. Mitra—Mahindra & Mahindra Ltd., Calcutta.
15. Shri V. J. Shah—Mukand Iron & Steel Works Ltd., Bombay.
16. Shri A. N. Banerjee—General Manager, Rourkela Steel Plant, Rourkela.

Associations, Chamber of Commerce, Consumers and Private Organisations

1. All India Manufacturers' Organisation, Bombay.
2. Bombay Iron Merchants Asscn., Bombay.
3. Federation of Indian Manufacturers', New Delhi-1.
4. Indian Engineering Asscn., Calcutta.
5. Tested Steel Stockists Asscn., Calcutta.
6. Provincial Iron & Steel Stockholders Asscn., Jullundur.
7. Federation of Gujarat Iron & Steel Regd. & Controlled Stockholders, Ahmedabad.
8. South India Iron Hardware Merchants Asscn., Madras.
9. All India Iron & Steel Merchants Federation.
10. Vijayawada Iron & Hardware Merchants Asscn. (Regd.), Vijayawada.
11. Andhra Pradesh Iron & Steel Merchants Asscn. (Regd.), Vijawada.
12. Bombay Iron Merchants Asscn., Bombay.
13. Iron & Steel & Hardware Merchants & Manufacturers' Chamber of India.
14. Oriental Chamber of Commerce, Calcutta.
15. Gujarat Chamber of Commerce, Gujarat.
16. Supplies Dept., Govt. of Tripura.
17. Gujarat State Electricity Board, Gujarat.
18. Hindustan Machine Tools, Bangalore.
19. H.G.R. Distt. Regd. Stock-holders Asscn., Rohtak.
20. All India Iron & Steel Stock-holders Federation.
21. Steel Furnace Asscn. of India.
22. Federation of Small & Medium Industries, Calcutta.
23. Northern Steel Rolling Mills Asscn., Punjab.
24. All India Iron & Steel Stock-holders Federation, Delhi.
25. Tata Scob. Dealers Asscn., Calcutta.
26. Steel Merchants Asscn. of India, Calcutta.

27. All Mysore Small Scale Industries Asscn., Bangalore.
28. Steel Control Non-Gazetted Employees Asscn., Calcutta.
29. Bharat Earth Movers Ltd., Bangalore.
30. Neyveli Lignite Corporation Ltd., Madras.
31. Hindustan Steel Ltd., Durgapur.
32. Hindustan Shipyard Ltd., Visakhapatnam.
33. Mysore Iron and Steel Works, Bhadravati.
34. Singh Engineering Works, Kanpur.
35. Federation of Indian Chamber of Commerce & Industry, New Delhi.
36. Hindustan Steel Ltd., Rourkela.

Associations, Chamber of Commerce, Consumers and Private Organisations:—

1. Gujarat Chamber of Commerce, Ahmedabad.
2. Federation of Gujarat Iron & Steel Regd. & Controlled Stockholders, Ahmedabad.
3. Textile Machinery Manufacturers Association, Bombay.
4. Engineering Association of India, Bombay.
5. All India Manufacturers Organisation, Bombay.
6. All India Manufacturers Association, Bombay.
7. Bombay Iron Merchants Association, Bombay.
8. Bombay Hardware Merchants Association, Bombay.
9. Iron & Steel Chamber, Bombay.
10. Iron & Steel Hardware Merchants & Mfg. Chamber of India, Bombay.
11. M/s. Damodar Mangalji & Co. (Pt.) Ltd., Goa.
12. M/s. Madhabji Chaturbhujji & Co., Goa.
13. M/s. Govindan N. Roy, Goa.
14. M/s. Raiteeneai & Fellows, Goa.
15. M/s. Empreisos Genals Pt. Ltd., Goa.
16. M/s. V. S. Dumpto & Co. Pt. Ltd., Goa.
17. M/s. V. M. Salgoakar & Bros. Pt. Ltd., Goa.
18. M/s. Shonilal Kushaldas & Bros., Goa.
19. M/s. S. K. Kantilal & Co. Ltd., Goa.

20. M/s. Chowgule & Co. (Pt.) Ltd., Goa.
21. M/s. Met Arts (I), Goa.
22. M/s. Shyamsundar & Co., Goa.
23. M/s. Janata Industrial Co-operative Society Ltd., Goa.
24. M/s. S. D. Naik Pancar, Goa.
25. Andhra Pradesh Iron & Steel Merchants Association, Vijaywada.
26. Andhra Pradesh Iron & Steel Merchants Asscn., Hyderabad.
27. Andhra Pradesh Iron & Steel Merchants Asscn., Hyderabad.
28. All Mysore Small Scale Industries Asscn., Bangalore.
29. South India Iron & Hardware Merchants Asscn., Madras.
30. Coimbatore District Hardware Merchants Asscn., Coimbatore.
31. Tuticorin Hardware Merchants Asscn., Tuticorin.
32. All India Steel Stock-holders Federation, Delhi.
33. Northern India Chamber of Commerce & Industry, Chandigarh.
34. Bharat Regd. Iron & Steel Stock-holders (Pt.) Ltd., Delhi.
35. Federation of Indian Chamber of Commerce of India, Delhi.
36. Federation of All Small Scale Industries, Delhi.
37. Amin Chand Pyare Lall, Delhi.
38. All India Iron & Steel Merchants Federation, Delhi.
39. All India Regd. Stock-holders Federation, Delhi.
40. Federation of Indian Manufacturers, New Delhi.
41. Indian Engineering Asscn., Calcutta.
42. Engineering Association of India, Calcutta.
43. Steel Re-rolling Mills Asscn., of India, Calcutta.
44. Oriental Chamber of Commerce, Calcutta.
45. Bharat Chamber of Commerce, Calcutta.
46. Steel Merchants Asscn., of Calcutta, Calcutta.
47. Tested Steel Stockists Asscn., Calcutta.
48. Controlled Steel Stockists Asscn., of Calcutta, Calcutta.
49. Shri A. H. Sethna Representing Tatas.
50. All India Manufacturers Asscn., Calcutta.
51. J.P.C., Calcutta.
52. Resident Director and other officials of TISCO, Jamshedpur.
53. All India Steel Stockholders Federation, Delhi.

APPENDIX IV

R. K. KHADILKAR
MEMBER OF PARLIAMENT
(LOK SABHA)
CHAIRMAN

No. 215, North Avenue,
New Delhi,
30th August, 1965.

Study Team on the Iron & Steel

Controller's Organisation

MY DEAR DR. REDDY,

As the Chairman of the Study Team appointed in your Ministry's letter No. O&M-11(3)/65-ADM.III, dated the 26th May, 1965, to examine the working of the office of the Iron & Steel Controller, I am enclosing herewith, for consideration of the Government, an Interim Report on some aspects of personnel administration.

2. The Study Team encountered certain basic administrative problems arising out of partial decontrol of steel given effect to by the Government after considering the Raj Committee's Report. The Study Team's attention was rightly drawn to these problems by Shri N. N. Wanchoo, Secretary of the Department of Iron & Steel at the very beginning of our deliberations. Further examination of these problems has convinced us that an immediate solution of some of the problems is necessary and desirable.

3. In our Interim Report we have made certain recommendations with great circumspection and scrupulous care to avoid any commitment on the part of the Government for any future pattern of reorganisation of the office of the Iron & Steel Controller. Our substantive recommendation on organisation and personnel problems will be incorporated in our Final Report after results of detailed work study are available. Meanwhile the acceptance of the recommendations made in the Interim Report will, to our mind greatly improve the morale of the staff and assist the Iron & Steel Controller to discharge his administrative and statutory functions.

4. I hope that early consideration will be given to the recommendations made in the Interim Report so that further work of the Study Team is facilitated.

With kind regards.

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

Dr. N. Sanjeeva Reddy,
Minister of Steel & Mines,
New Delhi.

Interim Report on some aspects of Personnel Administration

Addressing the first meeting of the study team, the Secretary, Department of Iron & Steel, stated as follows:

“At present the organisation of the Iron & Steel Control is in a somewhat excited condition. Following the transfer of work to the Joint Plant Committee the strength of the office had to be reduced. Although there has been no retrenchment, there are at present several persons who have been put on the surplus list and are still to be absorbed in other offices in equivalent posts. On account of the uncertain future strength of the office promotion in the office has been held up for the last 3 years or so. This has to some extent, affected the morale/and quality of the work of the staff of the Organisation.”

2. While planning out the range and method of our study we have been impressed by the need for something to be done fairly, urgently to restore the morale of the staff of this Department and to introduce some measure of stability in its structure. It seems to us that steps in this direction need to be taken as a pre-requisite to working out improvement of procedures, organisation and so on. Otherwise it may well happen that reform measures evolved after laborious data collection and analysis remain unimplemented for lack of the basic order and stability that is presumed to exist in a normal organisation of the Government. We feel strongly enough in the matter to make an interim recommendation on the basis of our initial assessment of the problem.

3. Briefly stated the problem arises out of the declining work-load of the organisation particularly after the decisions taken up on the Raj Committee's recommendations. As a result of the reduction in workload, the organisation has been called upon to reduce its staff strength. It has also been prevented from making promotions and confirmations. The personnel rendered surplus are being fixed up elsewhere through employment exchange, and very often the better material is getting fixed up leaving a poorer mixture behind. It is said that a good number of typists have found employment elsewhere and this has resulted in vacancies, but the organisation is debarred from filling these posts. All this has resulted in a certain amount of insecurity and frustration in the staff leading inevitably to inefficiency in the organisation as a whole.

4. The concrete suggestion made to us by the Iron & Steel Controller was that a recommendation should be made to the Department of Iron & Steel asking for a halt in the reduction of staff pending the submission of a report by this study team. While we appreciate the reasons for this suggestion, we find ourselves unable to make such a recommendation because it would amount to our approving the present structure and strength of the organisation without making any detailed studies. We have, therefore, examined what it is that we could recommend even at the present stage when our studies have only commenced.

Recommendation—

5. Our first recommendation is in regard to the regular strength of the organisation. We find that leaving aside assessments for a phased reduction

made by the Ministry of Finance (S.I.U.), the Iron & Steel Controller himself has worked out what he considers to be an appropriate phasing for the reduction of staff in his organisation. We understand from him that recent developments have made this phasing somewhat out of date. We recommend that the Iron & Steel Controller should review the phasing of the reduction already agreed to by him and that what he accepts as a result of this review should be agreed to by the Department of Iron & Steel pending further examination of the whole problem by the study team. This would ensure that in the interim period until our report is ready the reduction of staff strength is done taking full account of the views of the Head of the organisation, who after all has to run the show.

Recommendation—

6. The next problem is that of disposal of surplus personnel. The normal rule is that surplus personnel are carried against supernumerary post until they are absorbed elsewhere. For some reason this is not being followed in this organisation. We recommend that, instead of allowing the question of surplus personnel to influence the size of the normal strength of the organisation all surplus personnel should be carried only against supernumerary posts.

Recommendation—

7. We find that because the organisation of the Iron & Steel Controller is outside the Secretariat and is not an "included" office, the policy and procedures governing the placement elsewhere of surplus personnel is different to that applicable to the Ministries of the Government of India. For the latter the Home Ministry and the Central Secretariat Services Board take the responsibility for placement, and they operate strictly on the rule of the junior-most persons being surrendered as surplus. For the Iron & Steel Controller's men, however, there is no central authority to take responsibility for placement, and individuals have to find for themselves in the employment exchange. Apart from placing an avoidable strain on them and wasting a great deal of time this also prevents the salutary rule of junior-most being made operative. We recommend that the procedures applicable to the Ministries should be made applicable to attached and subordinate offices also, and that in any case they should be made applicable to this particular organisation in view of the heavy reduction likely to take place over here. This would ensure that the staff of this organisation is placed at par with included attached offices in the matter of placement procedures.

Recommendation—

8. We were informed that the Department of Iron & Steel is already considering how to facilitate absorption of surplus personnel from the Iron & Steel Controller's office in the public sector undertakings. We recommend that surplus personnel should not be required to resign invariably before being absorbed in public sector undertakings like Hindustan Steel. And in any case the absorption procedure should in some way, protect the previous pay and service of an individual.

Recommendation—

9. This leaves the problem of promotion, confirmation and filling of vacancies. We have not been able to appreciate the logic of placing the ban on these day to day operative measures of personnel administration. For a planned reduction of posts and a systematic disposal of surplus personnel the measures recommended above would be more effective and less objectionable to the staff. And if those measures adequately look after reduction of posts and men, there seems to be no need to hamstring the head of the organisation by forbidding him to promote any one or to confirm any one or even to recruit men against clear vacancies. We recommend that within the framework of the revised phased reduction accepted by the Iron & Steel Controllor (*vide* para 5 above) there should be no ban on any of these normal steps of efficient personnel management. In other words, promotions and confirmations should go on as usual, of course, within the aforementioned framework. So should recruitment, against clear vacancies *i.e.* where, as in the case of typists, the organisation has no suitable personnel either on its regular establishment or on the supernumerary side.

Recommendation—

10. Another problem requiring attention is the creation of posts to meet new needs, *e.g.* staff for O&M, or a squad for weeding out old files. Such needs do arise, even in an organisation going through an overall phased reduction programme, and rejecting them simply because there are surplus personnel, in the organisation does not help. The fresh need may be for categories of staff not available amongst the surplus staff *e.g.* analysts or stenographers. And, in any case, the surplus staff should be carried on supernumerary posts which signifies a kind of removal from the regular posts, if a need arises justifying an expansion in the regular posts, that should be justified and conceded on its merits. If it so happens that an additional *regular* post so created can be filled from amongst surplus personnel, that should be done with consequential adjustment of the supernumerary strength. If no suitable person is available amongst surplus personnel, there should be no bar to fresh recruitment. We recommend that the creation and filling of posts required for new needs may be allowed on this basis.

11. It seems to us that acceptance of the above recommendations would meet the essence of the personnel problem of this organisation without prejudicing our study in any manner. Quick decisions on these recommendations would help to create the right climate for the real work of this study team still to be done.

Shri R. K. Khadilkar

Shri P. C. Kapoor

Shri N. K. Mukarji

Shri Nagendra Bahadur

Shri P. S. Sabanayagam

Shri P. V. Hingorani

Shri S. P. Mukerji

Shri S. C. Mukherjee

APPENDIX V

Report on case Studies (Decontrolled categories) made at a Private Sector Steel Plant.

For decontrolled categories of Iron and Steel produced by a private sector steel plant, 19 case studies were made. Here the consumer submits his demand in the form of an indent directly to JPC. Planning of indent took an average time of 19 days, although in 8 recent cases of planning by J.P.C. the average time taken was about 7 days only. On the receipt of the planning note, the Sales Office took an average time of 19 days to send out a sale offer to the indentors. Acceptance of the sale offer and completion of financial arrangement by the party took an average time of 27 days. The Sales Office took another 19 days (preparation of draft work order 6 days, scruting 10 days, fair typing and issue 3 days) to issue works order. Issue of sales order took 65 days on the average.

2. On the receipt of monthly rolling programmes prepared by Sales Office, the order Department prepares weekly and daily cutting lists in consultation with the Mills Superintendents concerned. Where such cutting lists are not complete, the Shipping Office of the Mills concerned completes the same subsequently by picking up other works orders from their records. The average time lag between the issue of work order and its inclusion in the monthly rolling programme was found to be 406 days, although in the 8 recent cases (1964-65) it was 154 days only.

3. The shipping section indents wagons one day in advance of the rolling and despatches are made promptly. A draft despatch advice is prepared and sent to the accounts branch who issues the consolidated despatch advice-cum-invoice for the indenter with copies endorsed to order department for record. Out of the 19 cases studied, full deliveries were made in 13 cases in average time of 561 days and part deliveries in 6 cases in an average time of 415 days. In these 6 cases (of part deliveries) 50% of the indented quantity remained undelivered although the scheduled period of delivery had already expired. In the 19 cases, with different priorities, time-span from indent planning to despatch was as follows:—

1st priority (12 cases)	569 days
2nd priority (2 cases)	265 days
Non-priority (5 cases)	290 days

The above statistics show that the priorities accorded by Iron & Steel Controller or JPC were not honoured properly.

APPENDIX VI

List of Sponsoring Authorities

- | <i>S. No.</i> | <i>Existing</i> |
|---------------|---|
| 1. | The Director of Consumer Goods, Govt. of West Bengal, 11/A, Free School Street, Calcutta. |
| 2. | The State Steel Licensing Authority, Agri. Deptt. (I&S) Secn., Govt. of West Bengal, Writers' Bldg., Calcutta. |
| 3. | The Resources Officer, Govt. of West Bengal, Development (Roads) Deptt., New Secretariat Bldgs., Calcutta. |
| 4. | The Assistant Director of Industries (I&S), Govt. of West Bengal, New Sectt. Bldg., 9 Floor, Calcutta. |
| 5. | The Deputy Coal Controller (P), 1, Council House Street, Calcutta-1. |
| 6. | The Chairman, Tea Board, 27 & 29 Brabourne Road, Calcutta. |
| 7. | The Secretary, Indian Jute Mills Association, "India Exchange", India Exchange Place, Calcutta. |
| 8. | The Secretary, Steel Re-rolling Mills Association of India, 2 Brabourne Road, Calcutta. |
| 9. | The Under Secretary, Govt. of India, Min. of Rehabilitation, Branch Sectt. 8, Theatre Road, Calcutta. |
| 10. | The Under Secy., Govt. of India, Min. of Rehabilitation, New Delhi. |
| 11. | The Director of Consumer Goods, Govt. of Assam, Shillong. |
| 12. | The Director of Industries, Cottage Industries Branch, Assam, Shillong. |
| 13. | The Superintending Engineer, N.E.F.A., Shillong. |
| 14. | The Director General of Supplies & Disposal, Min. of Works & Housing, Planning Dte., Material Estimating Sec., No. 1, Bldg., Parliament Street, 3rd Floor (Room No. 72), New Delhi. |
| 15. | The Salt Commissioner, Govt. of India, New Delhi. |
| 16. | The Salt Controller, Govt. of India, Jaipur. |
| 17. | Min. of Food & Agriculture (Vanaspati), New Delhi. |
| 18. | Ministry of Food & Agriculture (Refrigeration), Govt. of India, New Delhi. |
| 19. | Ministry of Food & Agriculture (Agriculture), Govt. of India, New Delhi. |
| 20. | The Dy Director (Sugar), Dte. of Sugar & Vanaspati, Ministry of Food & Agriculture, New Delhi. |
| 21. | The Secretary, Indian Central Cotton Committee, Ballard Estate, 14, Nicol Road, Bombay. |

22. The Assistant Petroleum Officer, Ministry of Petroleum & Chemicals, New Delhi.
23. The Under Secretary, Govt. of India, Ministry of Defence, New Delhi.
24. The Chairman, Central Water & Power Commission (Water Wing), Govt. of India, New Delhi.
25. The Director, C.W.&P.C. (Power Wing), Govt. of India, Simla.
26. The Director, C.W.&P.C., Power Wing., Power Research Institute, P.B. No. 1042, Bangalore.
27. The Under Secy., Govt. of India, Ministry of Transport (Transport Wing), New Delhi.
28. The Consulting Engineer to the Govt. of India (Roads Development), Ministry of Transport (Road Wing), Jamnagar House, New Delhi.
29. The Executive Engineer, C.P.W.D. (Central Stores Divn. II), Govt. of India, New Delhi.
30. The Secretary, Govt. of India, Ministry of Scientific Research and Cultural Affairs, New Delhi.
31. The Deputy Director, Railway Stores (Steel), Ministry of Railways, Railway Board, New Delhi.
32. The Ministry of Steel & Mines (Deptt. of Iron & Steel), Maulana Azad Road, New Delhi.
33. The Controller of Iron and Steel & Cement, Govt. of Maharashtra, Queen's Barracks 4 & 5, Foreshore Road, Bombay (Fort).
34. The Agricultural Iron & Steel Supply Officer, Coronation Assn. Building, 2nd Floor, 6, Harriman Circle, Fort Bombay.
35. The Controller of Iron and Steel and Cement, Govt. of Maharashtra, Queen's Barracks, 4 & 5 Foreshore Road, Bombay (Fort).
36. The Director of Industries, Govt. of Bihar, Patna.
37. The Addl. Under Secretary, Govt. of Bihar, Deptt. of Industries & Cooperation, Patna.
38. The Director of Agriculture, Govt. of Bihar, Patna.
39. The Under Secretary, Govt. of Orissa, Deptt. of Supply, Cuttack.
40. The Director of Agriculture & Food Production, Govt. of Orissa, Cuttack.
41. The Provincial Iron & Steel Controller, Govt. of Uttar Pradesh, (P.B. No. 97), Kanpur.
42. The Director of Agriculture, No. 2, Club House Mount Road, Madras.

43. The Director of Industries & Commerce, Board Office Bldg., Chepauk, Madras.
44. The Asstt. Iron and Steel Controller, 32/33, Linghee Chetty Street, Madras-1.
45. The Director of Controlled Commodities, Andhra Pradesh, Abid Road, Hyderabad.
46. The Director of Agriculture, Govt. of A.P., Hyderabad.
47. The Director of Industries & Labour, 1, Rajpura Road, Delhi.
48. The Director of Food and Civil Supplies, New Courts Buldg., Western Wing, Tishazari, Delhi.
49. The Development Officer (Metals) Steel Coordination Section, Ministry of Commerce & Industry, Maulana Abul Kalam Azad Road, New Delhi.
50. The Textile Commissioner, Wittet Road, Ballard Estate, Bombay.
51. The Dy. Iron and Steel Controller, Central Govt. Office Buldg., 2nd Floor, North West Wing, New Marine Line, Churchgate, Bombay.
52. The Director of Industries, Govt. of Punjab, Chandigarh.
53. The Agricultural Engineer (Implements), Ludhiana.
54. The Commissioner for Food Production in Mysore, Bangalore.
55. The Iron and Steel Controller for Mysore, Bhadrabati.
56. The Secretary, Indian Coffee Board, Bangalore.
57. The Director of Industries & Supplies, Rajasthan, Jaipur.
58. The Director of Agri. & Food Commissioner, Rajasthan, Jaipur.
59. The Controller of Iron and Cement & Steel, Govt. of Gujarat, Room No. 36 & 37, O.P.D., New Civil Hospital, Asarva, Ahmedabad.
60. The Steel Controller, Govt. of M.P., Indore.
61. The Director of Agriculture, Kerala, Trivandrum.
62. The Director of Industries & Commerce, Kerala, Trivandrum.
63. The Director of Civil Supplies, Himachal Pradesh, Simla.
64. The Director Agriculture, Himachal Pradesh, Simla.
65. The Chief Commissioner, Tripura, Agartalla.
66. The Secretary, Iron & Steel Procurement Section, Tripura, Agartalla.
67. The District Supply Officer, Tripura Admn., Agartalla.
68. The Secretary to the Govt. of J & K, Finance Deptt. (Supplies), Srinagar.

69. The Dy. Commissioner, Andaman & Nicobar Islands, Port Blair.
70. The Secy. to the Chief Commissioner, Andaman & Nicobar Islands, Port Blair.
71. The Secretary to the Govt. of Pondicherry, Pondicherry.
72. The Director of Industries, Development Deptt., Pondicherry.
73. The Chief Commissioner, Manipur Admn., Imphal.
74. The Chief Secretary, Manipur Admn., Imphal.
75. The Administrator, Laccadive, Minicoy & Amindivi Islands, Khozikode.
76. The Additional Deputy Commissioner, Nagaland, Kohima.
77. The Development Commissioner, Small Scale Industries, Udyog Bhavan, New Delhi.
78. The Asstt. Iron & Steel Controller, Regional Office of the Iron and Steel Controller, New Delhi.
79. The Dte. General of Technical Development, L.M.E. Dte., Udyog Bhavan, New Delhi.

APPENDIX VII

Case studies made on distribution of controlled categories (plates, sheets and coils) of Steel

Stage I.—Assessment of demand from the various sponsoring authorities of plates, sheets and coils

At present the Iron and Steel Controller gets the demand from as many as 80 sponsoring authorities. For the half year October, 1963 to March, 1964 the calendar of events was as follows:—

- | | |
|--|---------------------------|
| (a) Date of invitation of demands | 25-4-63 |
| (b) Last date of submission of demands | 15-7-63 |
| (c) Date of receipt of demands | Mid-July 63 Early August. |

The case study results show that out of 80 sponsoring authorities only 35 furnished their demands for the above half yearly period. In the subsequent periods, the figures were 39 and 34. For the period October 1963—March 1964, 33 out of 35 returns were incomplete. In a number of cases, demand returns were furnished piecemeal by the sponsoring authorities like 5 out of 35, 8 out of 39, 6 out of 34 for the three periods commencing from October 1963. For the October, 1963—March 1964 period, 21 out of 35 sponsoring authorities submitted their demands after the last date. During the subsequent periods the figures were 21 out of 39 and 25 out of 34.

Stage II.—Matching of demand and supply in the office of the Iron and Steel Controller and issue of bulk allocations

There is no set procedure for assessment of production of plates, sheets and coils for a particular period. For October 1963—March 1964, the figures were compiled by the Statistical Section of the Iron and Steel Controller's office but for subsequent periods, these figures were actually ascertained from the producers.

The case studies indicated that the files do not contain much material about the norms and the considerations which go into deciding bulk allocation to the various sponsoring authorities. For the half year October, 1963 to March 1964, the calendar of events was as follows:—

- (i) Date of sending proposals to the Ministry 28-8-63.
- (ii) Date of receipt of approved proposal from the Ministry 3-10-63.
- (iii) Date of conveying bulk allocations to the sponsoring authorities, 22-10-63.

The following figures give a typical position about flat products:—

Allocation period	Category of steel	Estimated annual production capacity	Outstanding orders	Allocation made
Half year- October 1963 March '1964	B.P. Sheets	M/T 3,53,000	M/T 5,82,000	M/T 2,20,963
One year-April, 64 to March '65.	B.P. Sheets	3,21,800	6,89,736	1,33,500
	Plates (5 to 8 mm)	1,47,900	2,62,191	56,500
One year-April 65 to March '66	B.P. Sheets	3,67,200	6,29,133	3,13,000
	G.P. Sheets	31,400	1,71,309	16,000
	G.C. Sheets	1,16,100	3,93,154	60,000
	Plates (below 8 mm)	1,11,040	84,500	1,49,000

The Iron and Steel Controller allocates different controlled categories of steel under the quota heads like Railways, Industrial Maintenance and Packing, Steel Processing Industries, Government Development Schemes, Private Industrial Development, Agricultural Quota, States Quota (GDS, SPI and non-agricultural) etc. A particular sponsoring authority may figure under more than one quota head. The allocation does not indicate any correlation with the end-use for which the allocation is determined except when the sponsoring authority like Coal Controller or CWPC etc. deals with a particular activity.

In case of Defence no bulk allotment was made but their indents were planned as and when they were received.

In case of sponsoring authorities whose demands were relatively small, they were generally met in full irrespective of their priority categorisation.

During 1964-65 the distribution proposals were modified by the Ministry of Iron and Steel itself on an *ad-hoc* basis *i.e.* without having any regard either to the quantity demanded or the quantum of previous periods' allocations. The case studies also do not indicate any priority criterion within each category of steel or category of end-uses in the allocations made.

Stage III.—Issue of quota certificates after communication of bulk allocations to sponsoring authorities

Quota certificates are issued to individual units by the sponsoring authorities within bulk allocations placed at their disposal. From the information available in the office of the Iron and Steel Controller, it appears that for October 1963 to March 1964 period, the last date for issue of quota certificates was extended on representation upto 31.1.1964 and the last date for placing of indents to 29.2.64. For the next production year April 1964—March 1965 also the last date for placing of indents had to be extended from time to time from 14.11.1964 to 15.4.65. For the period April 1965 to March 1966 the sponsoring authorities were addressed by

the Iron and Steel Controller only on 15th of May 1965 asking them to issue the quota certificates by 31.7.65 which was extended later on to 30.11.65.

Stage IV.—Planning of indents by JPC *vis-a-vis* Iron and Steel Controller

Planning of production of different plants which was being done by the Iron and Steel Office was entrusted to JPC with effect from 1-8-64. It appears that JPC is meeting at least once a fortnight but they are not considering individual indents for planning. The whole organisation consists of 93 persons out of which only three are technical officers. For making a study of the system of planning in the Steel Control and JPC, 52 and 23 cases respectively were selected. The Iron and Steel Control Office used to take 80 days on an average to complete issue of a planning note from the date of receipt of an indent. As against this, JPC take only 7 days on an average to issue a planning note.

The case studies, however, revealed that the system of initial scrutiny by a Scrutiny Assistant in the Steel Control was not actually being exercised and whatever scrutiny was being done was by the Planning Assistant. Of the 52 cases studied for planning, 13 indents were found to be irregular and were returned to the parties concerned. In no case indents accepted for planning were acknowledged.

After scrutiny and entry in the Register of Planning maintained party-wise, the Planning Assistant submitted the indent direct to the Planning Officer for approval and signature. On an average, it took 77 days for the Planning Assistant to exercise the necessary scrutiny and submit the indent for approval of the Planning Officer. The time taken in returning indents found irregular was, on an average, 40 days. There was hold-up of indents at the diary stage. On an average, it took 3 days for the Diarist to pass on the indent to the Planning Assistant—in one case the indent was held up for diary for 102 days. During the year 1963 about 50,000 indents were received for planning in that office by about 35 Planning Assistants with no technical qualifications. Though the designation of the post was Planning Assistant, most of them were LDCs/UDCs.

Role of Planning Officer

The Planning Officer was an officer of the level of Deputy Assistant Iron and Steel Controller (pay scale Rs. 350—850). On receipt of an indent by him from the Planning Assistant, he verified the entries made and signed the same, if found in order. He also decided the "priority" to be accorded to the indent on the basis of instructions issued by the administrative Ministry concerned from time to time. A suitable stamp of priority was accordingly affixed on the indent. The Planning Officer disposed of all cases at his level and no case was referred to a higher officer. In all the 52 cases studied, he agreed with the suggestions made by the Planning Assistant. The time taken by the Planning Officer worked out to 0.5($\frac{1}{2}$) days in each case. The JPC receives all indents for controlled categories and such indents of the free categories as are to be executed by the main steel plant. The Planning Assistant in the JPC Section scrutinises the indents with reference to a standardised printed check list. This list includes

all those points on which scrutiny was made in the Iron and Steel Control Office. The Planning Assistant, on an average, took 2 days in exercising the necessary scrutiny and submitting the indent to the Planning Officer for approval. It is the Planning Officer (drawn from various plants and getting pay ranging between Rs. 1000—1600) who decides as to whether an indent should be accepted for planning or returned to the party and if accepted, the producer on whom the indent should be planned and the tonnage to be planned. After this, the indent is returned to the Section concerned either for preparing the planning note or for returning the indent to the party, as the case may be. The Planning Assistant submits the case again to the Planning Officer for his signature on the planning note. It is also the duty of the Planning Officer to indicate the priority of the indent in each case. It was also observed that the time taken in the disposal of indents in the JPC was much less than the time taken in the Iron and Steel Control Office. On an average, the time taken by the Planning Assistant in scrutiny was 2 days. The Planning Officer returned the indents to the Section the same day. At the despatch stage also the time taken worked out to 1 day. The total time taken in planning an indent worked out to 7 days. Out of 23 cases studied, 2 indents were returned to the parties concerned as unplanned. In one case, the indent was found to be irregular as the description of the material did not tally with the quota certificate. The time taken in returning this indent was one day. In the other case, the indent was returned to the party the day on which it was received on the ground that there were heavy outstandings with the producers of the section indented. In another case, the indented tonnage was 9000 M/tonnes, but the JPC planned that indent for 4 wagon loads (82·114 M/Tonnes) on the ground that the production of the category indented (mild steel squares) was limited. These cuts, however, were exercised only in the case of decontrolled categories. In the case of controlled categories, the tonnage was determined on the basis of the quota certificate. It also came to light that though for decontrolled categories, the JPC approves tentative rolling programmes they are not examining the rolling programmes in respect of controlled categories. Further either in decontrolled or even within controlled categories and for priority demands from the SPC, there is no follow up of the execution of the Works Orders nor does the JPC receive a copy of the indent-wise despatch programme (controlled or decontrolled) prepared by the sales offices of the different plants at Calcutta.

While planning, the JPC is assigning four priority status and an EPC priority as given in the case study report. These priority categories are not related to the end-uses and are more department oriented—a system which Raj Committee had explicitly opposed. The JPC has no satisfactory and regular machinery to verify the genuineness of the demands received by it.

The case studies in the JPC however revealed that besides being able in speeding up the planning and distribution of indents to various producers, they have not been able to discharge some other important functions viz. popularising the use of standardised sections through proper marketing organisations, persuading the plants to roll more quantity of sections which are mostly in demand, ensuring that their priority grading is strictly adhered to by the plants and the time lag in delivery of steel.

APPENDIX VIII

Case Studies Report in Respect of Controlled Categories of Iron and Steel from A Public Sector Steel Plant.

1. Case studies regarding submission of demand by a consumer to the sponsoring authority for issue of quota certificates, matching of demands and supply by the Iron and Steel Controller for the issue of bulk allocations to the sponsoring authorities and issue of quota certificates by the sponsoring authorities to a consumer revealed that it took about 275 days before a quota certificate is issued.

2. Planning of indents on the average took 80 days (based on 52 case studies) in the office of the Iron and Steel Controller. It took about 7 days for planning an indent in JPC, where 23 cases were studied.

3. For systems analysis in respect of flat products viz. sheets in coils, sheets and plates *i.e.* controlled categories of steel, 36 successful sample cases (where deliveries had materialised) were picked up purposely for tracing the time gaps between issue of Works Order by the public sector steel plant Sales Office, fixation of priorities for Works Order by Steel Priority Committee, preparation of the draft despatch programme by the Sales Office and production and despatch of steel from the Steel Plant.

4. Between the receipt of a planning note by the Sales Office and the issue of Sale (Works) Order, there was an interval of 98.5 days (average) made up as under:—

	Days
Issue of sales offer to the Indentor	16.5
Indentor accepts the offer	65.4
Scrutiny of the draft sale order by Sales Office	2.0
Pre audit of the Sales Order	15.0
} Issue of Sale Order	} 15.0

5. On the average it took the Sales Office 185 days (141 days excluding extreme cases and minimum 2 days and maximum 804 days) for including a sale order in the draft despatch rolling programme of the plant.

6. The Sales Office issues the draft despatch programme in instalments. The first instalment is issued 10 to 15 days in advance and subsequent instalments are issued even after the quarter has commenced. Issue of despatch programme in instalments was attributed to:—

- (a) late communication of S.P.C. decisions by the Iron & Steel Controller to the Sales Office.
- (b) reluctance on the part of the Sales Office to draw out composite programme owing to difficulties involved in.

- (i) segregating Works Order according to category/quality.
- (ii) clubbing of priority rated and non-priority works orders; and
- (c) continual releases for defence, steel plants, other important projects and emergent cases.

7. Though the draft despatch programme reaches the Order Department of the plant in a day or two from the Sales Office, the Order Department takes about 17 days to scrutinise it before sending it in different instalments (minimum 5, maximum 43) to the production planning control (PPC)/mills. In the case of deviations, reference is made to the Sales Office for advice.

8. Only in the case of hot rolled sheets and relaxed size plates, the Order Department releases final despatch programmes size-wise. Though the final despatch programme form the basic record for programming of production, it does not help the Order Department in detecting continuously and quickly whether seniority is being maintained at a particular stage for particular size and quality.

Yet another scrutiny is done in PPC with reference to incomplete/incorrect works orders for which materials cannot be made or for which too much tonnage against limited capacity of the plant or impracticable sizes have been booked. In PPC, for fixing priorities no clear-cut line of demarcation as well as no definite *inter se* relation in the status of different priorities accorded by SPC and JPC is observed. With the present form of SPC's priority allocations, some of the priority indents are for huge quantities disproportionate to the capacity of the plant, as a result of which one giant demand precludes a number of small demands included by SPC for materialising into deliveries. In the case of tested and higher qualities, seniority of sale orders is respected to the extent of technical considerations whereas for off-grade quality, seniority is generally respected.

9. Whereas in the case of "Sheets-in-coils", the plant takes 56.5 days to roll them, sheets rolling takes 73.5 days and plates take another 10 days *i.e.* 83.5 days.

10. Between wagon indenting, and the despatch of wagons 6.5 days are involved. Without excluding extreme cases from the analysis, it was found that the interval between the placing of demand for issue of quota certificates and actual despatch of steel was under:—

	<i>Days</i>
(i) Time taken for the submission of a demand by a consumer to the sponsoring authority and the issue of quota certificates by the sponsoring authority.	275
(ii) Planning of indents by consumer with I&SC/JPC.	80
(iii) Issue of a sale order by Sales Office.	99
(iv) Inclusion of a sale order in the despatch rolling programme.	185

(v) Receipt of despatch programme from sales office in the order department.	2
(vi) Scrutiny by order department.	17
(vii) Rolling of steel and despatch.	90
	<hr/>
	748
	<hr/>

11. It took 87 days for SPC cases and 107 days for non-SPC cases between inclusion in the despatch programme and delivery.

12. In the existing system despatches under the same category and quality are not seniority-wise, there is a possibility of a junior order being rolled prior to a senior order.

APPENDIX IX

Report on case Studies (Controlled Categories) made at a Private Sector Steel Plant

In respect of the controlled categories of Iron and Steel produced by a private sector Steel Plant 21 case studies were undertaken the cases being picked up at random from the records of the Iron & Steel Controller, Calcutta. Between submission of a demand by a consumer and issue of quota certificates by the sponsoring authorities to the consumers, an interval of 275 days was involved. In the 21 cases, the consumers submitted their indents to the Indent Planning Authorities (previously I&SC and now UPC) within an average time of 10 days from the date of issue of quota certificates; in 16 cases, Iron and Steel Controller's Organisation took an average time of 28.4 days in planning the indents while in 5 cases JPC took an average time of 5.6 days. For planning of indents, on the whole an average time of 17 days was involved. The average time lag between the indent planning and issue of works orders in the 21 cases work out to be 84 days, although in some recent cases the time lag has been 35 days only and in pre-JPC cases it was 98 days. The work order becomes effective only when it is included in the monthly Rolling Programme/Cutting List prepared by the Sales Office. Of the 21 cases studied, 12 cases took an average time of 667 days. 5 cases took an average of 154 days for inclusion in the Rolling Programme/Cutting List while the relevant information in the remaining 4 cases was not available as the specific rolling programmes could not be located.

2. In these 21 cases of production of plates and sheets under reference the specific weekly or daily cutting lists could not be located at the plant and naturally the actual period of production could not also be proved even in the case of 'tested' quality of controlled articles.

The time lag between production and despatch could not be ascertained as the exact date of production was not known. But the overall average time lag between the rolling programme and despatch works out to be 81 days. In 5 cases (of 1964-65) the average time lag was 28 days only. The overall average time lag between issue of work order and despatch of material from the plant was found to be 611 days. This means that the total time taken from submission of the demand by consumer to the point of supply to the consumer was 997 days made up *in days* as under:—

	<i>Days.</i>
(a) Between submission of demand by the consumer and issue of quota certificates.	275
(b) Between issue of quota certificate and submission of indent to the indent planning authorities.	10
(c) Indent Planning.	17
(d) Between indent planning and issue of work order.	84
(e) Between issue of work order and despatch of steel.	611
(f) Total	997

Out of the 21 cases, full supplies were made in 11 cases (of which 7 were SPC priority cases), while part supplies were made in 10 cases where about 45% of the indented demand remained undelivered upto the time of the case studies. Of these 10 cases 6 were SPC priority order for which the scheduled period of delivery was already over. This means that even SPC priority recommendations were not fully honoured.

APPENDIX X

Case study report on distribution of controlled categories of the defective steel materials

Case studies were carried out for the distribution of defective steel materials for the years 1964-65 and 1965-66; distribution at present is confined to defective sheets (thinner than 14 G) and plates which arise in the process of production of prime quality of these materials.

2. General policy followed for distribution of defectives is rather simple. On receipt of the details of anticipated arisings of defective materials from the producers the Steel Controller works out the distribution by apportioning the available quantities under three heads; *i.e.* Agricultural, non-agricultural (States) and reserve quotas. Anticipated demands for agricultural and non-agricultural purposes are not called for. Allotments for these heads are more or less determined on the basis/proportion of allocation in the previous periods. For agricultural purposes 1/5th of the anticipated arisings of defectives is usually earmarked. The rest of the arisings is distributed for non-agricultural purposes and some kept in reserve. The proposals for distribution are forwarded to the Ministry of Iron and Steel and after obtaining their approval, the distributions are conveyed.

3. The State authorities thereafter allot the quotas to various controlled scrap merchants and send such distribution lists producer-wise to the producers under advice to the Iron and Steel Controller.

4. Controlled scrap merchants contact the producers and finalise their orders with a view to obtaining supplies. As and when materials are received by the controlled scrap merchants, they report to the State authorities, who in turn issue permits to consumers for drawing materials from the stockists.

5. Case studies results are presented below:—

TABLE I
(1964-65)

	Date for first instalment	Date for second instalment
1. Action initiated by Office of Iron and Steel Controller to ascertain arisings from producers	26-3-64	..
2. Replies received from producers :		
Tatas	13-3-64	..
HSL (Rourkela)	8-4-64	26-8-64 31-8-64
IISCO	16-5-64	..

	Date for first instalment	Date for second instalment
3. Approval of the Iron and Steel Controller accorded on	7-7-64	7-11-64
4. Allocation proposal conveyed to the Ministry	16-7-64	9-11-64
5. Approval received from Ministry	25-7-64	12-11-64
6. <i>Non-Agricultural Quotas</i> :		
(i) Conveyed to States	19-8-64	15-12-64
(ii) Conveyed to producers	20-8-64	22-12-64
(iii) Unit-wise and producer-wise distribution by States	14-9-64 to 30-1-65	21-12-64 to 10-2-65
7. <i>Agricultural Quota</i> :		
(i) Conveyed to Ministry of Food and Agriculture	10-9-64	22-12-64
(ii) Conveyed to producers	10-9-64	22-12-64
(iii) Distribution list received from Ministry of Food and Agriculture	9-10-64	7-1-65
(iv) Unit-wise and producer-wise distribution by States	5-12-64 to 5-2-65	5-2-65 (last distribution)

The necessity for 2nd instalment in 1964-65 arose as a result of HSL (Rourkela) increasing their arisings from 17,200 tons to 25,900 tons, after the allocations had been finalised and conveyed. The Ministry did not modify the proposals made by the Iron and Steel Controller for the 1st and the 2nd instalments.

TABLE II
1965-66

1. Action initiated by the office of the Iron and Steel Controller to ascertain arisings	15-1-65	
2. Replies received from producers		
(i) Tatas	27-2-65	} last date prescribed was 31-1-65
(ii) HSL (Rourkela)	9-2-65	
(iii) IISCO	15-2-65	
3. Approval of the Deputy Iron and Steel Controller	21-4-65	
4. Allocation proposals made to the Ministry	27-4-65	

Before 3-5-65, the Iron and Steel Controller was asked by the Ministry to revise the State quota (non-agricultural) on the basis of population and despatches to different State (50:50) and the proposed agricultural quota also was kept pending. Accordingly, on 3-5-65 the producers were asked to furnish by 15-5-65 despatches made by them to different States during 1964-65.

6. As no provision under the new formula was called for agricultural quota on receipt of the Ministry's approval, on 14-6-65 the Iron and Steel Controller intimated the agricultural quota to the Ministry of Food and Agriculture on 28-6-65. On 9-7-65, this quota was distributed by the Ministry of Food and Agriculture to different States.

7. In the meantime, HSL (Rourkela) increased the estimated arisings of defectives by 170 wagons; out of these 34 wagons were again allocated on 27-7-65 to Ministry of Food and Agriculture, who distributed it to different States on 18-8-65. The allotment so received by the States from the Ministry of Food and Agriculture was distributed by them to consumers during the period 21-7-65 to 16-10-65.

8. For want of data from producers figures regarding despatches for 1964-65 were collected from the papers available in the Iron and Steel Control and a proposal for State quota on the basis of population and despatches as submitted by Office was approved by Controller on 21-7-65 and communicated to different States on 22-7-65. From the records it appeared that distribution of the State quota was made by different States during the period from 3-8-65 to 9-10-65. It may be seen that allotment for the year 1965-66 was made at a time when the year was well advanced.

9. The final allocations, including the supplementary arisings, as made by the Iron and Steel Controller for the year 1964-65 and 1965-66 are given below in terms of wagon loads (one wagon is equal to 20 tonnes):

TABLE III

(In wagon loads)

Year	Non-agri-cultural	Agricul-tural	Reserve	Total
1964-65	1,962	540	343	2,845
1965-66	2,320	650	530	3,500

10. The existing policy of earmarking one-fifth of the total arisings towards agricultural quota has been more or less observed. It is understood that out of the reserve quota of 6,860 tonnes (equivalent to 343 wagons) for the year 1964-65, releases were effected to the tune of 4,120 tonnes leaving a balance of 2,740 tonnes approximately. So far as reserve quota for 1965-66 is concerned, releases to the tune of 240 tonnes have been effected upto the middle of November, 1965 against reserve quota of 10,600 tonnes (equivalent to 530 wagons).

11. Unlike prime-quality steel of controlled categories, the question of outstandings for defective steel is not taken into consideration for the purpose of making allocations. The arisings offered by the various steel works are entirely taken into account for the purpose of fixing up quotas.

12. A statement of despatches of defective quality of sheets and plates for the period April 1964 to February 1965 as well as non-agricultural quota for the year 1964-65 are given below:—

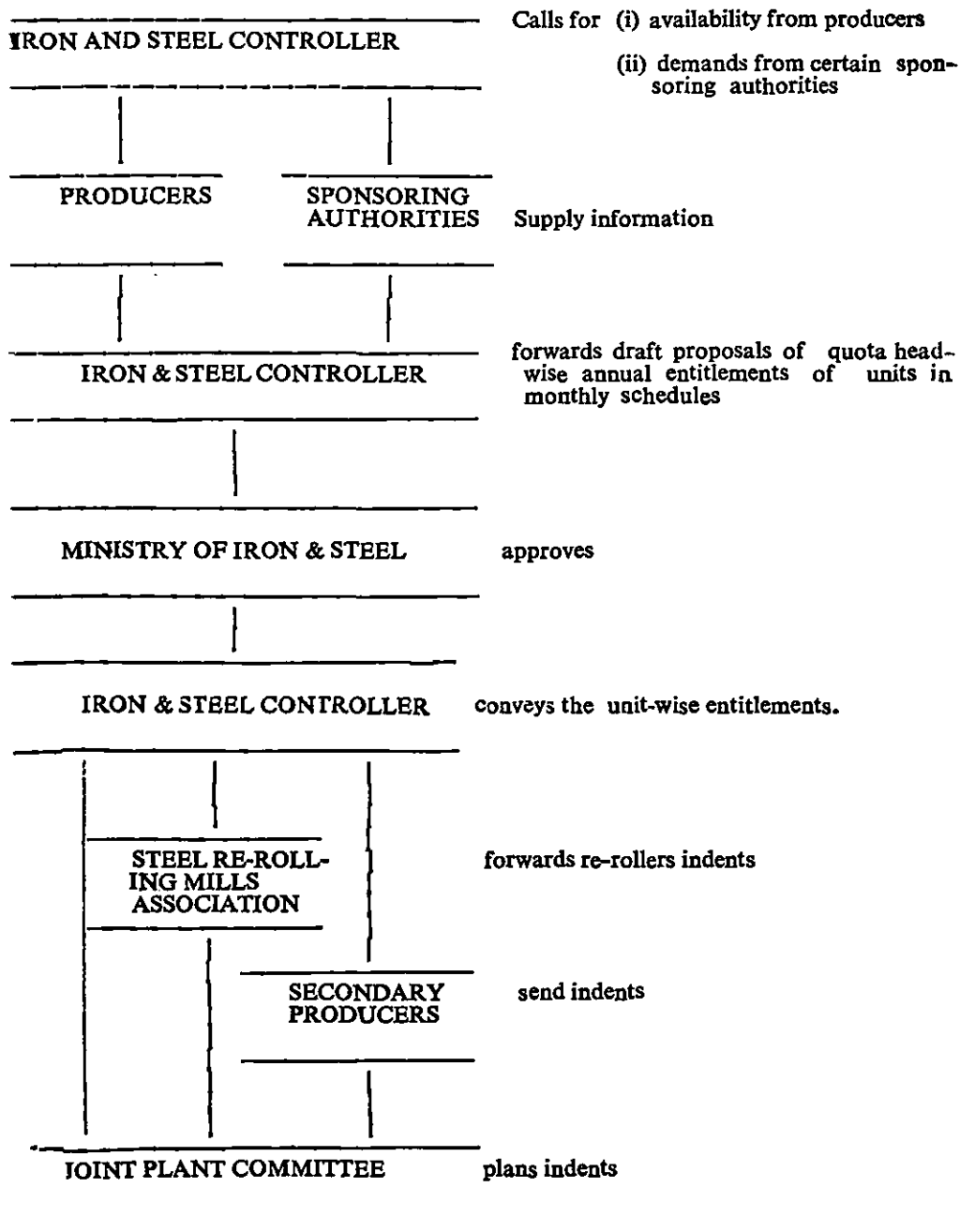
TABLE IV

	TISCO	IISCO	HSL (Rourkela)
Quotas for 1964-65	T. 12,280 (614 wagons)	T. 9,440 (472 wagons)	T. 17,520 (876 wagons)
Despatch during April 1964 to February 1965.	T. 6,857	T. 5,300	T. 5,170

APPENDIX XI

Flow Chart of Distribution of Billets

(EXISTING METHOD)



APPENDIX XII

Case Study Report on Allocation of Mild Steel Billets

Like Skelp Billet is also semis and falls under controlled category. Billets are generally produced in the following qualities:—

- (i) Special quality e.g. Electrode Billets,
- (ii) Forging quality Billets,
- (iii) High Carbon Billets, and
- (iv) Mild Steel (M.S.) Billets.

Of the four types of billets, only M.S. billet is controlled. Billets are produced by four main producers, viz. (i) TISCO, (ii) IISCO, (iii) HSL, Durgapur, and (iv) HSL, Bhilai and its distribution is mainly made to re-rollers and secondary producers under different quota-heads viz. Commercial, D.G.S. & D., Export Promotion etc. This distribution is done on the basis of basic entitlement calculated on the basis of production of the re-rollers concerned during 1960-61. The entitlement of new comers is calculated on the basis of installed capacity plus 10 per cent towards wastage. In the case of re-rollers which have been registered after 1960-61 the basic entitlement has been assessed on the basis of their assessed capacity. The reason for selecting 1960-61 as the base-year was that in that particular year the production of billets was sufficient and hence the re-rollers were allowed to indent as much materials as they wanted.

A detailed proposal making unit-wise distribution is prepared by the Iron & Steel Controller after assessing the expected production for the period of distribution which was formerly on six months' basis and presently on yearly basis (financial year). The proposal is then sent to the Ministry for approval. After approval the schedule is sent to the J.P.C. for planning on individual producers. The re-rollers are intimated of the distribution through their Association and the secondary producers individually. A flow chart for the distribution of billets is at Appendix VII.

Assessment of supply.—Since distribution of billets is done on the basis of some fixed entitlement, calling of demands from individual re-rollers during each period is not called for.

However, when the Iron & Steel Controller used to plan production on individual producers they used to call for indents from individual re-rollers and secondary producers. The Iron & Steel Controller did the planning work upto the allocation period July 1964 to March 1965.

Under the existing procedure expected availability of billets from each producer is ascertained usually in a meeting (no meeting was held for the current year 1965-66) called for by the Iron & Steel Controller sufficiently in advance of the period for which allocation is made. This assessment of supply on a fairly accurate basis is the crux of the problem. - Case-study revealed that the distribution was based on certain assumption of availability

but the assumption was wholly belied almost in every period as all the producers failed more or less to keep despatches strictly according to the schedule. Besides failing to despatch the expected quantity, serious irregularities were also noticed in the matter of despatches to individual units inasmuch as some firms got disproportionately larger quantity while others hardly got sufficient supply to keep up their normal working. Some of the reasons for deviation from the anticipated production were ascribed to unforeseen breakdown of any furnace, furnace being out of commission for complete re-build, re-lining of furnace, rolling of unexpectedly large quantity of heavier sections in their own finishing mills which diminishes the quantum of saleable billets from the producers. The extent to which the suppliers were unable to supply the promised quantity can be gauged from the following figures of backlog on account of re-rollers only as estimated on dates mentioned there against:

Backlog	Date
1,80,000 M.T.	1-12-63
1,26,000 M.T.	1-6-64
1,02,000 M.T.	1-4-65

This was in spite of the fact that while distributing the anticipated availability for the period January to June 1964, 60 per cent of the backlog was taken into account for the purpose of preparing the monthly schedule which resulted in only 37½ per cent of the basic monthly entitlement as current allotment over and above 60 per cent backlog. Similarly, for the period July 1964 to March 1965 the entire backlog on the eve of the allotment period was taken into account for the purpose of preparing monthly schedules. While doing this, it was expected that on 1st April, 1965 the backlog would be completely wiped off but the fact remains that even on 1st April, 1965 the Iron & Steel Controller faced again a backlog of 1,02,000 M.T.

As regards unit-wise disparity of despatches being made by the producers, following glaring cases—

Name of re-roller	Schedule for supply	Actual supply during Jan.—Aug. 1965
<i>Bombay</i>		
M/s Krishna Steel Industries	6,453 MT	409 MT
National Steel Works	864 MT	160 MT
National Industries Corpn. Herman & Mohattá	681 MT 1,050 MT	Nil Nil
<i>West Bengal</i>		
Calcutta Steel Co.	3,701 MT	4,339 MT
J.K. Steel	1,033 MT	3,364 MT
Steel Rolling Mills of Bengal	379 MT	1,957 MT

came to light showing despatches made by the different producers to different re-rollers situated in 5 States viz. Bombay, Gujarat, Delhi, West Bengal and Madras and to secondary producers during the months of June, July and August 1965.

It may be mentioned in this connection that the re-rollers play a very important rôle in the general scheme of steel supply in the country

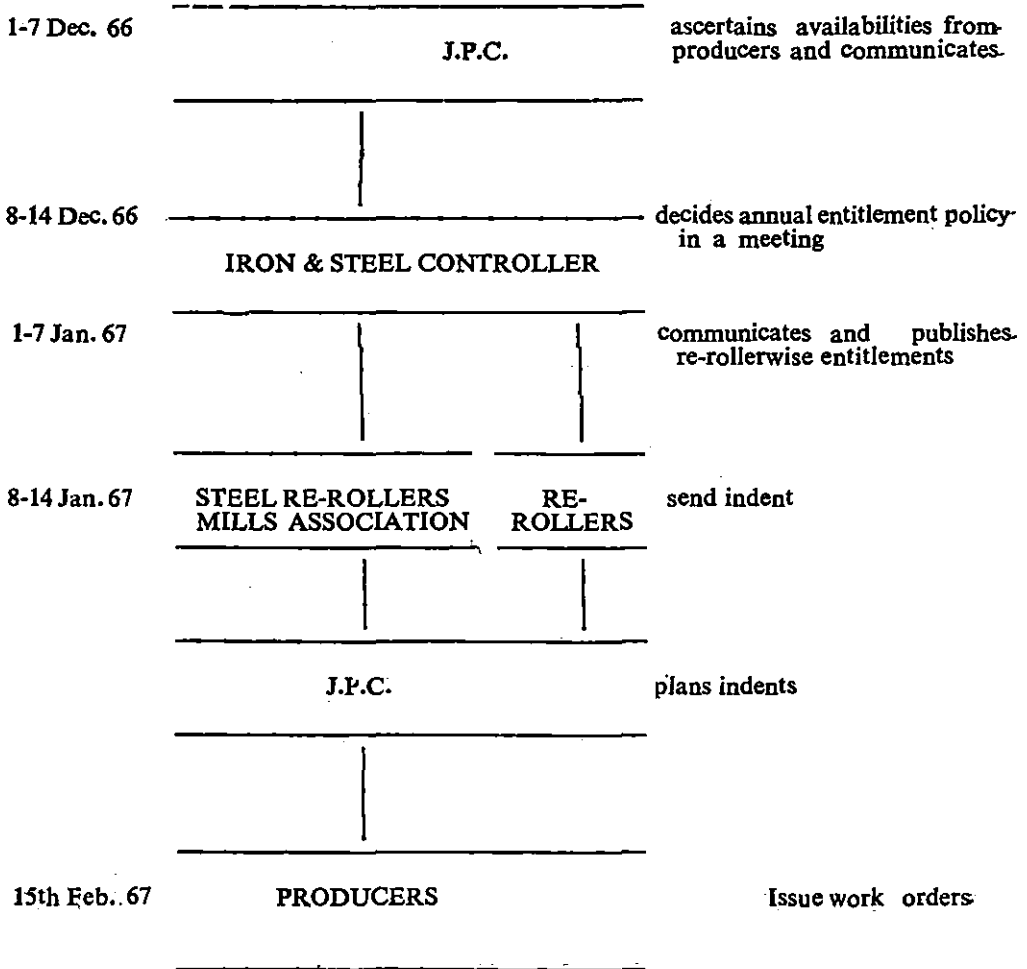
The problems of re-rollers in the matter of supply of the billets have been prominently brought to the notice of the Iron & Steel Controller as well as to the Ministry on several occasions. The problems involved not only erratic and disproportionate supplies but also inadequate supply of sizeable billets and forced supply of tested billets with higher price in place of untested quality with which the re-rollers could make do. The matter was taken up with the producers on several occasions at the highest level not only from the Iron & Steel Control Organisation but also from the Ministry at the level of Secretary. Still the complaints persist and it seems that the persuasion made by the Government has yet to achieve the desired result.

Processing of allocation proposal.—After ascertaining the anticipated supply of M.S. Billets from the individual producers, a tentative proposal for party-wise distribution is framed in the Iron & Steel Control Organisation. That proposal indicates the bulk tonnage which are to be allocated against each quota-head. To what extent the backlog is to be taken into account for preparing monthly schedule is also stated in the proposal. In this office, the quotas for D.G.S. & D., Export Promotion, Fabricators are taken more or less on the pattern of last period's allocation. The proposal is then sent to the Ministry for formal approval. The Ministry approves the proposal with or without modification. Case study, however, revealed that the detailed monthly despatch schedule for each party was sent to the Producers/J.P.C. almost simultaneously in anticipation of the Ministry's approval. For the period July 1964 to March 1965 producer-wise planning was also done in the Office of the Iron & Steel Controller and hence producer-wise monthly despatch schedules were sent to the producers concerned. For the period April 1965 to March 1966, since J.P.C. was to plan production of different producers the monthly schedule indicating the quantity to be despatched to each party was sent to J.P.C.

For the period July 1964 to March 1965 the Ministry's concurrence to the proposal was received on 17th October, 1964. whereas the schedules were sent to the producers on 30th July, 1964. In that particular period the Ministry approved the proposal *in toto*. The Ministry also directed that in case the export commitments were more than the quota of 1,000 tons per month the quota should be increased for covering those commitments by making suitable reduction in the provision for clearance of backlog. For the period April 1965 to March 1966 the Ministry's concurrence was received on 13th May, 1965 whereas monthly schedules were sent to the producers on 24th March, 1965. In this period the Ministry approved the proposal with certain major modification which resulted in reduction of commercial quota in respect of the re-rollers. This entailed a thorough revision of the monthly schedule as previously made. The urgency to despatch the monthly schedules needs no explanation and hence this duplication of work could not be avoided.

APPENDIX XIII
Flow Chart of Distribution of Billets
(PROPOSED METHOD)

Time-table
Period 1-4-67—
31-3-68



APPENDIX XIV

Case Study Report on Distribution of Skelp/Strips

For the purpose of examining the procedure of allocation of skelp by the Iron and Steel Controller the records relating to the allocations made during 1964-65 and 1965-66 were studied. The skelp of narrow strip variety is produced by TISCO while the wide strips are produced by Rourkela. With these two producers on one side and 23 main consumers (mostly pipe and tube manufacturers) on the other, the distribution/allotment is arrived at in a meeting of the representatives of DGTD, DC SSI, producers of skelp and strips and other persons, whom the I & S Controller considered necessary by taking into account not only the indigenous availability but also the likely imports.

Vide Ministry of Steel and Heavy Industries letter dated 2nd March, 1964, relaxation on skelp was withdrawn on 1st April, 1964 and its distribution was started through issue of allotment letters instead of quota certificates more or less in line with the system followed in case of tin plates.

2. For 1964-65 the meeting was held on 1st May, 1964. The demand was determined after finding out the supplies received by the consumers during 1963-64. The total demand of skelp and wide strips was a little over 400,000 tonnes of which 265,000 tonnes represented the demand of fabricators who could use Tata skelp alone because they had no arrangement for slitting of Rourkela wide strips and the quality of Rourkela wide strips was not acceptable to them. The availability in 1964-65 was estimated at 150,000 tonnes of Tata skelp and 107,000 tonnes of Rourkela wide strips. Against this demand and supply position, allocation was made of 165,760 tonnes of Tata skelp and 112,550 tonnes of Rourkela strips to 20 well-known consumers. Later on three more parties were accommodated by the Ministry of Iron and Steel at the stage of approving the proposals by making slight adjustments in the proposed allocation. Further on the entire allocation was revised and the demands of 13 small units whose requirements had been omitted initially, were also included in the revised allocation.

3. Regarding mixed skelp (untested), as decided in the meeting held on 1st May, 1964, DC SSI was requested by I&SC to ascertain from the State Governments whether they would be willing to lift the available quantity through selected stockists or cooperative societies or State-owned Corporation for distribution to fabricators. But no reply was received from him. No policy for distribution of mixed skelp for the year 1964-65 could be adopted and the Tatas were given freedom to sell freely their untested skelp upto 30th June, 1965 (later extended upto 31st December, 1965).

4. For 1965-66 the letters inviting the demands for skelp and strips on one shift basis from the sponsoring authorities (i.e. DGTD, DC SSI, State Directors of Industries) were issued on 17th December, 1964. Another

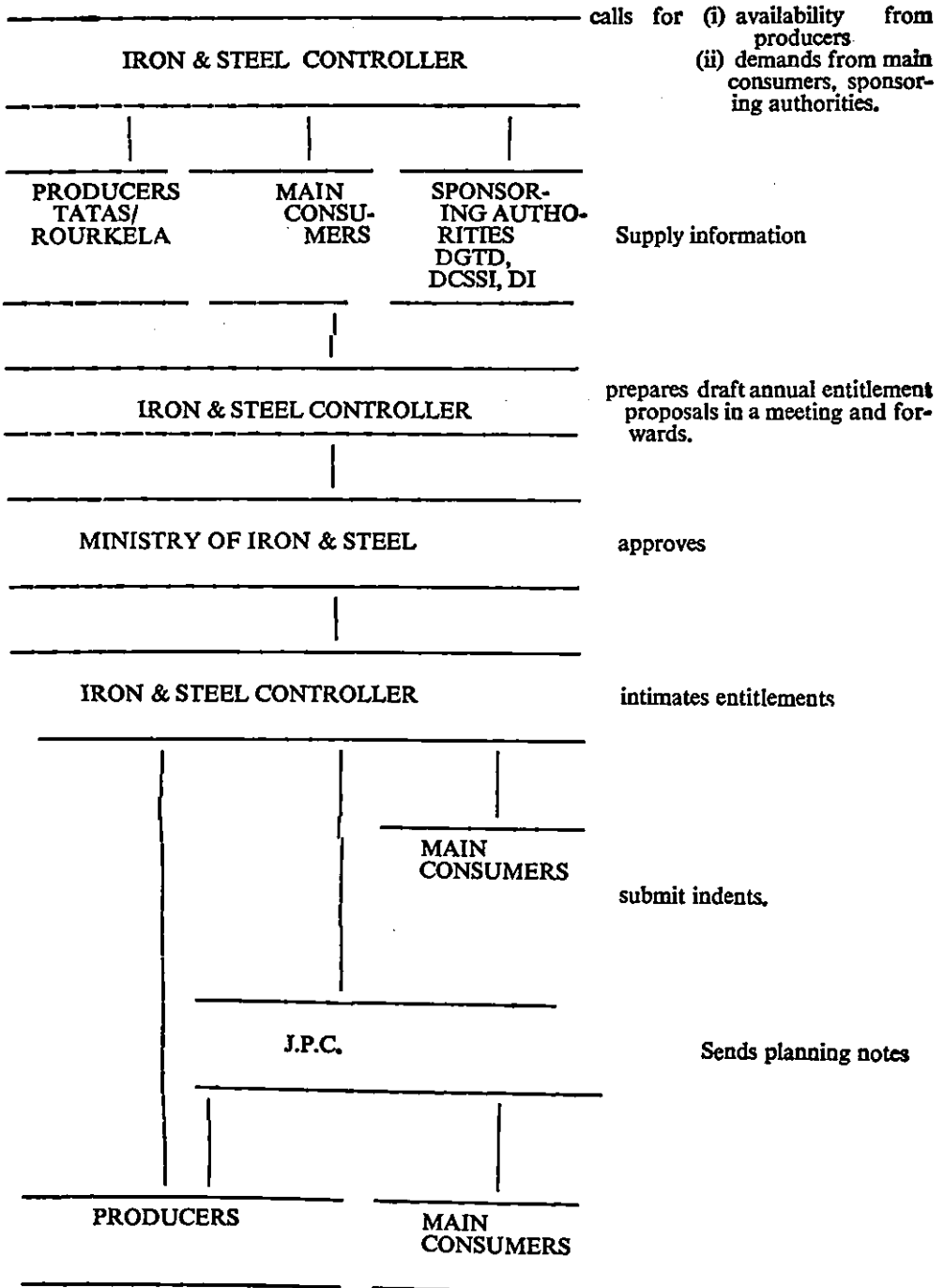
letter was issued separately to the 23 main producers of pipes and tubes asking them to furnish the required information by 15th January, 1965.

5. As delay in allocation was anticipated and as Rourkela plant required orders for wide strips, an advance allocation to the extent of 50 per cent of 1964-65 allocation was made subject to adjustments against regular allocation.

6. The availability for 1965-66 was estimated at 210,000 tonnes of Tata skelp and 240,000 tonnes of Rourkela strips. After assessing the demand on 29th May, 1965 the Iron and Steel Controller proposed allocation of 187,069 tonnes of Tata skelp and 218,134 tonnes of Rourkela strips keeping a reserve of 30,311 tonnes and 23,972 tonnes of Tata skelp and Rourkela strips respectively for meeting future demands. On 18th June, 1965 the Ministry of Iron and Steel agreed to the proposed allocation and the detailed allocations were intimated to the different parties/State Governments etc. by the I&SC between 6th and 14th July, 1965.

7. Case studies reveal that the demands of skelp (mixed) and strips have been met more or less in full in 1965-66 and sufficient quantities have been kept in reserve to meet future demands, after the vetted demands have been covered.

APPENDIX X
Flow Chart of Distribution of Skelp Strips
(EXISTING METHOD)

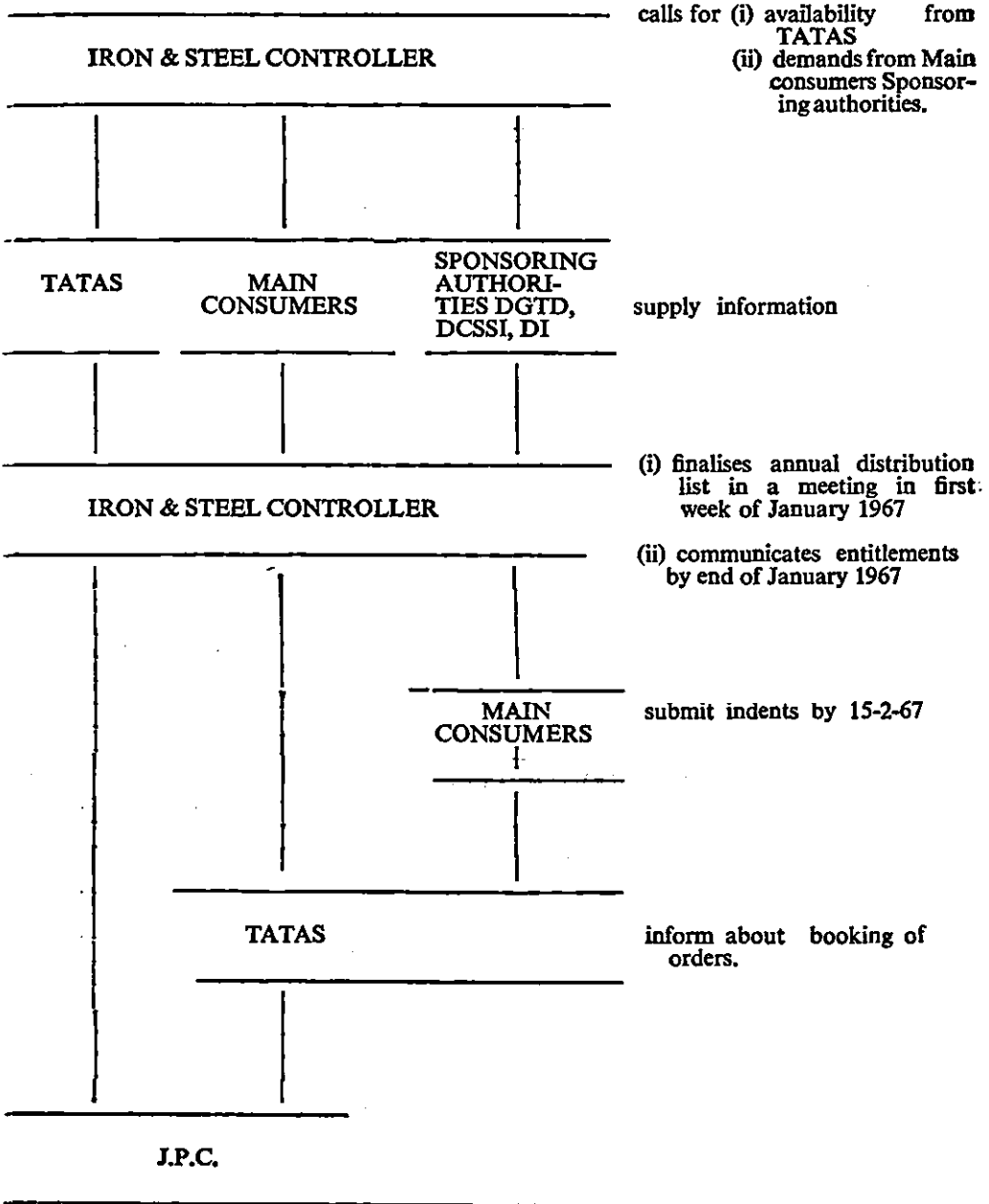


APPENDIX XVI

Flow Chart of Distribution of Skelp

(PROPOSED METHOD)

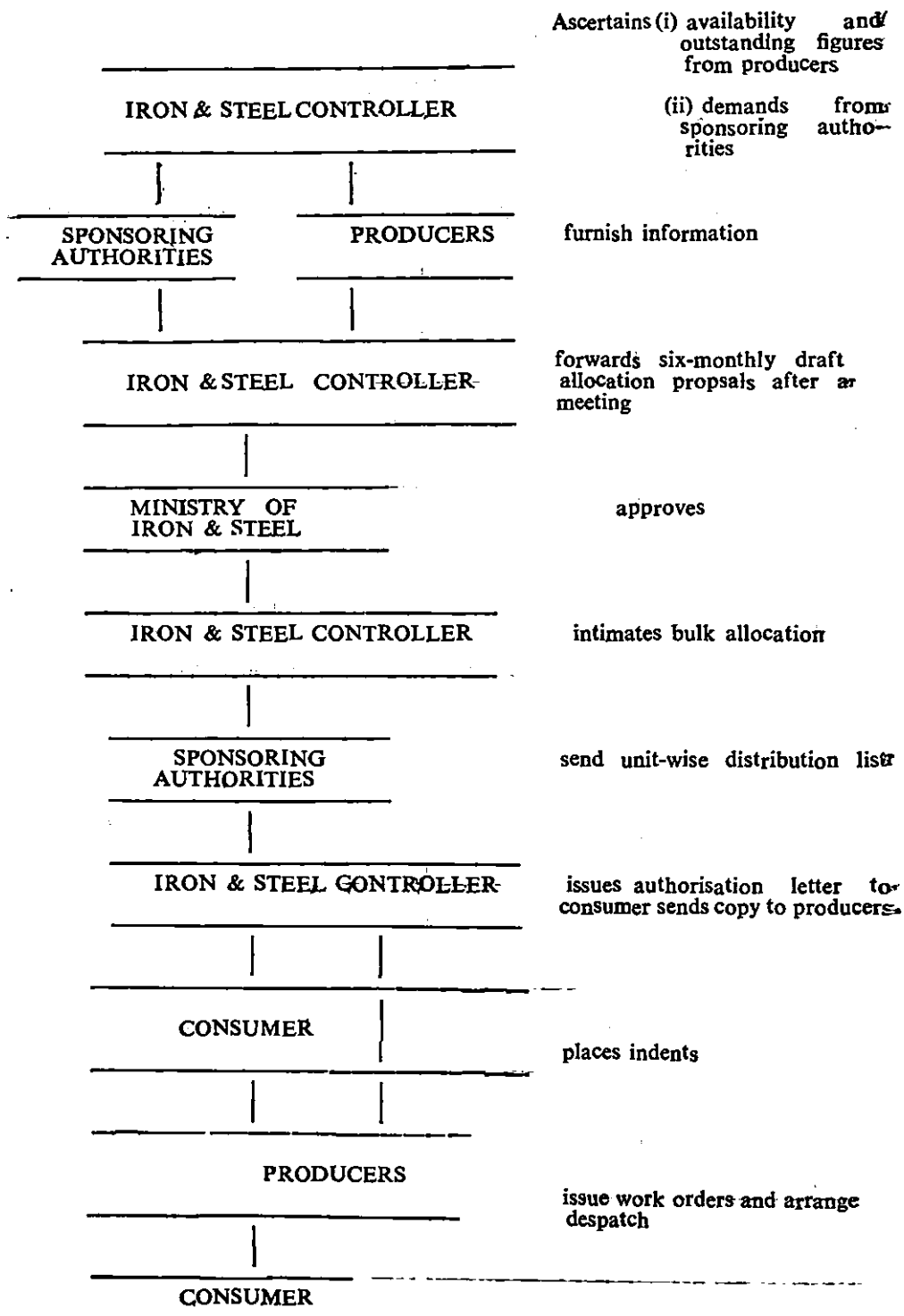
Period 1-4-67...31-3-68



APPENDIX XVII

Flow Chart of Distribution of Tinplates

(EXISTING METHOD)



APPENDIX XVIII

Case Study Report on Distribution of Tinplates by I & SC

In order to examine the procedure of allocation of tinplates (including waste waste and cutdowns) the policy files relating to assessment of demand and availability of tinplates for two periods *viz.*, October 64-March, 1965, and April 65-September 1965, were studied. The production of tinplates is dependent upon import of tin and tin mill black plates and hence the six monthly distribution.

2. Out of the three sponsoring authorities *viz.*, DGTD., DC SSI, Ministry of Petroleum and Chemicals who were requested on 9-10-1964 to furnish their anticipated demands for the period October 64—March 1965, reply was received from one only (*i.e.* DGTD). In the case of the other two sponsoring authorities, the past requirements of the Ministry of Petroleum and Chemicals were taken into account for making allotment and for DC SSI no prime quality tin-plate was allotted, but full amount of tin-plate waste and cutdowns, as available during the period, (October 1964 to March 1965), was earmarked.

3. Although Control over tinplate price was lifted from 26-12-1964, control over distribution exists. There is a distribution committee composed of

- (i) Iron and Steel Controller.
- (ii) representatives of
 - (a) Hindustan Steel Ltd.
 - (b) Tinplate Co., of India.
 - (c) Khemchand Rajkumar (Bombay & Calcutta)
- (iii) representatives of DGTD, DC SSI & Ministry of Petroleum and Chemicals.

The distribution committee has been formed for meeting at least once in six months to determine the allocation of tinplates to various sponsoring authorities. The distribution was finalised in a meeting held on 23-10-1964. In this meeting only one out of the three manufacturers of tinplates (Hindustan Steel) furnished the details of availability during October 64-March 65 although letters asking for the details were issued to the three manufacturers on 23-9-1964.

4. The allocation proposal formulated in the meeting held on 23-10-1964 was sent to the Ministry on 7-11-1964 for approval. Ministry's approval was given under their letter dated 23-12-1964 and the allocations were conveyed to the sponsoring authorities on the 29th and 30th December, 1964. Late communication of quotas meant that actual supply of materials during October 1964—March, 1965 was not feasible.

5. For the period April 65—September 1965, a notice calling for demand was issued by I & SC on 15-1-1965, but no reply was received from any one of the three sponsoring authorities. The meeting scheduled to be held on 25-1-1965 for this purpose also remained unrepresented by the sponsoring authorities. Reminders were sent to them on 27-2-1965 for consideration of allocation proposals in a fresh meeting on 15-3-1965. The distribution was finalised in the same meeting. But this distribution had to be revised as late as 14-6-65 due to change in the production pattern intimated by Hindustan Steel towards the end of May, 1965.

5A. The sponsoring authorities, after obtaining periodical allotments arrange for sending the list of unit-wise distribution to the Iron and Steel Controller. No last date is prescribed. DC SSI forwards a list to I & SC showing the Statewise distribution of materials and the State authorities are asked by DC SSI to furnish statement of distribution to individual consumers to I & SC. The Iron and Steel Controller in turn issues authorisation letters to the individual consumers showing the particular works from which the materials are to be drawn and also advises the producers concerned. The individual consumers thereafter contact the supplying steel works (without approaching JPC).

6. The proposals for allotment were worked out on the basis of estimated production of the various producers and also total outstanding. It appears that the producers are permitted to carry on some outstandings to tide over any difficulty arising out of inadequacy of orders against current allotments. It also appears that estimates of production do not tally with the actual production. The following figures give a broad reflection of the total demand, outstandings, anticipated production, allotment and actual production :—

(In tonnes)

	Oct. 1964— March, 1965.	April, 1965— Sept. 1965.
Total demand	109,191	107,800
Outstandings	91,300 (as on 1-10-64)	63,500 (as on 31-3-65)
Anticipated production	60,000	78,000
Actual Allotments	50,500	80,000
Actual Production	52,778	58,000

APPENDIX XIX

Flow Chart of Distribution of Tinsplates

(PROPOSED METHOD)

Time-table Period Oct. 66—March, 67.

1—7-7-66

IRON & STEEL CONTROLLER

decides in a meeting bulk allocations sponsoring authority-wise and producer-wise.

16—22-7-66

D.C., S.S.I.

conveys State-wise distribution.

31-7-66 to
6-8-66

D.G.T.D./
MIN. OF
P & C

send consolidated statement unit-wise

15—21-8-66

STATE GOVTS

place indents

30-9-66

PRODUCERS

call indents and book orders from DGTD/Min. of P & C allottees.

Appendix XX

Case studies report on the role of sponsoring authorities

During the study of 36 cases at a public steel plant and 21 cases at a private steel plant it was observed that these cases had been sponsored by the following sponsoring authorities. Results of the case studies made in these offices are narrated below :—

(A) DGTD:

Case studies indicate that the DGTD has neither been able to furnish the consolidated demands to the Iron and Steel Controller nor to issue Quota Certificates unit-wise within the time-limits fixed by the Iron and Steel Controller vide statement given below :—

Period	Prescribed date for submission of demand to I. & S Controller by DGTD	Date of actual submission of demand	Interval between col. 2 and col 3.	Date of receipt of bulk allotment	Last date of issue of (Q.C. prescribed by I&SC	Date of actual completion of Q.C. issue
1	2	3	4	5	6	7
Oct '61 Mar '62	17-7-61	26-7-61	9 days	26-11-61	28-2-62	26-3-62
Oct '62—Mar '63	16-7-62	1-8-62	16 days	24-12-62	NA£	30-4-63
Apr '63—Sep '63	NA£	30-1-63	—	14-5-63	30-9-63	30-10-63
Oct '63— Mar '64	15-7-63	31-7-63	16 days	8-11-63	NA£	30-4-64££

£NA stands for not available.

££Issue of Q. C. was started before the receipt of allotment.

N.B.—The average time from placing of demand by a customer to the issue of Q.C. was 275 days.

The average time taken for quota certificates maturing into deliveries was 660 days (based on 10 cases) from the date of issue of Quota Certificates.

Total time for placing a demand of consumers by DGTD upto ultimate deliveries 275 plus 660—935 days.

It also transpires that while making allotment to the units the DGTD does not make any deduction from the entitlements of such units which utilise portion of their production capacities for executing bulk orders from DGS&D Railways etc., for which they get steel quota from those sources.

There is practically no follow-up action on the monthly statement furnished by the units regarding their actual stocks and utilisation of the materials.

(B) DC SSI:

Before the beginning of the financial year the DC SSI asks the various State Directorates of Industries to submit their consolidated annual demands in respect of the controlled categories of iron and steel for the purpose of allocation to the various steel processing units in the small scale sector. These demands are consolidated without any screening or processing and a bulk demand is placed with the Iron and Steel Controller. On receipt of bulk allocation the DC SSI distributes the same to the various States and Union territories on *pro rata* basis as the allocation usually falls short of the demand. On receipt of the bulk allotment the State authorities issue Quota Certificates to the units. The entire process starting with collection of demands from the States leading to issue of allotment to the States takes 180 days on the average *vide* statement given below:—

Period	The last date for submission of demands to DC SSI	Date of submission of consolidated demand by DCSSI to I&SC	Date of receipt of allocation from I&SC	Date of issue of allotment to the States	Time lag in days		
					Between cols. 2 & 3	Between cols. 4 and 5	Between cols. 2 and 5
1	2	3	4	5	6	7	8
Apr '63- Sept '63	15-1-63	4-2-63	10-5-63	22-7-63	20	74	18
Oct '63- Mar '64	8-7-63	16-7-63	8-11-63	21-11-63	8	13	134
Apr '64- Mar '65	25-3-64	2-4-64 *28-4-64 4-5-64	15-7-64	28-10-64 <u>15-4-65</u>	10— 42	104— 270	215—388
						Average	180

*In three instalments.

(C) Department of Agriculture (Ministry of Food and Agriculture) Government of India

The Department of Agriculture functions as the coordinating authority for demands sponsored by the States and Union territories in respect of the agricultural requirements *e.g.*, manufacture of light agricultural implements, construction of sheds for farm houses, godowns and pans etc. including the demands of the Central Government units located within the territorial jurisdiction of the sponsoring authorities. The demands are consolidated by the Department without any screening or processing and a bulk demand is placed with the Iron and Steel Controller. On receipt of the bulk allotment the Department issues State-wise bulk distribution orders *pro rata* on the basis of which Quota Certificates are issued by the State authorities to the units.

Case studies indicate that the process from the issue of Iron and Steel Controller's circular calling for the demand to the date of State-wise allocation issued by the Department of Agriculture takes 235 days *vide* statement given below :—

Period	April—September 1965
Date of I & SC's circular calling for demands	4-7-64
Date of Deptt's circular to the State Govts.	25-8-64
Last date fixed by I & SC for receiving demands	31-12-64
Last date fixed by Deptt. of Agriculture for receiving demands from States	30-11-64
Date of actual submission of demands by States etc.	1-12-64 to 20-5-65
Date of actual submission of bulk demand by D/Agr. to I & SC.	17-12-64 to 24-5-65
Date of bulk allotment issued by I & S C	24-5-65
Date of state-wise allocation issued by D/Agr.	9-6-65*

*Total 235 days on the process of distribution to which an average of 425 days may be added on account of a 'M. C. maturing in delivery. The total time taken from submission of demand to supply to the consumer was 650 days.

(D) Railway Board

The Railway Board functions as the sponsoring authority for the various zonal railways and also in respect of railway contractors to whom the Railway Board places orders direct for the manufacture of wagons, bridge girders, etc.

Case studies reveal that the zonal railways who were given 3 months to furnish their demands to the Railway Board failed to furnish the same in time and as a result the Railway Board was unable to furnish their demands to the Iron and Steel Controller within the prescribed last date (31st December 1964 for the allocation period April 1965 to September 1965). While furnishing the consolidated demands to the Iron and Steel Controller no scrutiny was made of the demands furnished by the various zonal railways and the same were merely added up for determining the consolidated demands of the railways. On receipt of allocation the Railway Board did not issue quota certificates themselves but distributed the same to the various zonal railways which took 20 days. The average time for quota certificates maturing into deliveries was found to be 180 days (based on four cases) and the total time taken from submission of demand to supply to the consumer was 455 days.

For manufacture of standard wagons, a standard scale was fixed during 1957-58 and the contractors were given steel quota on the basis of that standard scale. Out of the four cases examined the standard scale was

not observed in one case where the quota was fixed on *ad hoc* basis, the reason being that the wagons to be built by the contractors in question were special ones to which the standard scale did not apply. Incidentally, it was noticed that the standard scale had been fixed in the case of 25 types of wagons and in the case of 15 new types of wagons no standard scale was fixed.

(E) C.W. & P.C. (Water Wing)

The Water Wing functions as the sponsoring authority in respect of all the major irrigation projects spreading all over the country. Case studies revealed that the project authorities furnished their demands piecemeal. For instance, the Farraka Barrage Project furnished their demands for April 1964/March 1965 in 7 instalments, the last being in the month of April 1964. On receipt of allocation the Quota Certificates are issued to each Project Authority after effecting necessary cuts against each demand depending on the stage of progress of work. Case-studies revealed that the issue of quota certificates takes an average time of 30 days and the average time taken for quota certificates materialising into deliveries was 365 days. The total time taken from submission of demand to supply to the consumers was 600 days.

(E I) C.W. & P.C. (Power Wing)

Case studies revealed that there was no uniform system for screening the demands in respect of (a) Electricity Boards; (b) Project authorities; (c) Electric supply undertakings. The Electric Supply Undertakings are required to obtain certificates from the State Electrical Inspectors over whom the Power Wing has no control. Demands are received piece-meal and often after the prescribed last date. Consolidated demands are routed through the Ministry of Irrigation and Power (without any screening) which adds to the delay. Issue of quota certificates takes on the average 20 days after receipt of allocations.

(F) D.G.S. & D.

DGS&D functions as the sponsoring authority in respect of those parties who ask for provision of steel for execution of orders placed on them by DGS&D. DGS&D submits consolidated demand to the Iron and Steel Controller on the basis of demands of steel required for orders placed by them during the current year and the demand of the preceding year. After the allocation is received from the Iron and Steel Controller the Material Estimating Section issue Quota Certificate/Essentially Certificate to the parties according to the tonnage and sections of steel determined by them for execution of particular orders. The average time-lag between the last date prescribed for submission of demand to the Iron and Steel Controller and the date of issue of Quota Certificates was 204 days *vide* statement given below (on the basis of 5 cases) for the allocation period April 1964—March 1965.

Last date prescribed for submission of demand to I & S Controller.	Date on which demand sent by DGS & D	Allocation intimated by Iron and Steel Controller	Date of issue of Q. C.
31-12-1963	31-3-64	4-7-64	24-7-64

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The average time taken in the delivery of the materials from the date of issue of Quota Certificate was 450 days. The total time taken from submission of demands to supply to the consumer was 650 days.

APPENDIX XXI

Case-study Report on the Working of Steel Priority Committee

1. Working of the SPC has been studied for the three half yearly periods—October 1964—March 1965, April—September 1965 and October 1965—March 1966.

2. The Government Resolution on the Raj Committee Report dated 29th February, 1964, setting up the SPC did not specify the terms of reference clearly. No mention of controlled, decontrolled or imported steel was made in the terms of reference. Though Iron and Steel Controller is the Member Secretary, the secretariat of the SPC is located in the Ministry of Iron and Steel. Again the secretariat work *i.e.* of putting up proposals for the consideration of the Chairman, convening of meetings and sending of agenda papers is handled by an Under/Deputy Secretary of the Ministry. Neither a sponsoring authority nor a producer, nor a technoeconomist is a member of the SPC. In practice, SPC has addressed itself to the only task of priority fixation in respect of the flat products (controlled categories). For this task, the sponsoring authorities are requested to submit requisitions for priority supply *only in respect of orders as are booked already on the producers*. It was found that the requisite information is not received within the prescribed time limit of three months and in many cases even much beyond that date. Even cases are brought in the SPC meeting itself. While furnishing their requisitions for allocation of priority the sponsoring authorities in no case are sifting/screening Works Orders according to the priority/status accorded earlier by the Iron and Steel Controller/JPC for grading them according to end-uses.

3. After initial tabulation/screening of demands received from the sponsoring authorities, the Under Secretary of the Department of Iron and Steel completes the scrutiny and determination of the draft priority allocation category-wise proposal is made in consultation with the Iron and Steel Controller or his Deputy at Calcutta. Covered demands are arranged sponsoring authority-wise, against these net quantities proposed to be bulk-allocated are indicated. No screening at this stage is done on the basis of priority or end-use. Percentage of availability earmarked for priority allocation in each category plant-wise is arrived at on an *ad hoc* basis. So far no guide-lines or criteria have been laid down by the SPC for (a) screening of demands and consolidation by sponsoring authorities; (b) allocation for priority releases of availabilities between (i) outstandings and (ii) new demands.

4. After the sponsoring-authority-wise allocation of the priority quota is decided in a meeting with the representatives of the sponsoring authorities, the sponsoring authorities are intimated about their allocation by the Iron and Steel Controller. Whenever the tonnages allotted to them are found to be short of the original demands, the sponsoring authorities are asked to intimate the details of the works orders which have to be covered

under the reduced tonnages. If the sponsoring authorities fail to indicate details of these works orders, the Iron and Steel Controller applies a *pro rata* cut to all the works orders to be covered under the reduced tonnages. This work is done by the office of the Iron and Steel Controller as the sponsoring authorities fail to intimate the details; this results in delays in the despatch of SPC lists for the six monthly priority to the Sales Offices for drawing up of the rolling programmes. Thereafter it becomes the responsibility of the producers to ensure prompt and correct implementation of the schedules of production laid down by the SPC (as intimated by the Iron and Steel Controller). The results of case studies carried out at a private and a public sector Steel Plant indicate that the producers have not been able to roll out completely the priority-rated Works Orders in SPC's lists. In the case of plates particularly the non-compliance of S.P.C. allocations for April—September, 1965 to be carried over to the next half-year period was 47 per cent (private sector) and 89 per cent (public sector).

5. As the minutes of the three meetings of the SPC do not appear to have been issued, it is difficult to know the contribution made by the members of the SPC. The proposals made by the Ministry of Iron and Steel seem to have been accepted by SPC except for the period October 1965—March 1966, where sponsoring authority-wise distribution of priority releases showed 8 instances of marginal deviations from the proposals. The SPC did not make any change with reference to economy of production and product diversification from one plant to another. The SPC priority allocations could not be demarcated as tested or untested for the half year periods earlier to October 1965—March 1966. The experience of releasing a lumped programme without reference to tested or untested quality with the public sector Steel Plant has not been happy, as it is difficult to switch over from the production of tested to untested steel when the pattern of works order requires them to do so.

6. The SPC has not been performing the functions prescribed by the Raj Committee. Its terms of reference have not yet been specified. The SPC makes decisions about six-monthly priority ratings of works orders to be included in the rolling programmes of the Main Plants. Even this role played by the SPC does not help the consumers in getting the supplies of steel from the plants much quicker than in those cases where the SPC has not given the priority. The case studies revealed that the SPC priority-rated works orders materialised in 87 days as compared to non-SPC case materialising in 107 days.

APPENDIX XXII

Case Study Report on the Appointment of Stockists

1. In order to make a study of the system of appointment of stockists, 20 stratified sample cases were taken up.

2. There are 3 types of stockists, viz. Controlled Stockists, Registered Stockists and Controlled Scrap Merchants in the present system of distribution of controlled categories of steel. Number of stockists at present are as follows:—

(i) Controlled Stockists (CS)	369
(ii) Registered Stockists (RS)	2,471
(iii) Controlled Scrap Merchants (CSM)	534

3. The Controlled Stockists and the Registered Stockists deal in prime materials, whereas the Controlled Scrap Merchants deal in defectives. The Controlled Stockists can book orders and dispose of controlled categories of prime materials direct against any quota certificate, issued by competent authorities throughout India, *i.e.* without any regional restriction. On the other hand, the Registered Stockists and the Controlled Scrap Merchants can secure/dispose of controlled categories of prime materials and defectives respectively against quotas/permits issued by the State Governments, to whom arrivals of materials are to be reported by these stockists; their supplies are restricted within the States, where they are located.

4. Recommendations of the State Governments for appointment of stockists are considered by the Iron and Steel Controller mainly on the points (i) whether the area for which appointment has been recommended is unserved/underserved/well served, (ii) what the minimum turnover of the stockist, proposed for appointment, is. After Controller's approval, State Governments are requested to ask the parties to submit their formal applications in a prescribed form, together with solvency and other documents, *i.e.* ownership of godown, Income tax/sales tax certificates, etc. Applications are scrutinised in Steel Control. It was observed that the time taken in the scrutiny was 6 days on the average. All cases travel up to the Controller. Appointment letters are issued to the parties approved by the Controller for appointment as stockists. Appointments are complete with the acceptance of the terms and conditions by the parties, but this acceptance is obtained from C.S. only and not from R.S. or C.S.M. Parties appointed as C.S. are allotted some buffer stock of controlled categories by the Controller, depending upon their godown capacity. No buffer stock is allotted in case of R.S. and C.S.M. who operate on State Quotas only. On receipt of buffer stock allotment letter, the C.S. can place indent for the materials on producers.

5. 20 case studies revealed the following deficiencies:—

- (i) In 2 out of 20 cases, State Governments sent recommendations only mentioning the number of stockists to be appointed at certain places, but without indicating the names of the parties.
- (ii) In all the cases, State Governments did not indicate the reasons for making their recommendations for particular parties.
- (iii) 50 per cent of the applications received from the parties were incomplete. The parties did not submit, with their applications, solvency documents in 90 per cent cases, sales tax/income tax clearance certificates in 55 per cent cases.
- (iv) Copies of registration or ownership deed in respect of godowns were not received with the applications.
- (v) Statements made by the parties in all cases were accepted in the Steel Control without exercising any check by way of inspection on the spot.

5A. Disposal of cases relating to appointment took about 7½ months on an average. There was one month delay in the issue of buffer stock letter after party's acceptance of the terms of appointment. Time taken worked out to 11 months in the case of rejection (3 out of the 20 cases related to rejection/cancellation. In one case of rejection, the time taken was one year and ten months).

5B. At present applications for appointment are often addressed by the parties to the Iron and Steel Controller direct.