CHAPTER VIII

POLITICS OF INDUSTRIAL LOCATION:
THE STEEL PLANT ISSUE

Introduction

As we have discussed in the foregoing chapters in a typical federal set-up like that of ours, the regional development dimension is relegated to the background in the face of national growth objectives. This is not to say that developing backward regions has not been part of the national policy. In fact, the decision to give priority to backward areas in the location of public sector units has been an explicit Plan strategy towards removing regional imbalances. However, experience has proven that the overriding factor in such decision-making process is often the strength and strategy of articulation of the regional political pressure groups as also their equation with the party in power at the Centre.

This chapter is an attempt at unravelling the intricacies of the processes at work shaping the major public investment decisions. The case in point is the thwarting of the proposed second steel plant at the iron-ore rich Bonai-Nayagarh region in Orissa.

8.1 Techno-economic Criteria

Before we go into the details of the issue, it would be useful to discuss briefly the basic techno-economic factors that
In the location of iron and steel industry the prime concern should be that the output is competitive both in the internal and export market—directly or indirectly. In order to achieve this, firstly, the plant site should be so chosen as to minimise transport cost of raw materials (of specified quality and in required quantity) to the unit so that the assemblage cost per tonne of hot metal is kept at its lowest. Secondly, the investment on infrastructure, like water, power, transport, land etc., should be utilised to the maximum extent for the maximum number of units, so that these expenses do not escalate the cost of production of iron and steel and make it uneconomic for the world market. Thirdly, the units located should be near to the developed transport system, i.e., railways, road, port, etc. Lastly, it may be considered that no industry can sustain in isolation. For achieving the maximum productivity, it has to process and utilise all its products to some final marketable items. This is possible when the industry forms the nucleus of cluster of similar industries in a well defined manner, where the products of one industry constitute raw materials of another with minimum transport cost.¹

These basic factors may have to be analysed before deciding on the location of any mineral based industry, especially highly

capital intensive ones like the iron and steel. It is with emphasis upon these fundamental aspects that metallurgical bases have been developed in many countries.²

In the Indian context too, some of the important metallurgical bases have been established taking into account, inter alia the vital aspects of costs of production, transport and investment. The first blast furnace plant for iron making in the country was erected in 1875 in the coalfield area (Raniganj field), namely, the Bengal Iron and Steel Works, (at Kulti) which later become the nucleus of the present Indian Iron and Steel Company (IISCO). Further, the steel plants such as Tata Iron and Steel Company (TISCO), Bokaro, Durgapur and Burnpur are all located in proximity to one another and in the coal belt³ as the earlier production technology required seven tons of coal to produce one ton of steel.⁴ They transport the iron ore and limestone (which along with manganese constitute about two thirds of the ‘blast furnace burden per tonne of hot metal’) from a well defined area in Orissa.

² In fact, the tide water location of almost all the Japanese steel works and the industry’s effort to convert transportation system of greater efficiency are vital features guiding the location and expansion of Japanese iron and steel industry. Therefore, the industries have expanded mostly from Tokohama, Kobe, Osaka and other coastal areas. In the United States the steel plants have developed near Pittsburg area. In England the iron and steel industry has been concentrated near South Wales area and also near Sheffield. In West Germany, most of the steel plants are located in the coal belt of Ruhr District and are quite close to each other.

³ For descriptions on the evolution of individual steel plants in India, see, Chaudhuri, H.R. (1975), pp. 29-37.

⁴ For instance, the distances between Durgapur and Burnpur, Burnpur and Jamshedpur, and Bokaro and Burnpur are about 48 kms, 122 kms and 104 kms, respectively.
and partly in Bihar. These regions are not very far from each other, the average distance being about 90 kms. Hence, on the principle of cross transportation it was sensible that new steel plants should be located in the iron belt, as has been done in other countries.

As early as in 1964, after a decision was taken to establish a steel plant at Bokaro (with the annual capacity of 1.5 million tons), long term planning for steel production was an important issue before the nation, particularly in view of the growing demand in the economy. The Central Iron and Steel Steering Group had been evaluating proposals for the next steel plant - the fifth one in the public sector - to be taken up during the forthcoming Fourth Plan. The target of steel production during the Fourth Plan was stated to be 16 to 17 million tons, as against 9 million tons during the Third Plan. Under consideration were the 0.5 million ton plant in the Neyvelli-Salem region and 1.5 million ton capacity plants each in Goa-Hospet region, the Visakhapatnam-Bailadila region and some other locations.

8.2 The Case for the Second Steel Plant

It was under these circumstances that the then Governor of Orissa, Dr. A.N. Khosla, made a detailed study of the steel plant

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5 The iron ore belt connects Barsua, Kiriburu, Bolani, Gua and Nuamundi and limestone is transported from Biramitrapur area in Sundargarh district.
location question and submitted a memorandum to the Ministry of Steel with relevant facts and other materials and urged the need to locate the fifth and other steel plants in Orissa, which offered some "best possible sites".

The Memorandum pointed to three most suitable locations - one coast-based (at Paradeep) and two inland-based (Bonai region in Sundargarh district and Nayagarh region in Keonjhar district) for a major integrated iron and steel plant. However, it rated the latter choice better. One thing that needs emphasis is that this Memorandum contained careful details of economic factors regarding the locations, and by no count was a typical political note highlighting the mere 'idea' of locating the second steel plant in the State. It provided location wise details of the raw material availability, provision for their transportation, access to crucial facilities like water, power, site land and even the issue of rehabilitation of displaced persons. It also suggested possible related industries that could be promoted in the regions. It was also made clear that a team of experts should visit the relevant places for detailed surveys and feasibility studies before taking any final decision on the location of the new integrated iron and steel plant, so as to be able to assess the relative merits of each one of these sites vis-a-vis other sites in the country.7

At the behest of the Government of India, the following year,  

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7 Memorandum, p. 22.
M/s. M.N. Dastur & Co. had prepared a detailed study, titled Report on Site Selection Study for Pig Iron Plants (in five volumes, June 1965; hereafter Dastur Report), examining all major techno-economic feasibility aspects of 28 probable locations in different regions of the country. The report also looked into techno-economic aspects of location of integrated iron and steel complexes. The consulting engineers were asked, inter alia to recommend sites in the order of priority with reference to the costs of raw material assembly, production and distribution and to indicate locations which could be developed into steel works site later. Accordingly, the Dastur Report has clearly noted that factors affecting selection of locations for pig iron plants are similar to those for an integrated steel plant. (See, Appendix - 1).

The Dastur Report taking note of the changing production technology, which required lesser coal supply, pointed to the criteria such as market, access to ore sources, and socio-economic considerations in decisions on locating an iron and steel complex. In keeping with these criteria, it was still realised that plant locations with a solid raw material base would be the

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9 Spelling out the basis of their study, the Report further mentions that, "Proximity to major raw material sources, adequate supply of water, availability of land, power and transport links and nearness to consuming centres are the major considerations. These factors are to be assessed from the point of view of minimising the cost as well as the time required for installing the plant". Ibid, Vol. I, para 12.

most preferred.\textsuperscript{11} In this connection the following observation made in the Report is noteworthy:

"In line with trends of industrial dispersal, and in view of the cost of transporting pig iron from the eastern region to consumers to other parts of the country, it would appear reasonable to locate future pig iron capacity away from the ore-coal belt. However, the economic evaluations in this study confirm that additional large new plants employing optimum size equipment are best located in a region which has a strong raw materials base, while small iron making plants could serve the purpose of regional development".\textsuperscript{12}

Further, it stated that while considering the raw material assembly cost - a major item in the production cost of pig iron - ore-based or coal-based locations are generally more attractive, as iron ore and coal form the bulk of the raw materials requirement.\textsuperscript{13}

They had examined the cost of production and delivery cost of pig iron at different locations and had come to the conclusion that Bonai and Nayagarh areas offered the best locations in the country and in fact the tonne-km. haulage of the principal raw materials for Bonai/Nayagarh would be less than that of some of the existing steel plants and cost of production would be less than 30 per cent of the existing or of any new steel plants proposed in any other part of the country. They even maintained that pig iron to be produced at Bonai/Nayagarh when delivered in the South would be

\textsuperscript{11} Even a study Report of the Planning Commission had clearly mentioned that the steel plants should be located in the iron ore-coal belts. Quoted by Mr. Banka Behary Das, M.P., in the Rajya Sabha, dated 6th August 1970.


\textsuperscript{13} \textit{Ibid.} para 4-16.
cheaper than that produced in the latter. Of all the 28 locations considered in this study the Dastur Report rated Nayagarh to possess the most suitable conditions including the potential to sustain a ten to twelve million ton steel complex, least production and distribution costs and the scope to throw open a vast new area with possibilities of considerable industrial development. The classifications of locations of steel plants as indicated by the Report in order of priority are presented in Tables 8.1 and 8.2.

Table 8.1

<table>
<thead>
<tr>
<th>Locations Grouped by Ex-works Production Cost Ranges</th>
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<tr>
<td>Locations</td>
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<tr>
<td>-----------</td>
</tr>
<tr>
<td>Rs/ton pig iron**</td>
</tr>
<tr>
<td>Nayagarh,* Bonaigarh,* Barakot*</td>
</tr>
<tr>
<td>Ramkanali, Chelyama, Kalubathan, Ramgarh</td>
</tr>
<tr>
<td>Rowghat, Patratu, Surpagarh, Paradip*</td>
</tr>
<tr>
<td>Haldia, Nagpur, Katni, Durgapur, Mangalore</td>
</tr>
<tr>
<td>Obra, Kakinada, Jagdalpur*, Talcher*, Udaipur, Bayaram, Kothagudam, Cuddalore, Ramagundam, Hissar, Bhavnagar, Jhilmili</td>
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</tbody>
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Source: Dastur Reprot, Vol. 2, Table No. 13-3.

Notes *

Sites belonging to Orissa

** Includes materials cost, freight on assembly of raw materials, fixed charges and excise duty.

Fixed charges are based on capital costs excluding cost of land, site preparation, off-site facilities, customs duty, freight and insurance and engineering.

In the forwarding letter of the Dastur & Co. to the Secretary to Steel and Mines, published in the Report, it has been pointed out that as installation of new capacity is time consuming, it is necessary that further investigations and infrastructure development at locations from amongst those suggested in this study be taken in hand at the earliest.\textsuperscript{15}

Table 8.2

<table>
<thead>
<tr>
<th>Locations</th>
<th>Weighted average delivered cost\textsuperscript{2} (Rs. per ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nayagarh,* Bonaigarh*, Ramkanali,</td>
<td>Rs. 245 to 250</td>
</tr>
<tr>
<td>Chelyama, Barakot*, Kalubathan</td>
<td></td>
</tr>
<tr>
<td>Haldia, Paradip*, Rowghat,</td>
<td>Rs. 255 to 275</td>
</tr>
<tr>
<td>Surjagarh</td>
<td></td>
</tr>
<tr>
<td>Nagpur, Kakinada, Mangalore</td>
<td>Rs. 280 to 300</td>
</tr>
</tbody>
</table>


Notes: 1. Locations capable of producing a million tons or above of pig iron.
2. Based on costs of delivery from originating centres (the sites listed) to destination centres, namely, Calcutta, Madras, Bombay and Chandigarh.

* Sites belonging to Orissa.

\textsuperscript{15} \textit{Ibid}, Vol. 1. Emphasis ours. In reply to a question in the Rajya Sabha (starred question No. 301, 11 May 1970) Mr.K.C. Pant, the then Minister of State for Steel and Heavy Engineering, revealed that as early as in 1948, the international consultants, appointed by the Government of India had recommended Barakot, Hirakud, Sambalpur and Bonaigarh as possible sites in Orissa. These consultants were: (i) Koppers Inc., USA; (ii) Arthur G.Heckee Inc., USA; (iii) International Construction Co., UK. Even Dastur & Co., in their preliminary report on Bokaro, had recommended Talcher in Orissa as one of the sites.
The indisputable facts of Orissa's superior position with reference to the location of an integrated steel plant had been intimated to the Centre through both the repeated representations by the State Government and also submission of favourable reports by the expert bodies to their sponsors. The Central decision was awaited.

On the 17th of April, 1970, during a debate on the demands for grants in the Lok Sabha, the then Prime Minister, Mrs. Indira Gandhi, in a "dramatic" declaration stated that during the Fourth Plan period, three public sector steel plants had been sanctioned to be located in the South, namely, Salem in Tamil Nadu, Hospet in Karnataka and Visakhapatnam in Andhra Pradesh. She announced that, "The Fourth Five Year Plan has a provision of Rs.110 crore for the development of new steel plants during the current plan period... Various alternative sites have been examined for this purpose both from the point of view of techno-economic suitability and from that of regional development".16 She also disclosed the Government's proposal to initiate the necessary preliminary work on these three steel plants within the Fourth Plan period and "with the utmost expedition".17 It had been mentioned that the feasibility reports for these three sites had been prepared by M/s. Dastur & Co. and had been examined by the British American Steelworks for India Consortium (BASIC). There was, however, no reference to the claims of Orissa. And no explanation was given as to why the most suitable location was left out.

16 See, Lok Sabha Debates, April 17, 1970, Col. 240. Emphasis ours.
17 Ibid., Col. 241.
This Central decision was a crucial one and was not based upon objective techno-economic considerations as per the Central guidelines regarding public sector investment. It is interesting to note here that at the time of announcing the decision to locate the new steel plants in Hospet and Vishakhapatnam, even the preliminary feasibility survey had not been conducted. As we shall see soon, political manoeuvres had been the most significant factors influencing major investment decisions in the public sector.  

In order to appease the southern States, particularly in response to DMK's support to the ruling Congress, how the PM obliged to offer a steel plant to Tamil Nadu can be made out from the following newspaper report, dated 2nd May 1970.

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18 As put bluntly by an Orissan MP during the debate, "in spite of Orissa having everything necessary for a steel plant, Orissa has been not granted a second steel plant. May I ask, why? Orissa is so backward, Orissa has got all the factors available for a steel plant which would have helped the people of Orissa to improve their income. Why have you not done it? You have been jostled by various political forces and pressures and not by economic considerations alone in neglecting Orissa to this extent. By a historical accident Orissa is backward. It had been neglected. You want to perpetuate this historical accident by neglecting it still further". Statement made by Mr. Srinivas Misra, see, Lok Sabha Debates, 20 April, 1970, Col. 286. Emphasis ours.

19 As revealed by Mr. Rabi Ray, MP, in a 'Letter to the Editor', The Samaj, dated 29 May 1970.
"The Tamil Nadu Education Minister Mr. V.R. Nedunchezhiyan, said here (Madras) that the Chief Minister, Mr. Karunanidhi's categorical declaration that the State would reject the Fourth Plan if the Salem Steel Plant was not included in it was responsible for the Prime Minister sanctioning the Plant.

Speaking at a "Victory Day" rally he said there was no doubt even as late as two months ago about the plant being included in the Plan but the Chief Minister's emphatic statement at the meeting of the National Development Council when met to consider the Fourth Plan "did he trick".

Mr. Nedunchezhiyan claimed that the plant was a "crowning success" for the DMK and one of its "greatest achievements". The DMK had been pressing for it since 1957 and had included it in its 1967 election manifesto, he added.

He claimed that Andhra Pradesh and Mysore also had got steel plants because of the DMK's efforts for the Salem unit.

The Central decision favouring Andhra Pradesh and Karnataka may also be attributed to a large extent, to political pressure tactics. The idea to set up a public sector steel plant in Tamil Nadu attracted the attention of the politicians of the neighbouring Andhra Pradesh where a popular agitation had been launched demanding sanction of a steel plant. One even went to the extent of resorting to "a fast unto death" for the cause. The agitation spread State-wide and turned violent, which, in turn, urged the Central Government to consider the case of Andhra Pradesh. The agitation spread State-wide and turned violent, which, in turn, urged the Central Government to consider the case of Andhra Pradesh. Following this another southern State, Karnataka, insisted that the Centre should not ignore its claim.

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A question often raised by the MPs\textsuperscript{22} from other States and even the PM, was that while Orissa had a steel plant at Rourkela which was working below capacity, what was the rationale behind demanding a second steel plant in the State. It must be mentioned here that if the major factor that determines the location of large steel plants (as in many other industries of such order) is the techno-economic merit of a certain region, if need be, it is not surprising to have more than one steel plant within the same administrative boundaries of a State. In fact, a particular State possessing two steel plants was not sans precedence; West Bengal, Bihar and Karnataka were the concrete examples. However, on the typical parochial political level, dispersal of industries had been confused with the Statewise investment allocation in the key sector industries, guided by political pull factors.\textsuperscript{23}

Considering the issue of under-utilisation of capacity at the Rourkela Steel Plant, (on which ground the PM asserted that until this reached the full capacity no further steel plant in Orissa would be thought of) it was held that "this is a very narrow and prejudiced view and betrays ignorance of the strategy of steel production in the country".\textsuperscript{24} Incidentally, not only Rourkela but

\textsuperscript{22} For instance, Mr. Manoharan and Mr. Akbar Ali Khan, both MPs, had raised this issue in the Lok Sabha and Rajya Sabha, respectively. See, \textit{Lok Sabha Debates}, 17 April 1970, Col. 242; and \textit{Rajya Sabha Debates}, 6 August 1970.

\textsuperscript{23} In this regard it has been observed that, "public sector industries are earning a bad name not only for bad and bureaucratic management, inefficiency and lack of business organisation, but much of the ills are due to location of industries at unsuitable places on account of political considerations". See, Dwivedy, Surendranath, \textit{et.al} in their memorandum to the PM, (n.d.), p. 3.

\textsuperscript{24} \textit{Ibid.}
Bhilai and Durgapur plants were also running below capacity. If the 'logic' of the case regarding Rourkela is to be accepted, the Centre should not have decided the establishment of any new plants at all until all the aforesaid plants had been able to reach full capacity. Moreover, the Rourkela Steel Plant had reportedly achieved higher capacity as compared to any other plant in the country. And amongst the three existing public sector plants then, Rourkela was not only doing better in terms of production performances but also was earning higher returns to investment. This could be attributable to the locational advantage to a great extent. It may be recalled that, in 1953, when a major debate was going on regarding the location of the first public sector steel plant, claims of even Madhya Pradesh, West Bengal and Bihar were accorded secondary status, as on techno-economic merits Rourkela was the most suitable site. In any case, whereas achievement of better returns and higher capacity of all the steel plants was the most desirable goal, the poor logic of the politicisation of 'economic' issues certainly projected the national industrial development strategy in bad light.

8.3 The Follies and Foibles of the State Government

Given that vested political interests, of both the Centre as well as the federating States, often occupy the centre-stage reducing the techno-economic (let alone the aspects of regional backwardness) considerations to the status of a mere ritual; the

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23 For details, see statements made by Hr. Banka Behary Das, MP, Rajya Sabha Debates, 6 August 1970; and also Dwivedy, Surendranath, et.al. (n.d.), p. 3.
expediency and alertness of the State Government are of crucial significance. It is held that the then Government of Orissa lacked the "political will".

As mentioned earlier, before the PM's announcement on 17th April 1970, a representation had been sent to the Centre regarding the location of a steel plant in Orissa on 5th March 1970. In the forwarding letter addressed to the Union Minister for Steel and Heavy Engineering, Mr. K.C. Pant, the State Industries Minister, Mr. Harihar Patel stated: "It is understood that the Government of India are considering a proposal to set up two or three Steel Plants in India during the Fifth Plan period, in order to meet the increasing demand for Steel in the country". Further, the accompanying Memorandum maintained that, in view of the increasing global demand for steel "it would be necessary to establish new Steel Plants during the Fifth and subsequent Plan periods for increasing the Steel capacity in the country".27

From these extracts, which were part of important government communications, it is evident that both the Minister of Industries and the Industries Department (through which the Memorandum was sent) were under the impression that the steel plants were to come under the Fifth Plan and not the Fourth Plan. This misinformation on the part of the State Government was particularly surprising as at least the three South Indian States, being fully aware of such an eventuality, had taken all necessary steps to get the plants

26 Emphasis ours.

27 Second para, p. 2. Emphasis ours.
sanctioned under the Fourth Plan. When this point had been raised both through correspondences as also press reports, the then Chief Minister Mr. R.N. Singh Deo, in a note tried to clarify the alleged 'mis-conception' by stating that, "Even the three new Steel Plants, which have been proposed for the southern region will be projects in the Fifth Plan in the sense that major parts of expenditure on these plants will be incurred during the Fifth Plan period." 28 and maintained that the proposal was made with a view to facilitate "advance action being taken within the Fourth Plan period for providing additional capacity for production of steel in the Fifth Plan". 29 In a situation where Rs.110 crore had been sanctioned for three steel plants to be expended under the Fourth Plan scheme, there was no rationale in not accepting that the "setting up" of these plants was an activity under the same Plan. This explanation only exposed the State Government's lack of familiarity with the important developments in the concerned Cabinet ministry as also lack of forethought and caused irreparable damage to the industrial development prospects of the otherwise backward region.

8.3.1 The Feasibility Report:

In a press note, the State Industries Minister, Mr. Patel, stated that he was told by Mr. Pant that as the Memorandum of Orissa was not accompanied by the feasibility report, it was not taken into consideration. This revelation gave rise to some

28 Mentioned in the 'Note' circulated by the State Government in the meetings of the group leaders of the legislative parties held on 20th May 1970.

serious questions in the public mind regarding the efficiency and alertness of the State Government. These issues were debated thread-bare in public fora. The point was that while the Tamil Nadu Government could prepare such a report through M/s Dastur & Co. for the Salem Steel Plant and when the Centre could do the same for the plants at Hospet and Visakhapatnam, what prevented it from preparing such reports for Bonai and Nayagarh. Again, when the reports were being prepared for the three southern plants, it was particularly unfortunate that the Orissa Government did not protest against the "discriminating treatment" of the Centre. Moreover, why the State Government could not entrust M/s Dastur & Co. for preparing a feasibility report prior to the PM's declaration remained confusing.

As part of standard political convention, the CM had assured the MPs and MLAs of the State that he would take them into confidence and seek their help in matters relating to the development projects in the State. Strangely, though the State Government had submitted the Memorandum on 5 March 1970, the State Assembly was completely kept in the dark about it for more than a month, till the end of the sessions upto 8 April 1970. Even the MPs could not obtain copies of the Memorandum till 17 April 1970, when the declaration was made in the Lok Sabha. Such a situation of non-information regarding a major Central decision, deprived the political representatives of the State of any scope for exercising pressure on the Centre either through debates or popular agitation.

Instead of providing any reply to the questions raised, the CM maintained that till even less than a month's time before the
declaration was made, he was unaware of any possibility of establishing public sector steel plants during the Fourth Plan. He stated:

"It was only on the eve of the last meeting, held on the 21st and 22nd March, 1970, of the National Development Council that, in a paper circulated to the members of the Council, indication was given for the first time that the provision of 20 crores of rupees in the draft plan for advance action for additional steel capacity in the Fifth Plan was proposed to be raised to 110 crores of rupees...." 30

It is to be noted here that much before the NDC meeting, Mr. Samarendra Kundu, MP, who was also a member of the Consultative Committee attached to the Ministry of Steel and Heavy Engineering, had drawn his (CM's) attention to the urgency of the State Government in taking dynamic steps to emphasise Orissa's case for a new steel plant. In fact, towards the end of 1969 itself he had requested the Secretary, Industries Department, Government of Orissa, to send him all the relevant data and information so that Orissa's case for another steel plant could be placed before the Central Government. In reply the Secretary informed him that a memorandum was being prepared by the Government in this connection, which would be circulated to all the MPs. Since no memorandum reached him till the end of January, Mr. Kundu, in a letter to the CM 31, requested him again to send all the relevant materials at the earliest. In the letter he stressed the need for setting up a special cell in the Ministry to process, sponsor and project Orissa's case for a steel plant in the Fourth Plan period as the


31 See, Mr. S. Kundu's letter dated 28 January 1970.
Cabinet had in principle accepted to set up 'two or three' new steel plants.

Repeated reminders from Mr. Kundu could elicit no response from the Industries Department. Such lapses on the part of the State Government were naturally interpreted as "lack of earnestness in placing the State's claim".\textsuperscript{32} As stated in a joint letter by MPs addressed to the PM, "the negligence on the part of the State Government in pursuing the matter and taking it up in right earnest with the Union Government cannot be a reasonable ground for the action of the Central Government in such a matter of national importance".\textsuperscript{33}

**Conclusion**

In the light of the fact that location of public sector units in backward areas has been conceived as an important instrument for removing regional imbalances, we have presented the case of the steel plant proposed to be set up in a backward State - Orissa. The demand for a steel plant was all the more justified because the mineral-rich region of the State fulfilled the major techno-economic requirements for its establishment. But, as our later

\textsuperscript{32} The Ispat Karakhana Sangram Samiti, which consisted of all the then existing eleven political parties in Orissa, excepting the ruling Utkal Congress party alone, had recorded its views thus, "it is unfortunate that the Government of Orissa could not be alert and take timely action in such an important matter in which the interest of Orissa was so vitally connected." See, the Resolution adopted by the Ispat Convention on 21 June 1970. (Published as a booklet, Steel Plant Denied?).

\textsuperscript{33} Vide the letter dated 3 May 1970. This was signed by the following MPs from the State: S.N. Dwivedy, B.B.Das and S. Misra (FSP); Rabi Ray (SSP); R. Ulka (Congress R); and B. Panda (Jana Congress).
analysis shows, this demand was ignored by the Central decision-making authorities based on narrow political considerations. Added to this was the inaction and incapacity on the part of the State Government in articulating the regional interests effectively.

A serious lacuna in the Indian planning process, as exemplified through the above case study, relates to the lack of a clear perspective on industrial dispersal through public sector investment, which has been confused with Statewise allocation of investment in key sectors. This has, in fact, provided enough scope for the regional political groups to exert pressure on the Central Government to suit their interests and to the detriment of poor States. Moreover, such anomalies have permeated into the system totally undermining the techno-economic criteria for location of industries; the question of attaching priority to backward States, of course, is relegated to the background. Unfortunately, the federal structure has served as the breeding ground for growing uneven development.
APPENDIX - 1

Extracts from the Dastur Committee Report

The economies of a coastal steel plant located at Paradeep should compare favourably with the economies of any coastal plant located in other areas, because of the relatively shorter haul of high-grade iron-ore, 90 miles from Daitari, 157 miles from Gandhramardan, and about 170 miles from Malangtoli (Nayagarh) Ore mines. It will, however, compare unfavourably with the inland plant located in the Bonai-Nayargarh iron-ore belt, even after the construction of the Paradeep-Nayagarh Railway.

The Bonai-Nayagarh sites have prima facie better economic prospects for the location of a major steel plant (para 24.)

Both Bonai and Nayagarh sites are equally suitable for the establishment of a major integrated iron and steel plant of capacity ranging from 1.5 to 10 million tons.

Ample space, 40 to 50 square miles, is available at the two Bonai sites, viz., Lodani and Barkot and the Nayagarh site, to accommodate a steel plant of any size. At the Barkot and Nayagarh sites, there is scope for further extension, towards south at the former and towards north at the latter site. At the Lodani site also, such extension appears to be possible by suitably lowering the reservoir level of Barkot Dam below RL 550 possibly to RL 525 or lower. The maximum extent to which this lowering is possible will be determined by its effect, if any, on the optimum development of irrigation and power from the Brahmani waters above the Barakot Dam (paras 26 and 44).

Both Nayagarh and Bonai sites are fairly centrally located in respect of supply of material and distribution of end-products.

They are well served by National and State Highways.

The Lodani/Barkot sites of the Bonai area require, for the effective operation of plant, the construction of 22/44 miles of new railway line to link up with the Barsua-Rourkela Branch line (para 27).

The Nayagarh site similarly requires some 18 to 20 miles of new railway line to connect it with the existing Calcutta-Bombay line through its Banspani-Rajkharsuan Branch line (para. 72).

It is possible to make a start with the construction of a major steel plant immediately after a decision has been taken to do so at the Bonai or the Nayagarh sites (paras, 40, 72).

The construction of the ten-mile long rail link between Bolani terminus and the east site of the Kiriburu terminus, involving three quarters of a mile length of tunnel, appears to be necessary to save 65 miles of haul distance of high grade iron-ore and manganese from Nayagarh area to Rourkela Steel Plant and of limestone and dolomite from the Sundargarh mines to the proposed Nayagarh Plant.
It will shorten the haul distance for manganese ore from Koira to the Bonai sites and otherwise permit economic transfer of required grades or iron-ore from one side of the Kiriburu range to the other.

It will also cut down the distance for the transport of manganese ore from Koira mines to the Bokaro Plant (paras. 30, 52).

The Bonai and Nayagarh sites located as they are so close to the iron-ore deposits can utilise iron-ore fines (and blue dust) constituting 30 to 40 per cent of the run of the mine and a major problem of disposal, and thereby considerably improve the economies of iron-ore mining and steel production.

This may well be a major economic factor in favour of locating the steel plant right close to the iron-ore mines (para. 56).

Coking coal for the Bonai and Nayagarh sites will be obtained from the Bengal-Bihar coalfields and/or (if economical or compelled by necessity) by imports through Paradeep. There is also the possibility of utilising high grade low-ash Talcher coals for blending with coking coals or, after optimum carbonisation treatment, in blast furnaces of sizes restricted to 800 tons (para. 12).

The Nayagarh site will have the possibility of utilising imported coking coals brought through Paradeep Port as soon as the Paradeep-Nayagarh Railway line is completed. The Bonai sites can have the same advantage if the Bolani-Kiriburu railheads are linked by railway across the Kiriburu ridge.

The decision to import coking coals will, of course, be dictated by necessity and/or economies.

Limestone and dolomite will be obtained for the Bonai sites from the Sundargarh area and for the Nayagarh site from the Sundargarh area or, alternatively the Jamda-Delayamarcha area, which is much nearer (paras. 13, 34, 58).

The haul distances to the Bhilai and Rourkela Steel plants and the proposed plants at Bonai and Nayagarh sites compares as follows (paras. 7, 31, 52):

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>For one million tons of ingot steel per annum</th>
<th>Distance from source to steel plant site (miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million tons</td>
<td>Bhilai</td>
</tr>
<tr>
<td>Iron ore</td>
<td>1.600</td>
<td>58</td>
</tr>
<tr>
<td>Coking coal</td>
<td>1.600</td>
<td>455</td>
</tr>
<tr>
<td>Limestone</td>
<td>0.407</td>
<td>16</td>
</tr>
<tr>
<td>Dolomite</td>
<td>0.187</td>
<td>133</td>
</tr>
<tr>
<td>Manganese ore</td>
<td>0.102</td>
<td>144</td>
</tr>
</tbody>
</table>

Para 7 Para 31 Para 52
Adequate water-supply will be available for either of the two locations for the Bonai Plant from one of the reservoirs on the Brahmani river (para. 36).

For the Nayagarh plant, adequate water-supply will be available from Jarapada reservoir immediately west of the site (para. 66).

Power to the extent necessary will be available to a steel plant at any one of the three sites from the Hirakud-Talcher grid.