

# Weekly Notes

## *Exports of Iron Ore*

WHILE efforts to promote new exports are most welcome it will too do to forget those traditional items where exports can be boosted to a very considerable extent. This is particularly applicable to iron ore in which India has nearly 25 per cent of the world's total supply, her percentage of the world trade is barely 4 per cent.

There is too fundamental reason why India should not export very large quantities of iron ore. Orissa iron ore, for instance, is considered to be among the finest produced. Besides, India's proximity to Japan, which is one of the largest importing countries (importing nearly 20 per cent of world iron ore imports), should put her in a very competitive position against other sources of supply like South America; the main defect that bedevils India's iron ore trade is the transport system which is not developed sufficiently to deliver the goods in time.

The importance of transport in the manufacture of steel was presented by Mr. Cartwright, Managing Director of the Steel Company of Wales, in a recent paper on transport of steel. He pointed out that the cost of ore from certain overseas deposits to European steel works was as follows: Cost of mining — 25 per cent; Rail transport to port — 11 per cent; Loading into ship — 2 per cent; Sea freight and cost of discharge — 65 per cent. It can, therefore, be seen that the most important factor determining the c. i. f. cost of iron ore is sea transport. If freight-rates are high, then naturally the f.o.b. price paid for iron ore from that source of supply is very much lower than from other sources of supply.

Sea freight-rates are affected mainly by the time that is taken in loading and discharging the cargo and by the sort of the vessel that is utilised. Although distance plays some part in it, normally it is so small that it does not make much difference.

In this lies a certain moral for India; for, although the countries

that import India's iron ore (60 per cent of it goes to Japan) are able to accommodate large 45,000 tonners and are able to discharge these ships at the rate of 10,000 tons a day, we are still faced with very high freight-rates from India to Japan because Indian ports are neither sufficiently deep nor fast. The State Trading Corporation, which handles India's iron ore exports, does not seem to realise the vital importance of building up ports for export; they go on using small ports like Masulipatam which load at the rate of 400 tons a day, causing long delays to ships and thus pushing up the price for service of transport. If ports were built nearer to the sources of supply and if adequate facilities were given, it would be possible to reduce freight-rates and thus help to put India's iron ore on a much more competitive position.

## *Vizag as Ore Port*

SOME efforts in this direction are being made; in 1964, the Visakhapatnam port scheme is likely to be completed which will make this port a major iron ore exporting port for this country. However, it is not clear that this is the ideal location for a major ore port. Visakhapatnam is over 450 miles from the Kiriburu mines in Orissa which will be the source of supply in the next three years. In fact, there is so much iron ore in Orissa that there are serious grounds for giving the highest priority to developing a port in this area. The Chief Minister of Orissa has put forward, as a possibility, the development of Paradip into a major port. There are certainly many advantages in doing so in view of the fact that the distance from the mines of Tomka, Kiriburu, to Paradip is only about 80-90 miles. However the Railways have no favoured to provide rail facilities and the present scheme is to transport ore in trucks. Two schemes therefore will lead to a substantial waste as transporting iron ore in trucks is not a sensible proposition. The key to successful development

of such a port is the assurance that regular supply of ore will move from the mines to the port. It is, therefore, desirable that all the Ministries concerned should co-operate and co-ordinate in such a scheme, and, indeed, it is the kind of scheme that could ideally be decided by the new Minister for Co-ordination; for it is most wasteful to develop port handling capacities if there are insufficient transport facilities with the hinterland as we should have realised after Kandla. It is absolutely essential to have a regular supply of wagons continually bringing enough iron ore to be loaded as fast as the ship can take it. Another port that could be carefully considered for supplying to western countries is Mangalore. Once again, this port would be very close to the Bellary-Hospet mines and could, provided sufficiently developed, become one of the most important exporting ports that this country will have.

The Board of Trade should seriously consider these problems rather than the problem of developing the port of Bombay. After all there is not much that can be exported from Bombay and, so far at least, it has proved itself sufficiently large to handle all the traffic that comes to it. If we are serious about exporting, there is no reason why we should not concentrate on those exports which are bound to give us a sure lead.

## *Furnace Oil and Coal*

THE cut made in the freight on furnace oil is unlikely to be a substantial inducement to consumers to switch over from coal to oil. The basic disparity in prices of oil and coal are sufficiently substantial to counter-act any concerted move to use furnace oil.

The calorific value of oil is about 19,000 British Thermal Units while that of coal is 11,000. Therefore, the conversion ratio of coal to oil is about 175:100 " (this varies, of

course, with the quality of coal). The price of coal, however, is about 20 per cent of the price of furnace oil; for instance, the F O R price of coal Grade I in West Bengal is about Rs 25 per ton, while the F O R Bombay price of oil is about Ra 140 per ton, (of which, excise duly accounts for Rs 2940), both exclusive of sales tax. So a concern in or around Calcutta which intends to change from coal to oil would be paying nearly Rs 80-90 per ton extra on the F O R prices for equivalent caloric values.

Coal being of low intrinsic value, its freight is about 100 per cent of the price for even short distances (say 200 miles), while for furnace oil, the freight is about 15 per cent of the F O R price; therefore, even a 50 per cent reduction in freight on oil is hardly likely to be substantial, as it will make only a 7½ per cent difference in the final price of oil.

In certain parts of the country, however, the price of coal is already sufficiently high to discourage its consumption; for instance, in Bombay Graded I coal is Rs 88 per ton, which if converted into its furnace oil equivalent (1.75 tons of coal) would be about Rs 150; against this, the price of a ton of furnace oil is only Rs 140.

It is more economic to use furnace oil in Bombay because of the high freight rate on coal and not the low freight on oil. The correct remedy, therefore, is probably to raise the freight on coal rather than lower the freight on oil. Actually if the Railways abandon their telescopic freight rate system, this would be done automatically as the main source of supply of oil is Bombay, and the main source of supply of coal is Calcutta. "All this, however, requires fairly radical reconsideration of policy by the Railways as also a lot of other changes,

#### **FLN-OAS Truce**

DY arriving at a dramatic agreement with the OAS last week, the FLN has added another feather to its cap. It showed sound political sense in refusing to be provoked by OAS terrorism against the Moslems. And now it has exhibited equally shrewd judgment in choosing the psychologically correct moment to seek an agreement with the OAS.

The Europeans at last had decided to bow before the inevitable and reconcile themselves to Algerian independence. As the referendum drew near and President de Gaulle showed no sign of resiling from the agreements, the *piedsnoirs*, those who are Algerian-born and have a stake in the country, started having second thoughts and ultimately moved apart from the desperados, the "mad colonels" and "lost soldiers" who had deserted the armed forces and security agencies. Europeans with big business interests were, for quite some time, seeking to find common ground with the *autochthons* and as the futility of OAS facts became increasingly apparent, many began to realise that the Evian agreements had provided all the safeguards — political, religious, economic and cultural—they needed. But formal safeguards, after all, cannot save anybody if the spirit in which they are applied is hostile. It was much better, therefore, to try to win the goodwill of the majority. But the *colons* needed something to save their face and to meet the demands of honour. This the FLNs assurances have provided. It may, however, be rash to rule out further acts of violence. At the grass-roots level important sections of the European population, mainly in Oran and Algiers, have long been planning a kind of Custer's last stand. Armed with weapons, ammunition and supplies stolen from official stores, these groups may from time to time engage in violence, flouting the Secret Army Organisation's call.

It now remains to be asked what really caused this emergence of goodwill. It was, as has been already stated, firmness that persuaded the *colons* to change their mind. Both President de Gaulle and the National Liberation Front made it clear beyond doubt that they were determined to push through the programme fixed. The Europeans were in no position to reverse the process that started with the accords. They could either accept the settlement France had made with the Algerian National Liberation Front and make the necessary adjustments or reject it and leave the country which not all could do. They decided to accept it and set about making it as palatable as it could

possibly be made in the situation. OAS-FLN negotiations led to the present assurances and the Secret Army's pledge to cooperate in rebuilding Algeria. The OAS preferred to act independently of the French Government which it loathes and can now claim that it has negotiated with the Moslems the terms of peace. If the *colons* had to bend under pressure of circumstances, the Algerian nationalists also had much to gain from a settlement with the OAS. There were economic compulsions and the large scale migration of Europeans had to be ended — the daily average of refugees leaving Algeria had soared to 8,000. The skilled labour is largely European. Mass flight of both capital and skilled labour could do lasting harm to the economy.

#### **Ankleshwar Oil**

THE arrangement for supply of crude oil from the Oil and Natural Gas Commission's wells in Ankleshwar in Gujarat to the Burmah-Shell and Stanvac refineries made last year was intended to enable the country to benefit from ONGC's oil discoveries in Ankleshwar even before the public sector refinery at Koyali, which would ultimately refine Ankleshwar oil, was set up. Under this arrangement, oil has been flowing from Ankleshwar to the refineries since September last, beginning with a mere trickle of 100 tons per day to the present level of 1,200 tons.

The agreements signed by Shri P R Nayak, Member of the O N G C with the Burmah-Shell and Esso refineries on Friday last week formalised the arrangement made last year. Besides spelling out the details regarding pricing of the crude from Ankleshwar, the agreements also provide for increasing the supply from 1,200 tons per day as at present to 1,500 tons within the next two months. Of this, the Burmah-Shell refinery will receive 900 tons and Esso 600 tons. The agreement is initially tenable for a period of two-and-a-half years, by which time the Koyali refinery is scheduled to be ready. However, since present estimates of the reserves at Ankleshwar indicate that it should be possible to achieve and sustain an annual production of