Management of Public Steel Plants

Break-Up of Hindustan Steel Will Not Help

(From Our Calcutta Correspondent)

THE first few weeks of Shri C Subramaniam's tenure as Union Minister for Steel and Heavy Industry have produced a crop of decisions on long-outstanding issues, confirming that this particular change in Cabinet portfolios has been all to the good. In his very first policy statement, made to Parliament on May 17 in course of the debate on the Ministry's grants, Shri Subramaniam left no doubt that a reorganisation of public sector steel was imminent. His reference to Hindustan Steel Limited (HSL) headquarters as a "parallel secretariat" and the emphasis he placed on the devolution of authority, warmed the hearts of many — not only of those who might benefit from the change but also of independent observers. It will be a mistake, however, to assume that this major shift in policy wholly derives from Sbbramaniam's purposiveness. As a matter of fact, several responsible officials in the Ministry and the Planning Commission had been working to this end for some months but without getting anywhere. Fortunately they found Subramaniam a more responsive Minister than his predecessor; as a result, a sense of direction has been restored to the Ministry which was conspicuously larking since TTK left steel.

It is difficult to judge at present how far the reorganisation will proceed but clearly HSL will not go unscathed. There is danger, however, that in the present dissatisfaction with HSL's performance, the need for co-ordination and unified policy may tend to be overlooked. There is hardly any room for difference on the basic principle of delegating more authority to the managements of HSL's constituted units but this need not be synonymous with breaking up HSL and setting up independent companies to run each plant.

Expensive Duplication

There is no insuperable difficulty in combining operational autonomy with some degree of co-ordination. In the United States — the analogy is appropriate notwithstanding the differences in circumstances — U S Steel found it expedient to merge its subsidiaries into a single corporation, abandoning the earlier pattern when it was no more than a holding company. In part, this move was tax-motivated but considerations of greater operational efficiency weighed a good deal. In the U S S R, there has been some decentralisation of control over the steel industry but even now the steel plants function under the supervision of regional economic councils, In our circumstances where top-level technical manpower is so limited, we cannot afford to duplicate efforts where this can be avoided.

For instance, HSL has with great difficulty built up a nucleus of a Central Design Organisation, which has undertaken the designing and engineering of the expansion of Rourkela and Durgapur. It is inconceivable that such an agency could be triplicated because there would not be sufficient design engineers to go round. Similarly, purchase and procurement has to be unified in order that specifications may be standardised. This is effected at present by processing indents through one central department, and it seems illogical to sacrifice the advantages this offers. There are complaints already that three plants having been built with assistance from three nations, each with its own technical ideas, there is unnecessary diversity in specifications for supplies.

Retain H S L, But ..

The solution may lie, therefore, in retaining HSL but after adequate powers have been delegated from its board to plant managements. In personnel matters this will mean giving greater authority to general managers in respect of appointments and promotions to existing or sanctioned posts, although manning standards and pay scales may be centrally laid down. Just as General Managers must have the authority to reward merit as a corollary to their power to punish, central control over manning and pay scales is as necessary to avoid future labour troubles. If the fitter on one job is allowed a helper at Bhilai, trade unions will, sooner or later, demand the same at Rourkela or Durgapur. In financial matters, HSL has little to delegate since the powers of its own Board are so circumscribed. Here, the Ministry should consider raising the financial limit placed upon the Board's authority to sanction capital expenditure within the framework of thr overall ceilings agreed to from year to year. The Board might in turn enhance the powers of plant managements.

What happens today is that individual proposals even if they relate to approved schemes, travel from the plants to Ranchi where they are subjected *to* detailed technical scrutiny not only by the technical management but also by Finance. An instance is known where the financial wizard, having met a visiting foreign expert at a cocktail party the previous night, raised the query whether the blooming mill of the alloy and tool steel plant to be built at Durgapur could not be dispensed with in favour o'f continuous casting, Much time was wasted in convincing Finance that the suggestion, while quite possible some years hence, was absolutely impractical at present. This kind of uninformed scrutiny causes delays and frustration, more so because even after the Ranchi hurdle is cleared, there remains another to be negotiated in the Ministry in New Delhi. An increase in financial powers will not, therefore, suffice without some structural reform in the role and functions of financial advisers in the plants, at HSL's headquarters, and finally in New-Delhi. The suggestion made by Shri S S Khera, now Cabinet Secretary, to create technical cells in the Ministries is particulary relevant in this context.

Finally, a part of the responsibility for the present *impasse* lies out-

* The Minister has since disclaimed any such intention.

side the Steel Ministry. If equipment is being cannibalised in Rour-krla, or if maintenance in shockingly inadequate, it is largely because of the time it takes to obtain foreign exchange for spares. In principle each steel plant is given a blanket license to take care of its recurring maintenance needs. But before an item can be imported under this license, clearance has to be individually obtained from the Chief Controller of Imports and Exports who in turn must obtain the concurrence of the Development Wing. The Solveen Mission sent out by the West German Ministry of Economics to enquire into the working of Rourkela claimed that these procedural formalities delayed procurement by as much as 24 months, since no overseas manufacturer will start work on an order until the import license number is furnished. Even private sector industries complain that delays of four to six months in obtaining exchange clearance have now become normal; heftce the proliferation of high-powered liaison officers in New Delhi. Hindustan Steel too has a New Delhi liaison office in addition to which Directors, General Managers, and lesser functionaries are continually hopping back and forth between Ranchi and Delhi to expedite exchange. Is it possible that high pressure tactics, of the private sector gets better results in these matters than fraternal pleas of public sector managements?

Discipline Slack

Another factor bedevilling public sector steel is the undue interest of State Governments in personnel matters. It has become customary that the Deputy General Manager in charge of personnel should indrawn from the administrative cadre of the State in which the plant i.- located. In the case of one plant even the General Manager must lie a native of the State because the Chief Minister reportedly insists on it. In these circumstances, it is unlikely that recruitment to post? requiring either skill or special qualifications can be wholly insulated from parochial pressures. In the unskilled category preference to locals may be unobjectionable, hut an unexpected consequence of this may be noted here. Local sentiment has been whipped to such a state that even a routine dismissal or disciplinary action is invariably turned into an issue of the native versus the outsider. At Rourkela. for instance, where most supervisors are. of necessity, from out side the State, few dare to reprimand a worker. A foreman waking up a couple of men sleeping on the job was done to death by "persons unknown", at least to the State police. Supervisor morale can-'not be high in such circumstances. and there is nothing that IISL or Shri Subramaniam for that matteu can do about it. Vet the lack of industrial discipline constitutes a major handicap to production, as several knowledgeable observes have noted,

Clearly, the problems that: afflict these steel plants are not going to be solved by breaking up HSL. Public opinion disappointed at HSLV performance will welcome such a move but it is to be hoped that Shri Subramaniam will not yield to the temptation of playing to the gallery. The curing of HSL's ills requires more thorough-going reforms, because they will benefit all public sector enterprises suffering from the same problems.