

Bombay House, Fort
Bombay, 25th Aug. 1967

2693

With the Compliments
of
Mr. J. R. D. Tata



HARIHAR PATEL
MINISTER
INDUSTRIES, COMMERCE, CO-OPERATION
& FORESTRY AND FISHERIES

ORISSA STATE

Dictated in Hindi for (47-221)
Camp: Orissa Bhavan, N. Delhi,
~~DELHI~~

Date 7th August, 1967

Dear Shri Masani,

Kindly recall our discussion this afternoon regarding the proposed Alloys and Tool Steel Project being planned by the Tatas at Adityapur. I happened to read about this project in the speech of Shri J.R.D. Tata in the Annual General Body Meeting of Tisco to be held on the 11th August which was published in several newspapers. Two reasons have been given in the speech for going slow about the implementation of the project, viz., (i) escalation of the cost due to devaluation and (ii) prevailing labour, law and order situation in Bihar.

You may be aware that the Tisco have been operating iron ore mines in Badampahar and Gorumahisani areas of Mayurbhanj district in Orissa for nearly a century. These mines are being threatened with closure in the next few years, which, you will appreciate, will involve a huge retrenchment and land the State Government in an embarrassing situation due to mass scale loss of employment. We are afraid, about four to five thousand people will be ultimately affected and having operated these mines for nearly a century, I think, the Tatas should maintain an interest in the area by locating here and elsewhere in the State some of the industrial projects being planned by the Company. I think, the location of the proposed Alloys and Tool Steel Project in this area, or, if necessary, in any other suitable place in the State, would be a practical proposition. As you are aware, there is no particular labour problem in our State and law and order situation is very congenial for growth of industries. All these apart, the State, as you know, is richly endowed for starting several mineral and metallurgical industries.

I would request you to kindly discuss the matter of locating the Alloy and Tool Steel Project as well as other projects being contemplated by the Tata group of Companies in Orissa with the Directors of the Company and if you so advise, I can discuss the matter with the Management of Tatas further either at Jamshedpur or at Bombay.

With kind regards,

Yours sincerely,

Harihar Patel
(Harihar Patel)

Shri M.R. Masani, M.P.,
2, Tughlak Road,
NEW DELHI.

16th August, 1967

Dear Shri Patel,

Shri M. R. Masani has shown me your letter to him of the 7th August, regarding the possibility of locating Tata's Alloy and Tool Steels Plant in Orissa instead of Bihar, in the light of my remarks in my Chairman's Statement to the shareholders of TISCO.

While it is true that the unfavourable labour situation at Jamshedpur and the attitude of the new Government of Bihar towards private enterprise in general and the Tata Iron & Steel Company in particular have a bearing on our decision to mark time regarding this project, equally important is the present severe recession in industry and the grave financial stringency prevailing in the country today, which would make it very difficult for us to raise the necessary capital for implementing such a large project.

The steep drop in our profits due to constantly mounting costs, while selling prices were pegged down for years, has added to the problem as the Company's retained earnings, which it could plough back into expansion, have been drastically curtailed.

Finally, devaluation has greatly added to the estimated capital cost of the project. You will kindly appreciate that these factors would be equally adverse whether the plant were put up in Bihar or in Orissa. Having said this, I may assure you that we find the conditions in Orissa today much more satisfactory, from the point of view of industry, than in other parts of Eastern India, and if an opportunity for creating a new industry arose, we would certainly be happy to give full consideration to the possibility of locating it in Orissa.

I am well aware of the concern which our forthcoming shut-down of our Gorumahisani and Badampahar mines has aroused. Although I do feel that exaggerated fears have been expressed, the total number of men and women likely to lose their employment will only be approximately 2,600 and they will all be paid generous terms of retrenchment exceeding those to which they would be entitled under the law. We shall certainly give them preference over new employees in the filling of any vacancies in our other mines in Orissa. We are also considering what the Company could do to mitigate such loss as may be suffered by Orissa as a result of the closing of the mines. I am sure that you appreciate the fact that we have no option but to close these mines because of the exhaustion of all usable ores of the right quality. The mines have after all been in operation for about 60 years, in the course of which they have brought considerable employment and benefit to the State and to its people.

With kind regards,

Shri Harihar Patel,
Minister for Industries, Commerce ...
Bhubaneswar.

Yours sincerely,
(Sd.) J. R. D. Tata