Company Meeting

The Tata Iron and Steel Company Limited

Speech of Chairman. Mr J R D Tata

THE following is the speech of the Chairman, Mr. J. R. D. Tata, delivered at the fiftythird Annual General Meeting of the shareholders of the Tata Iron & Steel Company. Limited, on Thursday, October 6,1960 1960:

LADIES AND GENTLEMEN,

I must first apologise to you for the delay of a little over a month this year in holding our meeting.

Although we have repeatedly urged Government to come to an early decision on our long outstanding claims and pointed out the diflicul ties and inconvenience caused by the prolonged delay which has taken place, I am sorry to say the matter remains undecided to this day. I am therefore unable to enlighten you any further today on this matter which is of such great importance to us. Lest, however, undue hopes are raised in the breasts of the more optimistic amongst our shareholders, I must remind you that during the last two years- including the one under review, we have, in order to pay dividends, drawn nearly Rs. 450 lakhs from our general reserve, the replenishment of which will have first claim on any amount we may obtain in compensatory price increases.

As my statement, included all I had to say directly concerning th accounts and affairs of our Company: I shall today only review briefly some matters of interest to us and to industry generally.

The past year has shown progress in many directions and in particular a welcome spurt in industrial production. It is therefore all the more disappointing that agricultural output has failed to make effective progress and that the country seems to be as far away as ever from self-sufficiency in food without which all efforts at achieving rapid economic growth must fail.

In the immediate context however, the two most serious economic obstacles facing the country are the inflation which steadily erodes the fruits of our development plans before they can reach the people, and the foreign exchange situation which has reached another crisis even more serious than the one we faced in 1957.

The problem of inflation is per haps the most threatening and in tractable of all. In the last, five years alone, the purchasing power of the rupee has fallen by about 35% and, with mounting development expenditure, inflationary pressures will increase further in the years to come. I realise the grievous dilemma and difficulty Willi which our Government and planners are faced in having to reconcile the need for rapid development involving large and continuous public expenditure with the need to hold the price front. May I suggest, however, that they are themselves aggravating the situation and magnifying the problem by insisting on concentrating development expenditure to the extent that is now being done on basic and capital goods industries, the products of which are incapable of absorbing the additional purchasing power pumped into the economy.

Large scale investments with long periods of fruition involve pumping into the economy corresponding increases of purchasing power which are automatically translated into demands for consumer goods. Apart from the imposition of drastic controls over the whole field of consumption, which would be both objectionable and impracticable in a country like ours, the only two possible ways of relieving this type of inflationary pressure are to meet, as far as possible, the demand for consumer goods, or to mop up excess purchasing power by additional taxation which is out of the question in India as the level of taxation is already excessive and the Third Five-Year Plan has in any case already provided upto the hilt for taxation as the principal source of internal finance. Therefore an increase in the supply of consumer goods is the only practical alternative at our disposal. In view of the foreign exchange situation which precludes imports other than of food financed by foreign aid. it is clear that we must turn to our own industries for additional consumer goods. Unfortunately, far from encouraging the development of consumer goods industries. Government impose severe restrictions on further investments in them and on increased output from some sections of the industries which could otherwise help to counter inflation. One example of this is the limitation of 800 million yards, or a mere 16 % imposed on the increased production of mill-made cloth by the end of the Plan period. While recognising the complexity of the problem, I submit that, unless positive steps are taken to counter the inflationary effect of large investments in. heavy industry by the balancing growth of consumer goods, the spiral of inflation cannot but continue to grow.

The gravity of the foreign exchange situation can be judged from the fact that, except for a dangerously small working balance, we have exhausted all our past accumulation of foreign resources and have an annual deficit in our current balance of trade, while we require a further Rs. 2,1.00 crores of foreign exchange to finance development imports under the Third Plan, and during the same period we will have to repay foreign loans to the extent of Its. 600 crores, including interest. It is therefore only too clear that unless foreign aid, loans or investments are forthcoming in full measure, the Plan will inevitably have to be pruned, and even our present rate of industrial produclion may be in jeopardy.

These grim figures highlight the eon sequences of our failure to achieve self-sufficiency in food. Since 1st January 1948 we have spent on imports of food over Rs. 1,000 crores from our own foreign exchange resources in addition to nearly Rs. 500 crores obtained through foreign aid mainly from the United States under the PL 480 Programme. If we had been spared these imports, there would today be no foreign exchange crisis and the task of building up the country's economy would be infinitely easier.

We can only hope that the dismal lesson has been fully learnt and that in future nothing will be allowed greater priority than attaining self-sufficiency in food.

An outline of the Third Five-Year Plan, was recently published and debated in Parliament. As citizens we are vitally interested in the nature, scope and objective of these Plans with which Government seek to mould our future economic destinies, As I have said on many occasions before, we in private enterprise are neither against planning nor against doing so on a big scale provided it is in due relation to available resources. We realise that the all pervading problem of the country's poverty cannot be solved without bold action and without sacrifice in. which all must share. We firmly support the objectives of raising the national income as rapidly as we can and of distributing it is widely and justly as possible. Some of us may regret that so large a part of Government's economic policies is based on the belief that these objectives can only be attained by socialistic means, as thereby much of the country's effort is wasted in a mass of costly, time consuming and largely ineflecfive controls, and the initiative and creative urge of the people is stilled. So much has been said in the past on the subject, some of it by myself, that I will not weary you with a further pursuit of this unhappy controversy. I shall only repeal that, to the extent that, we are desired or permitted to do so. we shall, as in the past, continue to offer our full cooperation wherever we can be of service to the nation.

Reverting to the Third Five-year Plan. I have already mentioned the decisive extent to which our ability to raise the- necessary foreign exchange will determine whether it can he adhered to or will have to be pruned. In either case. I would plead for the maximum degree of realism, untiuged by ideologica considerations, in regard to industrial objectives and targets. In the Plan as it stands, the most striking feature is that 60% of the investment in industry is proposed to be in basic and heavy industries, including steel. While there can be no question that a modern and fully industrialised nation must be largely self-sufficient in these basic industries the question at issue is whether, with the strictly limited resources at our disposal, and. subjected as we are to heavy and growing inflationary pressures, we can afford at this time to give such overwhelming priority to steel and heavy industry, unless of course they can be financed in part by foreign capital which would release the pressure on our own foreign exchange resources.

In this context, we welcome the shift in our country's policies towards foreign participation in industry. We have gone a long way from the days when such participation in industry was looked upon with suspicion and discouraged and this is obviously to the good. With the persistent shortage of foreign exchange which is bound to plague us for many years to come, it is obvious that India has much to gain from an influx of foreign capital which, it may be usefully remembered, was what made possible the initial economic growth of the United States of America in the last century.

However much Government might prefer to see basic industries developed in the State Sector. I sincerely hope, in view of the tremendous capital expenditure involved in such industries, that they will not. on ideological grounds, oppose participation bv foreign private enterprise in the fields if such participation can be secured, which of course is by no means certain. While no risks could arise in a controlled economy such as ours, the benefits to the country would be enormous, Not only would the objective of developing basic industries be met to that extent, but the large funds released in consequence could be diverted to equally vital projects, such as additional fertiliser production and the development of power, fuel and transport resources.

As it is. industry throughout the country, in both the Public and Private Sectors, is suffering acutely from inadequacies in the supply and quality of raw materials. All the steel plants in India today are operating on a hand-to-mouth basis in respect of coal and rail transport. In fact, during the past Jew-months, the commissioning of three new blast furnaces with their allied coke oven installations have had to be postponed because of lack of coal, I hope that Government; now fully alerted to the dangers of this situation, will ensure that, in future, supplies of raw materials and transport do not lag behind the growth of industrial capacity.

However far and fast we may wish to travel in the next five years on the road to full industrialisation, I earnestly plead that in the final size and shape of the Third Five-Year Plan and those that follow, we do not at any time divert to expansion the resources required to maintain the full output of existing productive capacity. In the difficult circumstances which confront India today nothing could be more wasteful than to have to restrict output and employment because of a lack of power or raw-materials or transport.

The fact that we may be critical of Government at times about some of their ideas or policies does not mean that we do not recognise the tremendous efforts they have made and are making to give us a sound administration and to promote the welfare of the 400 million people in their care. It is inevitable that there should be disagreements as to the best means of achieving rapid economic growth. Indeed, it is a healthy sign of vigour in our democracy that there should be such differences of opinion and that they should be fearlessly stated. So long as we share the common will to serve, there should be no possibility of misunderstanding motives and honestly held convictions.

In the formidable undertaking of freeing in a brief space of time the people of this ancient country from their bonds of poverty. I hope that we shall have a useful part to play, and on your behalf I pledge the full support of the Tata Iron and Steel Company in this great task.

NOTE: This is not a report of the proceedings at the above Annual General Meeting.