THE ROLE OF THE STEEL INDUSTRY IN NIGERIA'S SOCIO-ECONOMIC DEVELOPMENT

A CASE STUDY OF THE KATSINA STEEL ROLLING MILL

BY

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[illegible]

DISSERTATION

A dissertation presented to the department of Political Science, Ahmadu Bello University, Nigeria in partial fulfilment of the requirements for the Award of a Master of Science degree in Political Science.

December, 1992

DEDICATION

This work is dedicated to my husband and my son, Oladayo

DECLARATION

I OLOMUKORO, BRIDGET AKPOJEVBE with Registration Number G90PS0040, hereby declare that this thesis has been prepared by me and it is the product of my own research work. All quotations have been acknowledged by means of references.

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Date

CERTIFICATION

This thesis entiled "The Role of The Steel Industry in Nigeria's Socio-Economic Development . A case study of the Katsina Steel Rolling Mill" meets the regulations governing the award of the Masters degree (Pol. Sc) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Chairman, Supervisory Committe — Date: 08-06-'93

Member, Supervisory Committee — Date

Head of Department — Date

Dean, Post Graduate School — Date

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CHAPTER ONE

RESEARCH PROBLEM AND METHODOLOGY

1.0 INTRODUCTION

The problem of development to the less developed countries of the world is second in importance only to the future of mankind itself. The question of the goals and methods of development either economically or socially raises many complex and interconnected problems.

Most developing countries seek the path to industrialization to bring about economic development and break away from the shackles of underdevelopment and dependency. It is a means for diversifying the economy, so that the developing countries do not continue to be international raw materials suppliers only.

Nigeria has as some of its goals for industrialization as; the promotion of modern technology transfer and acquisition, conservation of the country's foreign exchange, the creation of and spread of employment opportunities throughout the federation, export promotion in order to optimise the use of the country's availalbe resources, facilitating a geographical dispersal of the country's economic activitie and above all the need to achieve economic development and indeed self-reliance.

Nigeria's initial thrust into large scale steel production as manifested by the construction of the integrated steel plant at Ovwian-Aladja and the dependent Inland Rolling Mills, and the continuing construction of Ajaokuta Steel Complex was formed on the need for self-reliance, to meet the needs of a growing economy and to foster the development of a more diversified and integrated industrial base.

As is evident from the above, the objectives are in fact quite bold and their full realisation would represent a veritable means for economic growth and development.

1.1 STATEMENT OF THE PROBLEM

Industrialization has come to play a very prominent and relevant role in the socio-economic programmes of most developed and developing nations. Nigeria is not an exception in the race towards industrialization as she has been striving to have a diversified industrialized economy.

What is the structure of the steel industries and what is their position within the industrial sector? What is the position of the steel industry relative to other industries? In other words, what is the relationship between the steel industries and other industries? These are some pertinent questions to which answers will be sought in this study.

The federal government had some objectives in setting up industries which include the steel industries and the inland rolling mills. These oblectives as had been mentioned in the introduction include; improved socio-economic growth, self reliance, the creation of job opportunities, improvement and provision of necessary social ammenities - light, water, roads, health services, education, etc.

The problem therefore is to what extent has industrialization made the nation self-reliant? Has the federal government succeeded in creating more job opportunities for Nigerians through industrialization?

Have the steel industries contributed in any significant way in the match towards economic growth and development? In essence, what is the economic inpact of the steel industries on the nation, and most especailly, what is the economic impact of the Katsina Steel Rolling Mill on its immediate environment?

From the economic impact emanates the social impacts of industrialization. There have been known cases especially in the oil sector where communities have not benefited sufficiently from the activities of such industries in their midst. To what extent therefore have the steel industries, especially the Katsina Steel rolling mill contributed towards improving the social activities and ammenities of the people in the Katsina area and within this context, the problem will be to find out the social and technical benefits of siting these industries and mills in a particular area. What is the cost, either negatively or positively of these industries on the society?

The overall problem of this study therefore is to find out the economic and social impact of the steel industries on the Nigerian economy and society. Answers to these questions are sought using the Katsina steel rolling mill as a case study.

1.2 1.2 RATIONALE FOR THE STUDY

The rationale for the study lies in its attempt to contribute to the study of industrialization as it relates to social and economic development. The intellectual community will find this study very benefiting and an added bonus in its field since the topic has been critically treated.

The Nigerian society through this study will know the extent of government participation in industrialization in Nigeria and how it has benefited the nation. The Federal government will also know if its objectives for setting up the Rolling Mills has been achieved.

The immediate society, that is Katsina town and the State in general stand to benefit from this study in that it will expose the activities and performance of the company within their environ. The people will therefore know how much they have gained, stand to gain or lose from the location of the company in the State.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are:-

(i) To find out the position of the steel industries within the Nigerian industrial sector.

(ii) To find out the relationship, if any between the steel industries and other related industries.

(iii) To find out if the federal government has realized its goals and objectives in setting up the steel industries and mills.

(iv) Related to (iii) above, is to find out the social and economic impact of the rolling mills; most especially that of the Katsina steel rolling mill and finally,

(v) To find out if industrialization is a reliable means to solving the

problem of underdevelopment in the third world in general and Nigeria in particular.

1.4 HYPOTHESES

From the definitions given of the meaning of industrialization, inspite of their loopholes and variations, there is a common theme peculiar to them. This is the fact that the definitions agree that undustrialization is one of the major tools, with whose aid and means the circle of backwardness and poverty can be broken.

If studies have shown in development and underdevelopment theories that agriculture alone does not and cannot lead to the development of any nation, then it can be proposed that: A mono-cultural economy does not lead to effective development.

If the diversification of the economy through industrialization creates many relevant avenues to economic development and if it has been proved that industrialisation improves economic activities within and outside a country leading to economic growth, then, industrialization is very necessary for the economic development of any nation.

If the economic activities of a nation through industrialization benefits the nation, then it is only true that the citizens of the nation will benefit from industrialization. This is in terms of job opportunities, improved social and infrastructure facilities such as roads, water, electricity, health services education etc. Following this, then it is plausible to argue that: Industrialisation leads to the social development of a nation.

In Nigeria, if one of the federal government objectives of industrialization includes that of self-reliance, and if it is true as the advertisements say, that the steel industries are reinforcing the nation with Nigerian steel, then: Industrialisation leads to self-reliance.

Katsina steel Rolling Mill has a slogan of; Katsina Steel - "Central to the Nation's Steel Needs". Following this saying, it is concluded that:

Industrialization is very necessary for the self reliance, economic and social growth of any nation. In other words, if well implemented, Nigeria's present industrialization strategy can lead to economic development and self reliance.

1.5 THEORETICAL FRAMEWORK

This study is situated within the framework of the underdevelopment/ dependency theory (U.D.T.). This is a strand of marxist theory of imperialism. The U.D.T. has among its arguments that underdevelopment including industrial and technological backwardness is imposed by the developed nations particularly through the extraction of surplus value.

The U.D.T. came up as a reaction to the modernisation school, proponents of which are known as development theoriests: Although there are many strands of the theory of development, there are a number of factors which are common to all of them. They have made a distinction between the 'traditional' and the 'modern'. In one form or another, they have tended to see development in terms of the movement of social-economic and political changes from 'traditional' to 'modern' structures. For some theorists of this school, the movement from the 'traditional to the 'modern' is not necessarily an uninterupted march. There are likely to be 'breakdowns' or decay[2]. Other theorists of this school, recognise that in most cases both the 'traditional' and the 'modern' exist in mixed forms. Nonetheless, generally speaking, the concept of development has been defined by this school in terms of the increasing differentiation and integration of structures, functions and roles.

A crucial assuption here is that the backward areas have remained in this condition because they have failed to move from this state of backwardness, from which the developed world has moved towards modernity.

There is a tautology in the argument which explains nothing, that is, these areas are backward because they are backward. For development to occur, it is important to identify specific aspects of traditionalism and tradition which act as obstacles to change.

Moreover, these obstacles have not been removed because of a profound absence of contact between 'modern' and 'traditional' societies. Here there exists a dualism - between the 'modern' and the 'traditional' - which expresses itself at the social, political and economic levels.

It was precisely these assumptions that the underdevelopment theorists took to task. The protagonists led by A. G. Frank in Latin America (where this school developed) and Samir Amin in Africa (where the theory probably has been most widely and seriously treated) contended that far from there being an absence of contact between the 'developed' and the 'underdeveloped' worlds, it has been, on the contrary, the very close contacts between them that has led to the "development of underdevelopment", in these areas.[3]

Lenin writing on imperialism as the highest stage of capitalism,[4] had predicted that a time would come when the world will be divided into two for the benefit of the capitalist who will exploit the other half. He notes that international capital will play a vital role in this division and bring about an uneven relationship.[5]

Andre Gunder Frank re-emphasised this point in his writing on the underdevelopment of Latin American States.[6] He notes that underdevelopment is a result of the relationship between the satellites and metropoles as he calls them. The Satellites he describes as the underdeveloped nations which are raw material producers for the metropoles which are countries of the west that are industrialized. The kind of development achieved by the satellites he notes, is that dictated to them by the metropoles and this only helps to further perpetuate underdevelopment in these areas. He notes the absence of industrialisation during the relationship between both parties. The metropoles only established industries and factories that would meet their own immediate needs in terms of raw materials in these areas.[7]

Samir Amin, a notable underdevelopment and development theorist also in line with A. G. Frank sees underdevelopment as a result of contact between the developing countries and Europe especially through colonialism.[8]

Amin says that growth is essentially a measure of a few relatively easily identifiable units of output; development is a historical process which encompasses not only production but the entire economic and social life of a nation in transition; its health, education, social outlook, the dynamism of its political institutions and in fact the total life of the nation. He states that the choice of the term growth over development is no accident. It helps perpetuate an imblance that has served the industrialized nations well. The imbalance concerns the international division of labour under which the industrialized nations of the centre concentrate on high technology and a high return on manufactured products, while the developing countries of the periphery are made to concentrate on raw materials production and some light manufacturing.[9]

Thus, growth to maintain the existing international division of labour is not development at all. Amin asserts instead, that it is the perpetuation of underdevelopment. True development according to him, is not directed at exports but at the domestic requirement of the national economy, particularly for the great mass of the people, and the satisfaction of their most urgent needs.

Hence, he says, once the development orientation towards the domestic market has been fixed, an element of reality enters the workings of the economy. Real wages become linked to productivity and to technological progress. A fair system of income distribution can get under way.[10]

On industrialization in the post colonial state, the U.D.T. argues on disarticulation; that is, the lack of internal productive linkages, between economic sectors as well as between regions. Claude Ake, says here that this was brought about by colonialism which developed only certain activities and areas which suited its own needs, thereby causing an unbalanced economic growth.[11] He argues that there has been no significant changes in these respects after independence.

However, one will notice in the Nigerian industrial sector that there appears to be significant steps towards fighting disarticulation. This is seen, for example, in the steel works, steel rolling mills, machine tools industries, tractor factories, fertilizer plants etc.

Harry Goulbourne has contributed to the debate on development and underdevelopment theories. He notes that central to the discussion of both theories is whether the increasing penetration by the capitalist mode of production is such that these areas may become industrialized so as to be regarded as 'developed' or whether the presence of foreign capital in these countries simply perpetuates an abiding underdevelopment.[12] According to him, this question is often considered in terms of the capability or incapability of capitalism to transform these formations from their backwardness.

Goulbourne argues on the problem of conceptualisation between both schools. he claims that developed capitalist structures, or 'centres' and underdeveloped 'satellites' or peripheries are two sides of the same coin. One could not exist without the other; they are complementary pieces of a whole structure. He notes that, far from there being patterns or stages of development there are only patterns of 'underdevelopment' or at best, the "development of underdevelopment".[13]

As a reaction to the modernization or development school, he argues that the relationship perceived to exist between the 'centre' and 'periphery', which he notes is wholly lacking in the development thesis, is that of nations 'exploiting' each other and therefore a condition of domination and subordination or dependence obtains. He concludes that development is best approached in terms of posing questions regarding the degree of the establishment of the capitalist mode of production, or attempts to transform modes of production, paying attention not only to the productive forces but more importantly to the relations of production.[14]

In his influential article, Alavi [15] postulates that the past colonial State (in Pakistan and Bangladesh and by implication the third world) is characterised by its "overdeveloped" nature which had been in existence before independence. This is what forms its socio-economic base. Local entrepreneurs now scramble for this already existing socio-economic base instead of inventing new modes of economic activities for development to take place. The continued reliance on this already existing structure only helps to further the underdevelopment of such countries. Moreover, the ability of the state to do away with the mediating role of politics in a capitalist formation has tried to hide the link between the capitalist state, underdevelopment and backward Capitalism.[16]

We notes critically the neo-colonialism is, probably the greatest beneficiary of the relative autonomy of the bureaucratic military oligarchy. He points out that great emphasis is placed by western idiologies on the importance of the bureaucracy as an 'agent of modernization'. Here, every effort is made to influence the bureaucracy ideologically in favour of policies in the form of 'techniques of planning' and it is presented as an objective science of economic development. All these further the under-development of the post-colonial states to the benefit of the western powers[17].

Langden using the Kenya example sees the multinational corporations (MNCS) as a reflection of underdevelopment. The M.N.C. is a means by which a state is incorporated into the international capitalist economy.[18] To outress his point, he studies the soap industry and notes that Kenya could have a locally controlled soap industry. This would have ensured higher employment, effect better backward linkages, saved more foreign exchange, etc, instead of the opposite which was experienced by Kenya's entrusting of the soap industry in the hands of the multinational corporations.

Kwame Nkrumah sees underdevelopment in the light of neo-colonialism. To him, neo-colonialism of today represents imperialism in its final and perhaps its most dangerous stage[19]. According to Nkrumah, the essence of neo-colonialism is that the state which is subject to it is, in theory independent and has all the outward trappings of international sovereignty. In reality, its economic system including its industrial development strategies and thus its political policy is directed from outside. The neo-colonialist control is excercised through economic or monetary means.

He argues that the result of neo-colonialism increases rather than decreases the gap between the rich and the poor countries of the world. To him, the struggle against neo-colonialism is not aimed at exoluding the capital of the developed world from operating in less developing countries, it is aimed at preventing the financial power of the developed countries being used in such a way as to impoverish the less developed[20]. He concludes that the less developed world will not become developed through the goodwill or generosity of the developed powers. It can only become developed through a struggle against the external forces which have vested interest in keeping it underdeveloped.

Onimade like Langden argues on the case of the M.N.C's as instruments of imperialism. As he puts it, "In Nigeria as elsewhere, the giant multinational corporations are the basic units of imperialism in its contemporary neo-colonial stage"[12]. Collective impact of the operations of multinational corporations in Nigeria is the generation and perpetuation of the underdevelopment of the country. These include debilitating export of national income surplus, technological deprivation, subversion of skilled development, cultural degradation, and political instability.

Official Nigeria's response to these excesses was the enactment of some decrees starting from the Gowon regime to check the activities of the MNC's. For example, the Nigerian Standard Organisation Decree of 1971 was to ensure that local products of transnationals are not below world standards. Decree No. 1 of 1977 was to ensure reasonable prices for products of multinationals and other enterprises.

Despite these, Nigeria still persists as a savagely exploited neo-colonial capitalist state.[22]

Following the arguments of the U.D.T. that underdevelopment was caused by colonialism, the extraction of surplus value, negative attitude towards industrialization, disarticulation between economic sectors and regions etc, it will then be most appropriate to carry out this study using the U.D.T. This will help to verify whether industrialisation can really lead to the economic development of a nation. It is also to prove that the neo-colonial states if given the chance without the intrusion of the external powers of the west, will be able to decide and carry out viable industrial projects that are immediately relevant to their socio-economic needs. Hence the argument of the U.D.T. on the fact that the colonialists embarked on wrong and selfish projects that benefited themselves only can be tested against empirical evidence. Moreover, if the underdeveloped countries were agricultural raw material producing states, how far has their embarkment on industrialization helped in any way to lead to development, if they are following the path to development taken by the developed countries of the west, that is through industrialization?

The use of this theory is not to prove the U.D.T. right or wrong, but to at least see if some new findings will materialise as a contribution to applications of the theory to the study of industrialisation using the steel rolling mills as a viable strategy.

1.6 DEFINITION OF TERMS

Perhaps, some people may argue that industrialization is a process through which an economy that is solely dependent on agriculture, becomes transformed into a more advanced industrial economy, and the development of industry means further growth of this already existing industry.[13] I will agree to this definition, because a thorough study of the history of industrialisation will show that industrialisation came to improve on agriculture. It then later led to other forms of industrialization.

Sutcliffe defines industrialization as the process by which a non-industrialized country becomes industrialized. Adducing the following necessary indicators, he says, industrialisation is taking place if (i) 25% of the Gross Domestic Product are being produced from the industrial sector. (ii) if 2/3 of industrial output arises from the manufacturing section of the industrial sector and (iii) if 1/10 of the population are employed in the industrial sector. Though the indications are arbitrary, they are not altogether unreasonable.[24]

Industrialization can also be viewed as a development strategy which emphasises the development of industries, particularly the manufacturing types; without relegating the importance of the other sectors especially agriculture in the economy.

The United Nations Committee for Industrial Development after a very long discourse adopted this definition of industrialization. They described it as "a process of economic development where an increasing proportion of the home resources is mobilised to establish a technically up-to-date and diversified economic structure. The economy is characterised by a dynamic processing industry producing means of production and consumer goods suitable for making fast development of the total (whole) national economy and the economic and social progress sure".[26]

Economically, the impact of industrialisation can be viewed from the necessity for diversification of the economy. In the case of Nigeria's mono-cultural economy, it reduces the dependence on agricultural sector Furthermore, industrialization can be a sure means of generating foreign exchange earnings. This is no doubt, responsible for the industrial advancement of the west. Industrialization also increases economic flexibility.

On the social side of it, it is obvious that industrialization expands employment. This is because, skilled and unskilled labours are recruited and trained to work in the industries. By so doing, they relieve the serious employment and underdevelopment problems in the society. Finally, industrialisation compels the expansion of infrastructures. That is, industrialisation engenders investment in roads, electricity, pipe-borne water, housing in the form of estates, etc.

1.7 METHODS OF DATA GATHERING AND ANALYSIS

Relevant data used in the preparation of this study was obtained through various methods. These are:

(i) The Kashim Ibrahim Library of Ahmadu Bello University, Zaria.

(ii) Faculty of Arts and Social Sciences Library, Ahmadu Bello University, Zaria.

(iii) Dialogue with a Working Group on the Commercialization Excercise Set up by the Company.

(iv) Interviews with some Staff of the Company during the tour of the Company.

(v) Content Analysis of the Company's audited books, management accounts and reports.

Other relevant data necessary for this work were got in the form of the assistance of some staff in the University, especially in the Metalurgical Engineering Department, Ahmadu Bello University, Zaria and the Faculty of Arts and Social Sciences Library, also of the same institution served this purpose. This was particularly useful in the literature review.

Numerous visits to the Katsina steel Rolling Company provided all information needed at the company. This was got from the company secretariat, a branch of the General Manager's office.

At the company secretariat, interview was granted with the Company Secretary and Assistant Executive Administration Manager. Necessary literature was provided for use also at the secretariat.

Other relevant data necessary for this work were got in the form of the assistance of some staff in the University, especially in Metalurgical Engineering Department.

1.8 SCOPE OF STUDY

This study has been restricted to the Nigerian Steel Industry and most especially to the Katsina Steel Rolling Mill as a case study. The period covered under this study runs through a ten year span between 1982 - 1992. The actual field work was done in the steel rolling mill in Katsina town, capital of Katsina State.

1.9 SUMMARY OF CHAPTERS

The work consists of five chapters. Chapter one introduces the work. Chapter two is literature review on related materials. Chapter three critically analyses the economic impact while chapter four examines the social impact of the steel rolling mill. Chapter five contains the summary and conclusion of the study.

1. H. GOULBOURNE, Politics and State in the third World, Macmillan Press, Lagos, 1979. P.12
2. Ibid.
3. See A.G. FRANK, Development of Underdevelopment Monthly Review Press, New York 1969.
   AMIN SAMIR, Unequal Development. An essay on the social formations of peripherial capitalism, the Harvesters Press, New York, 1976.
4. V.I.LENIN, Imperialism the Highest Stage of Capitalism, Progress Publishers, Moscow, 1970.
5. Ibid. P. 92
6. A.G. FRANK, Latin America: Underdevelopment or Revolution, Monthly review Press, New York, 1969.
7. Ibid P.8 - 16
8. AMIN SAMIR,"Growth is not Development" Development Forum, Dakar, 1973 P. 45
9. Ibid
10. Ibid P. 49
11. C. AKE, A Political Economy of Africa,Longman, Harlow 1981 P.45
12. H. GOULBOURNE, Politics and State in the Third World, Macmillan Press, Lagos, 1975. P. 11 - 15
13, Ibid P. 14
14. Ibid P.15
15. Ibid. Hamza Alavi, "The State in Post Colonial Societies: Pakistan and Bangladesh P. 38 - 69
16. Ibid P. 47
17. Ibid P. 67
18. STEVEN LANGDEN, Multinational Corporations, Taste, Transfer and Underdevelopment: A case study from Kenya.
19. KWAME UNKRUMAH, Neo-Colonialism - The Last Stage of Imperialism, Panaf Books Ltd, London, 1974 P. ix - xx
20. Ibid P. xiv

21. BADE ONIMADE, "Imperialism and Multinational Corporations" in Kayode and Usman, Economic and Social Development of Nigeria, Gaskiya Corporations Ltd, Zaria, 1985. P.40

22. Ibid. P.52

23. G. CUKOR, Strategies of Industrialization in Developing Countries, St. Martins Press, New York, 1974 P. 3

24. Ibid. P. 1 - 15

25. Ibid P. 10

26. Ibid 11

CHAPTER TWO

HISTORICAL OVERVIEW OF NIGERIA'S INDUSTRIAL POLICY

2.0 INTELLECTUAL CRITIQUE OF INDUSTRIALIZATION PROCESS IN THE THIRD WORLD

According to V.P. Diejomaoh[1], the relationship between industrialization and development have been provided in the analytical frameworks of Kuznet[2] Chenery and Syrquin[3]. The basic premeses being that if we wish to accelerate the overall rate of economic development, we must have manufacturing production rising much faster than the overall rate of growth of G.N.P., and this has to be reflected in an increasingly dominating role of the manufacturing industry in the total economy. However, he quotes Hirseman as saying that the impact of the manufacturing industry on the economy very much depends on the structure of composition of manufacturing output as well as the linkage effects of manufacturing production[4]. Diejomaoh notes that in recent years there has been a shift in the development literature and reduction in income inequality. It is therefore important to analyze industrialization not only on the basis of its contribution to Gross National Product per growth but also its contribution to employment promotion and optional income distribution[5].

The experience of advanced economies of Western Europe, North America and Japan has revealed the role of industrial development in the transformation of an economy. The high levels of output per worker and the high standard of living of individuals in Western Europe, North America and Japan are attributed to a degree of industrialization[6]. Ukpong notes that developing countries have adopted rapid industrialization as a development strategy to reduce the impact of falling world prices of primary products on the economies of developing countries. He affirms the fact that a rational development of industrialization acts as a powerful stimulus to other sectors of the economy and particularly to agriculture. Besides, most industries such as textile, iron and steel and electro-chemicals have backward and forward linkages which are essential to the overall development of an economy[7].

Eno J. Usoro, says that experience from industrial development history, ideas from economics, international politics, and experience gained in the process of development have jointly convinced most developing countries of the necessity for industrialization. This he says is inspite of the much vaunted constraints and preconditions. Nigeria is one of the many young nations which he notes, decided to take the industrial bull by the horns[8]. However, the present rate of industrial development in Nigeria owes much to three sects of related factors - Policy goals, Politics and the Nigerian market has been most decisive in inducing investment in industries. Although market remained the greatest attraction to industrial growth, it also constituted the weakest link in the country's early development process. Policy had no investment geared more to investors' profit interest than to the nations development requirements. Yet this balance-of-payment-oriented approach did benefit the country to some extent, for example, in employment, and contribution to Gross Domestic Product.

Usoro however notes that the industrial development strategy had some disadvantages in that it encouraged the production of consumer goods with limited linkage effects within the economy. It further perpetuates, through foreign private industrial investment and the gains to investors, the national disadvantage of division of labour[9].

T. Ademola Oyejide[10] is of the opinion that industrialization now plays an important role in the process of the economic development of most developing countries. This leads to the problem of the choice of an appropriate strategy of industrial development. He angues that there are many approaches to industrial development which may be adopted by a developing country. The first he says is the processing of raw materials available in such a country. A second approach to industrial development he reasons is the domestic production of manufactured goods for the domestic market. The third and final approach he mentions is that of domestic production of manufactured goods for export[11].

He concludes that, as the leading sector of the economy, the manufacturing industries must play a leading role in terms of finding a solution to the increasing serious problem of urban unemployment.

P. C. Asiodu on "Industrial Policy and incentives in Nigeria"[12] laments that the governments and people of Nigeria have decided on rapid economic development as a primary objective. He notes that in Nigeria as in every developing country, the role of industrialization is crucial if satisfactory growth rates are to be achieved for the economy as a whole.[13] Asiodu stresses that the need for the rapid expansion and a diversification of the industrial sector of the economy is therefore obvious: to increase the incomes realized for manufacturing activity to push ahead with the programme of import substitution in order to save foreign exchange and even earn some foreign exchange from the export of manufactured goods; and to create more employment opportunities. He notes that Nigeria is now on the threshold of major developments which can alter the economy and make it an industrialized country. The tremendous opportunities in minerals, agriculture, and energy, and the dynamism of its manpower, eager and willing to learn, would ensure for it in normal circumstances a very bright future[14].

He notes further, that for effective promotion of new industries an optimum co-ordination of development in the country as a whole is imperative[15].

G. Akin Ogunpola[16] is of the view that the extent and pattern of government direct and indirect involvement in industry varies from country to country and depends largely on the individual country's political and economic circumstances. He notes that in most capitalist economies, both developed and developing, certain industries are state-owned and controlled largely on economic grounds, to the virtual if not absolute exclusion of private initiate. Typical of these industries are the public utilities like the railways, electricity and water, communication and the ports. The argument usually is that these are essential sectors of the national economy and are most economically run by monopolies and only the state monopoly is trusted to temper aggressive profit motive by considerations for social-welfare.

Another reason is that the capital requirements of these industrial undertakings are so huge and beyond the means of any single private organization in the country concerned. There are other industries though not public utilities, yet owned and controlled by the government. These include those of manufacturing, mining and banking and insurance[17].

Much of government investment in the manufacturing industry is promotional, for example, the establishment of industrial estates and the provision of loans and grants to private industrialists to selected development areas or to encourage the development of certain strategic but capital-intensive and high-risk industries[18].

The objective of government investment in industries is therefore not limited to increasing the quantum of industrial out-put, government is also interested in the composition of the out-put of industries, the location of industries as well as the pattern of ownership and control of industrial enterprises.

According to Ogunpola, the Nigerian situation cannot be properly examined except in the light of the declared government industrial objective and strategy. One major policy of the Nigerian government he notes, is to develop industrialization rapidly as a means of promoting rapid economic growth. Up to 1966, during the civilian regime, the industrial development in Nigeria was to be largely through direct foreign investment. The government therefore instituted a wide range of industrial incentives to attract direct foreign investment, particularly into the manufacturing sector.

After the change of government from civilian to military in 1966, there was a substantial modification and in some cases a complete reversal, of certain aspects of government industrial strategy. The government has identified some industries regarded as strategic to the national economy.

Ogunpola states that compared with the mining sector, government investment in manufacturing is substantial. But this amount of investment is insignificant compared with the total investment in manufacturing. He concludes that, while promoting direct public sector investment in industry, it is important not to do anything that will encourage the flow of private direct investment, otherwise the objective of rapid rate of growth of the national income may be defeated.

O. Teriba and M. O. Kayode[19] are of the view that one remarkable feature of developing countries is that governments increasingly want to influence the course and pace of the industrialization process. According to them the development of the framework for controlling and regulating industry occured in stages.

The first phase was the expansion and diversification of the industrial sector in the late 1950s.

The second phase was a definition of priorities and of the guidelines for sustained government action. The third phase witnessed the toughening of the framework and coincided with political independence. This represented a change in government's attitude towards the control of industries[20].

Both writers claim that, the predominantly private nature of the industrial sector of the Nigerian economy has been responsible for the excercise of government influence through direct and indirect measures. The direct control measures are in the form of rules and regulations which stipulate specific penalties such as reprimands, fines, imprisonments etc, for non-compliance with government directives. The indirect control measures are manifested in schemes which induce individuals and companies to act in their business behaviour in comformity with given policy-objectives. The aims of control measures are therefore to initiate and stimulate rapid economic growth and the attainment of national economic independence.

The nature of these controls is influenced a great deal by the fact that industrialization is a means of achieving the objective of overall development[21].

On the location of industries, O. Aboyade has said that the Nigerian experience of concentrating industries in some specific areas illustrates the futility of a partial approach to the problem of industrial location[22]. This is because government exhortations and creation of industrial estates do not by themselves promote industrial growth or achieve effective spatial industrial diversification.

Aboyade acknowledges that industrial location is only a part of the wider problems of the location of economic activities and of the general problem of area or regional development. Locational issues are themselves only part of the bigger question of development strategy. A redefinition of the location policy must therefore be seen in the wider context of general economic planning[23]. There is a basic locational conflict between the profitability requirement of the foreign private enterprises who in fact provide the bulk of industrial investment, the diversification pursuit of the policy-maker wanting to maximise some vague notion of economic welfare and the high expectation of local communities all over any developing country for industrialization to take place in their respective areas. Thus, he concludes that the task of a new policy synthesis will be to evolve a locational strategy that would take a simultaneous account of these factors[24].

Being an underdeveloped country, Nigeria's principal objective at independence was that of rapid economic and social development and transformation. On the economy, the emphasis has been on changing its structure and, in particular ensuring a faster rate of industrialization[25]. The appeal of industrialization may be understandable. First, there are lessons from the history of the advanced countries which indicate the diminishing role of agriculture. Secondly, the role played by industrialization in rapidly transforming the socialist countries, especially the former Soviet Union provided another lesson. Finally, the lesson from the developing countries themselves, particularly those whose economies were derived from unstable earnings from exports of primary products was important. Indeed, industrialization has been regarded as the key to effecting the desired change in the economic structure.

Consequently, industrialization has become the synonym for development.

The approach to industrialization determines its rate and character and therefore, impact on the economy and development generally. The approach to industrialization is part of the strategy of development planning[26].

Government has made concerted efforts to foster industrial growth in Nigeria. These are influenced through fiscal incentives in form of tax holidays, protective tariffs, import duty reliefs, accelerated depreciation and granting of pioneer status certificates. Others included the setting up of industrial promotion commissions and industrial estates and the provision of other industrial infrastructures[27].

On the industrial performance in Nigeria, it has been noted that over the periods 1900 - 1975, the growth of the manufacturing sector was rapid and sustained. The characteristics of the Nigerian manufacturing sector include the dominance of low-technology, light industries, the non-existence of an engineering industry and the relative weakness of the intermediate goods sectors, especailly in high technology areas.

Certain industrial groups, it has been argued have potential for growth. They are those of petroleum and coal, iron and steel basic industries, and petroleum refineries[28].

As to the constraints to Industrial Development, it has been said that industrial development in Nigeria has been hampered by a number of constraints; First, Infrastructural Constraints - Inadequate Infrastructure increases both the initial and operational costs of projects thereby compromising the commercial feasibility of economically desirable projects. Both the availability and cost of water; communication facilities, electricity, transport - rail and port, etc pose serious problems to manufacturing enterprises in Nigeria

Second, Restrictive Industrial Policies and Administrative Bottle-necks - This is seen in the multiplicity of authorities from whom various permit licences etc have to be obtained and the lack of a stream-lined procedures for getting them combine to confuse the intending enterpreneur and to create possibilities for abuse. Lack of clarity and Government policy on the payment of royalties, licence fees, technical/managerial fees, etc. have added to difficulties associated with the transfer of technology from abroad.

Third, Shortage of Industrial Manpower and the Relative Unattractiveness of manufacturing to indigenous Businessmen - Here, on the whole, while our supply of human resources is high and rising, there are serious gaps in many aspects of manpower development.

Fourth, Slow Implementation of the Public Sector Manufacturing Projects - These are in those areas which represent the foundation for the growth of the economy as a whole. Delay in implementing the public sector programmes, therefore, often leads to delays in the implementation of other projects.

Fifth, the High Share of Foreign Capital - Before the promulgation of the indigenization of Industrial Decree in February, 1972, a high share of foreign capital was perhaps the most significant problem of the industrial development in Nigeria. In 1965, for instance, out of a total paid-up capital of about ₦128 million of the whole country, 61% belonged to private investment from abroad, 12% to Nigerian private investment and the remaining 27% to Nigerian Governments.

Sixth, the scarcity of willing and competent technical partners - It is not easy to get competent technical partners. The delay in the establishment of many industrial concerns (for example, cement, iron and steel complexes, etc) was due to this particular constraint[29].

As long as these problems remain unmitigated, rapid industrial development of Nigeria will take a long time to materialize.

The arguments for and against industrialization, particularly after the second world war, provided the background for the government policy on industrialization. Ekundare[30], notes that a number of people, noteably the extreme nationalists, hold the view that industrial development had some political significance.. They believed that the creation of industries and less dependence on overseas manufactures was vital to political independence. Another group of people regarded industrial development as a cure for poverty[31]. He is of the view that both arguments failed to bring about a basis for formulating any industrial policy. He agrees that it is true that a country should diversify her economy. He does not agree with the proposition that industrialization is a cure for underdevelopment and believes that agriculture is not necessarily associated with poverty. To this, he gives the examples of Australia, New Zealand, Denmark, Iowa or Nebraska in United States of America (U.S.A.).

While Ekundare's argument that agriculture does not connote poverty is true, his point that industrialization is no cure for underdevelopment is out-dated. One can understand his inability to predict the prospects of industrialization in any country since his book was written as far back as 1971. The present trend has however proved the significance of industrialization in any nation and moreover, the countries mentioned as examples whose economies were previously based on agriculture, have been known to have diversified their economies and are now highly industralised nations and states.

This does not mean agriculture does not contribute its fair share in economic development. Infact industrialization started with the bid to improve on agriculture, that is through the establishment of agriculture related industries. Without agriculture perhaps there would have been no need for industrializa-

tion. In short, both agriculture and industrialization complement one another in terms of forward and backward linkages. Nigeria's quest for industrialization and indeed the steel industry could have stemmed from this realization.

2.1 A BRIEF HISTORY OF NIGERIA'S INDUSTRIALIZATION PROCESS

The history of Nigeria's industrialization process dates back to the 1930s and 1940s. At this period, Nigeria was being incorporated into the world economic system. The colonial state played an important role in this process. During this period, neither the colonial state nor the foreign enterpreneurs showed much interest in industrializing the economy. They embarked on some form of import substitution manufacturing. This was because they wanted to protect their markets in the colonies from foreign competition[32].

By 1945, the earliest industries that were established in Nigeria were by foreign trading companies. They manufactured commodities such as detergents, soft drinks, leather works, textiles, confectionery, alcoholic drinks among others whose technology had already been standardized and did not warrant research. At the same time, the early factories relied on foreign source of imputs, including raw materials, machineries and spare-parts[33].

Early in 1959, the National Economic Council decided that - "a National Development Plan be prepared for Nigeria with the objective of the achievement and maintenance of the highest possible rate of increase in the standard of living and the creation of the necessary conditions to this end, including public support and awareness of both the potentials that exist and the sacrifices that will be required"[34].

This was what led to Nigeria's First Development Plan and other subsequent plans which followed.

2.2 NIGERIA'S NATIONAL DEVELOPMENT PLANS

FIRST NATIONAL DEVELOPMENT PLAN 1962 - 68

The designers of the 1962-68 plan made conscious efforts to set and quantify the national objectives as well as ensure a common national planning framework. They aimed at saving about fiteen per cent (15%) of the Gross Domenstic Product during the plan period; a Gross Domestic Product minimum growth rate of four per cent (4%) for the economy and the acceptance of common general priorities by all governments.

The highest priorities were accorded to agriculture, industry and the training of high and intermidiate level manpower.

Probably of far greater significance of the achievements of the first development plan is the successful completion of the following major projects:-

(a) The oil refinery - Port-Harcourt

(b) The Nigerian Security and Minting Plant - Lagos

(c) The Paper Mill - Jebba

(d) The Sugar Mill - Basita

(e) The Niger Dam

(f) The Niger Bridge

(g) Some Trunk roads (including the Maiduguri - Beni Sheik, Gusau - Sokoto, Bauchi - Gombe-Yola, Shagamu - Benin , and Kano - Zaria trunk roads).

(h) Ports extension[35]

The Nigerian civil war disrupted most of the plans and reduced the achievements of this plan. In retrospect, it was probably a blessing in disguise that certain main projects (notably the steel plant) were not started. Measured in terms of major set targets and of main overall objectives, the first national development plan can be judged on balance to be a success. The behaviour of the national economy during the period reflected a good potentiality for expansion greater than the four per cent minimum annual growth rate set by the planners. More than that, the political crisis and civil war in the period 1966 - 69 brought out the basic latent strength of resilience of the national economy[36]. The first development plan suffered some set backs because foreign experts recruited to draw up the plan left. The Nigerian planners and executing agencies who were not fully associated with drawing up the plan were left to make the best they could of the approved plan[37].

SECOND NATIONAL DEVELOPMENT PLAN 1970 - 74

National planning should be aimed at the transformation of the whole society, and must be directed at the power centers of economic and political decisions. In the formulation and implementation of the National Plan, all government

policies and actions should be guided solely by the best interest of the people of Nigeria[38].

In the 1970 - 74 plan period, the highest order of national priorities is accorded to agriculture, industry, transportation and manpower development. This meant in effect that government was to allocate a greater part of the resources to these sectors of the economy in order to generate the necessary impetus for growth.

The Second Plan had major achievement in agriculture. Most of the farms and plantations abandoned during the civil war, particularly in the then East-Central and South-Eastern States, were rehabilated and brought back into production. Furthermore, in recognition of the key importance of agriculture in the nation's economy, government intensified its extension services efforts and increased the supply of fertilizers and other farm imputs to farmers during the plan period.

Also by 1973 - 74, most industrial facilities damaged during the civil war were reconstrudted and reactivated. For example, the three cement factories in the war affected areas, especially those at Nkalagu and Calabar were not only brought back into production but extensive expansion of facilities was initiated[39].

With regard to the transport sector, 2,200 miles of roads were reconstructed. The airport at Enugu was reconstructed and contracts awarded for the construction of the airports at Kano, Lagos, Jos, Ilorin and Calabar.

In communication, the major achievement was the extension of telephone lines to other major cities and towns, for example Ibadan, Kaduna, Sokoto, Jos etc.

In the mining sector, government established the National Oil corporation through which it participated actively in the petroleum sector.

Too much concentration on the agricultural sector and the need for diversification of the economy and rural development led to the implementation of the third development plan.

THIRD NATIONAL DEVELOPMENT PLAN 1975 - 80

The specific short-term objectives of the third plan are as follows:

(a) Increase in per capita income

(b) More even distribution in income

(c) Reduction in the level of unemployment

(d) Increase in the supply of high level manpower

(e) Diversification of the economy

(f) Balanced development

(g) Indigenisation of economic activity.

This plan was to concentrate on the development of the rural areas through the promotion of small scale industries so as to promote the quality of life in the rural areas[40]. It however turned out that the development plans for the rural areas through the industrial estate projects was merely feasible on paper. It was not carried out practically to the extent of which it was planned, rather priority was given to importation, agriculture and giant scale industries like the Delta Steel and Ajaokuta Steel Complexes and the affiliated rolling Mills.

FOURTH NATIONAL DEVELOPMENT PLAN 1981 - 85

The Fourth National Development Plan became necessary as a result of the glaring failure of the third plan to implement its plan, for the industrial development of the rural areas. The fourth plan recognised the emphasis on large scale industries in urban areas contrary to what was marshalled out in the third plan.

The fourth plan therefore had as some of its objectives:

(a) An even geographical spread of industries within the country.

(b) Increase in the concentration of small scale industries

(c) Increase of employment opportunities.

(d) Encouragement of private enterprises.

This fourth development plan also failed in its bid for rural industrialisation just like the third plan which it was supposed to correct did.

The plan period witnessed more of urban industrialization. More big projects were embarked upon, for example, Petrochemical at Warri and the Fertilizer Plant at One - Port Harcourt.

COMMENTARY

In 1985, the government came up with the Structural Adjustment Programme (S.A.P.). This was a step towards self reliance, the motive of industrialisation. To the industrial sector, S.A.P. was to help promote industrial growth. One of its aims was to promote the development of export - oriented industries and also to remove bottle necks and constraints that hamper industrial development, including infrastructural and administrative deficiences[41].

However, the aims of SAP on industrialization have been defeated. Most industries now operate below capacity utilization. The negative effect of SAP on industrialization is stagnation.

It is to this end that scholars like Bangura have spoken of a process of de-industrialization in Nigeria under SAP

However with the existence of the Directorate of Food, Roads and Rural Infrastructure (DFRRI), it is hoped that government and private investors will seize the opportunity to invest in rural areas by establishing small-scale local enterprises. This will help develop the rural areas, create more job opportunities in these areas and perhaps stop the migration of people from rural to urban areas. At the same time if a fifth development plan is to be drawn, then it must not fail to correct the mistakes of the third and fourth development plans

2.3 HISTORY, NECESSITY AND OBJECTIVES OF THE STEEL ROLLING MILLS

Nigeria's attempt to establish a steel industry dates back to 1958 when the colonial government indicated interest in the establishment of the industry. the steps taken took the form of feasibility study aimed at establishing Rolling Mills. With increased awareness of the availability of iron-ore and coal in the country, and the proposal to construct a hydro-electric dam at Kainji, created the desire for establishing an integrated iron and steel plant.[43]

The Russians carried out the feasibility study and recommended a blast furnace process. With the results of this study, the Federal Government in 1971 set-up a Nigerian Steel Development Authority with the sole responsibility for establishing steel plants and the general development of steel. This led to the selection of Ajaokuta in present day Kwara State as the first site of the steel plant in 1976, followed by a direct reduction plant in Aladja Delta State in 1977, and the selection of Jos, Katsina and Oshogbo as sites for three inland rolling mills in 1979[44].

The selection was done towards achieving a balanced development between geographical areas of the country, to achieve minimum economic and social standards for every part of the country and to ward off excessive concentration in a few areas as outlined in the Second National Development plan[45]. These sites are hoped to act as growth poles to their regions of location.

In July, 1979, an intergrated iron and steel industry was being constructed at Ajaokuta at an initial cost of ₦1.28 billion. To complement the blast furnace, the direct reduction plant at Aladja was constructed by a consortium of German and Austrian companies at a cost of ₦1.26 billion[46]. The Delta Steel company at Ovwian - Aladja, Delta State was commissioned in 1981, the steel rolling mills at Oshogbo, Katsina and Jos were all commissioned in 1982.

The story of Katsina steel rolling company should make an interesting reading to anybody mindful of the economic development of our nation. The success of the company commenced from the choice of a Japanese Firm Messrs Kobe Steel Limited of Japan as the Federal Government's Technical Partners in the erection of the Rolling Mill.

The Mill with a production capacity of 310,000 tons per year based on a specified product mix of reinforcement bars and wire rods is expected to be expanded to 420,000 tonnes at second stage and 720,000 tonnes at the third stage. Civil works for the second stage expansion are already in place. The Mill was commissioned in December, 1982[47].

At this juncture, it is pertinent to note that, no aspiring, no ambitions nation can afford to stake her destiny on permanent dependence on importation of iron and steel. No nation can aspire to greater heights without a strong steel base. Leading steel producers and consumers are the most industrialized and developed countries of the world - United States of America, Japan, Germany[48].

Nadada Usman quotes Mr. Paul Unongo former Steel Minister to have said that "the greatness the world attaches to any country today is on the basis of her power status which is based on her military, economic and cultural influence, and on the number of her muscular citizens, geographical size, ... Unless we are able to use our steel to build our technology, warships etc, we cannot create wealth for our people or maximise the nations power status"[49].

It became clear from the existing circumstances then, and from the projection derivable therefrom, that time was rife for indigenous steel production, especially as the potential existed for economic local production.

The steel development programme was therefore set in motion in rationalization of the folliwing laudable objectives:

(a) Provision of maximum support for Nigeria's overall industrialization through the manufacture of industrial input materials and the stimulation of linkages in both forward and backward directions.

(b) The promotion of modern technology transfer and acquisition.

(c) Conservation of the contry's foreign exchange through the reduction of outflow offunds for the importation of iron and steel products.

(d) The creation of employment opportunities and diffusion of jobs throughout the federation

(e) Export promotion in order to optimise the use of the country's available resources, and

(d) Facilitating a geographical dispersal of the country's economic activities[50].

The aim of the following chapters is to find out if these noble objectives have been realised using Katsina Steel Rolling Mill as a case study.

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CHAPTER THREE

ECONOMIC IMPACT OF THE KATSINA STEEL ROLLING COMPANY

3.0 INTRODUCTION

The present state of the national economy has engendered debates on the wisdom of embarking on giant steel projects, in preference to other types of industries.

Those who saw the steel industry as fundamental to the industrial development of the country are beginning to have second thoughts. Their now wavering stance derives mainly from seeming over commitment of resources of steel projects, low capacity utilisation, implementation delays and cost escalations.

The three steel rolling mills at Oshogbo, Katsina and Jos are referred to as the public sector steel mills. This is one of the three cardinal principles of the country's present move towards a new social order which also led to the introduction of the Structural Adjustment Programme. These steel projects came in an effort to meet the needs of a growing economy and to foster the development of a more diversified and integrated industrial base. A brief description of the Katsina Steel Rolling Mill is germane.

3.1 THE ORGANIZATIONAL STRUCTURE OF THE KATSINA STEEL ROLLING COMPANY

The present organisation structure of the company is fashioned along public service lines as opposed to modern methods of corporate management. At the top of the organizational structure of the company is a 7-member board which has undergone reconstitution a number of times since inauguration on 11th February, 1988.

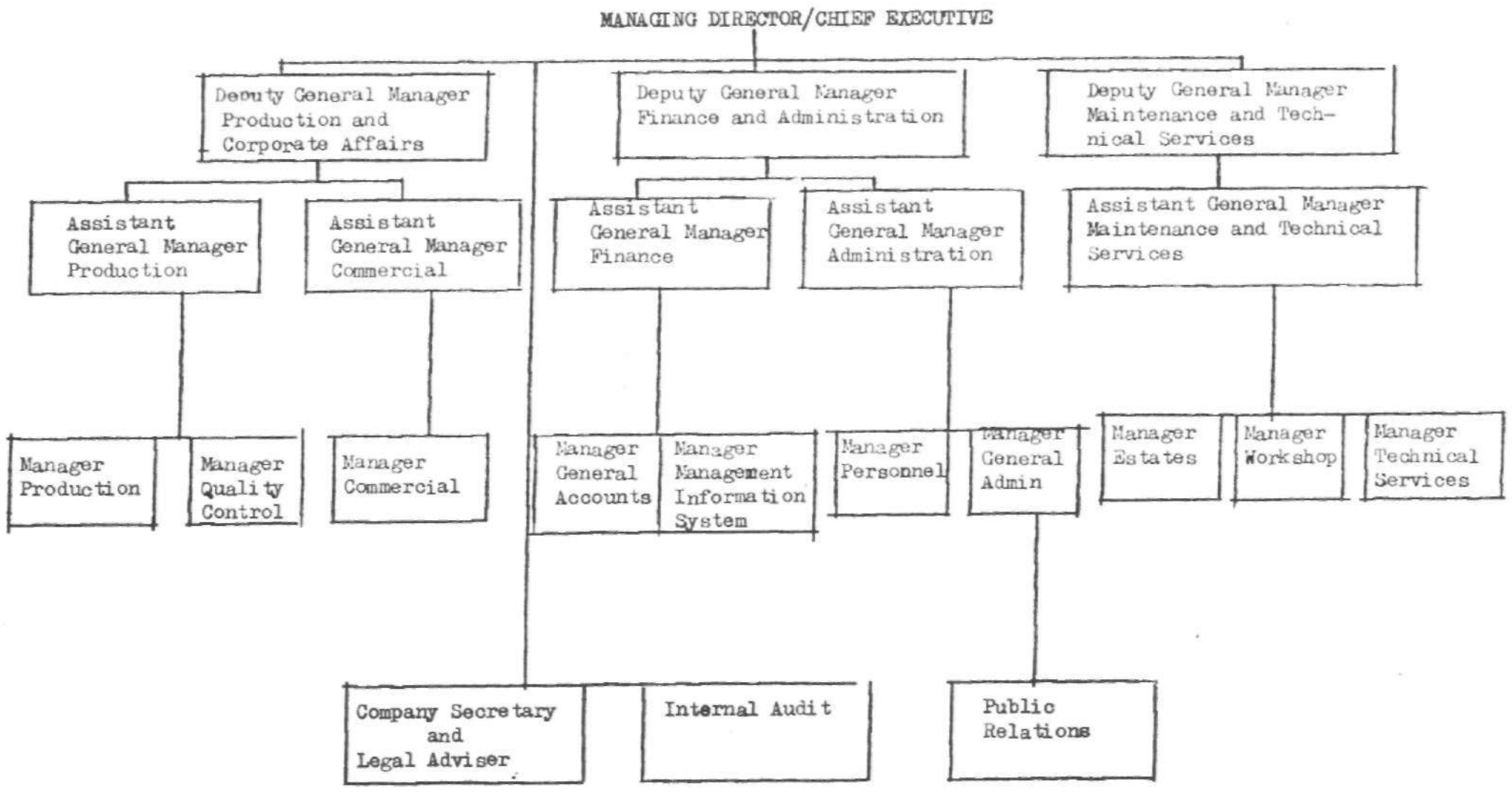
Day-to-day operations of the company is run by a top management team headed by the General Manager/Chief Executive who is also a member of the Board. The General Manager is assisted by three Deputy General Managers who each has responsibility for production and corporate affairs, Finance and Administration and Maintenance and Technical Services. Presently the company is divided into about six departments, namely:

- Production;
- Maintenance and Technical Services;
- Commercial;
- Finance;
- Administration;
- Works.

Each of these departments has a Deputy General Manager (D.G.M.) providing overall supervision and control. There is also a staff Department directly reporting to the General Manager's Office. This is the Internal Audit Unit of the Company.

Figure 1 shows an organization chart of the Katsina Steel Rolling Company.

Figure 1: An Organizational Chart of the Katsina Steel Rolling Company.



3.2 CATEGORIZATION OF PERSONNEL

The entire staff of the company are Nigerians, since their Japanese counterparts had long since left the country.

Presently, there are more than 500 personnel working in the company. The manpower strength of the departments are as follows:

Administration	-	220 (including Lagos Liason Office)
Commerce	-	10
Finance	-	17
Maintenance/Technical/Production	-	284
Engineering	-	15
	TOTAL	546

Categories of personnel is given as follows:

Categories	Number of Staff
UNSKILLED STAFF	
Watchmen	52
Cleaners	20
Loaders	6
SKILLED STAFF	
Engineers	15
Technicians/Mechanics/Artisans	278
Cooks/Stewards	13
Drivers	33
Typists	11
ADMINISTRATIVE STAFF	
Administration	91
Commercial	10
Finance	17
TOTAL	546

Source: Commercialization of the Katsina Steel Rolling Company Limited. Main Report and Appendices, 1992.

Despite the staff strength usually justified on sentimental reasons and also because of the social as against the economic rationale for setting up the company, production levels greater than 32% of installed capacity have never been achieved in any given year since commissioning in 1982.

The Administration department of the company has a large number of staff because it co-ordinates all the activities of the company and hence needs a lot of personnel. However, the stated number of staff is too much because of indiscriminate employment of staff into this department. It should be stated that the impact of overstaffing in the non-relevant departments is that of poor performance. This means the company will spend more money paying non-relevant personnel salary instead of concentrating its funds in the production and other related departments to enhance more productivity therefore increasing its production performance.

3.3 INTERSECTORAL LINKAGE EFFECTS - UPSTREAM AND DOWN STREAM INDUSTRIES

Upstream industries are those that provide input material for the steel industry. Such industries, include, mineral prospecting and processing, ferous scrap collection, among others. For the Katsina Steel Rolling Company, the upstream industry to which it is linked is the Delta Steel Company at Ovwian-Aladja, Delta State. The company is the sole supplier of raw material (billets) to the mill.

Downstream industries are those that utilize the products of the various steel mills. This area, has however been left largely unexploited as a result of the economy which has engendered investors to be cautious in expending their capital in this area. Despite this, there are still a number of industries and companies which use the products of the mills.

Katsina steel rolling mill has LEMACO, in Kano which is owned by Alhaji Lema Jibril as one of its downstream industries.

Others include NIPACO and NIGROUP. These companies buy Wire Coil and Drawn Wire for their nails, bolts and wire mesh, from the rolling mill. The company's products are also used by multinational construction companies based in Nigeria in the construction of roads and bridges[1]. These companies include Julius Berger and Sterling Engineering Limited, among others.

In Katsina and the state as a whole, there are no related ancilliary industries because of the peoples attitude towards industrialization. This is not associated with the company alone, but with other industries as well. However, the company witnesses a set back in its relationship with the down-stream industries because she is in most cases unable to meet their demands. For example, from January to May, 1992, there was no production in the mill because of lack of raw material (billet) from Delta Steel Company. As a result of this fall back in production, the Federal Government approved the importation of related steel products to meet the needs of the downstream industries. Money for importation was got through bank loans. This had negative consequences on the company because the downstream industries imported and flooded the markets with foreign steel products. This led to a long delay in the sale of the company's finished products. This was so since the people prefered to buy the foreign ones and at a cheaper rate too. The bench market price is put at ₦9,500 for 12 Deformed Bar for Katsina Steel Rolling Company product and ₦8,500 for 12 Deformed Bar for the imported ones.

3.4 LOCAL SOURCE OF RAW MATERIALS

Delta Steel Company is designed to supply the billet requirement of the Inland Rolling Mills. She is the sole supplier to Katsina Steel Rolling Mill.

Since the commissioning of Katsina Steel Rolling Company in December, 1982, the main factor which has consistently militated against reasonable level of plant utilization has been the frequent shortage of billet. According to Alhaji Isa Bukar, General Manager and Chief Executive of the company, the company has an installed production capacity of 210,000 tonnes per year based

on a specified product-mix of reinforcing bars and wire rods, but as of now are producing at the rate of 15% of the installed capacity. "Last year we received only 17,750 metric tonnes instead of the minimum targeted figure of 50,000 tonnes"[2]. This clearly highlights the predicament of the company.

Though facing shortage of raw materials, Katsina steel rolling company has for most years achieved the highest production figure among the Federal Government owned Inland Rolling Mills. To complement the above statement, the General Manager said that as at 1985 - 1986 the company produced about 75,200 and 62,535 tonnes of steel products respectively[3]. This however is far from the installed production capacity as is shown by data.

While the three rolling mills look on D.S.C. for the supply of the basic raw material (billet), D.S.C. on its part is unable to cope with the demand because it is also faced with raw materials problems. Supply from D.S.C. is very inconsistent and has affected production level a great deal.

Table 1 shows supply of billet to K.S.R.C. from D.S.C. from 1982 to 1992.

Year	Billet Received		Products (tons)
	DSC (tons)	Imported (tons)	
1982	20,299	Nil	10,225
1983	24,683	Nil	58,623
1984	25,082	Nil	26,960
1985	37,356	39,286	76,566
1986	15,824	57,100	62,534
1987	25,405	10,150	31,969
1988	20,752	16,588	32,804
1989	18,001	10,012	24,464
1990	17,792	1,922	19,117
1991	16,762	Nil	16,762
1992	13,000	20,000	30,000

SOURCE: Report to TCPC on Commercialization. Corporate Plan (1992 - 2000)

Up till 1992, billet was being imported from Spain and Brazil to complement D.S.C.

Distance and transportation of raw material from Aladja to Katsina is said to be hardly felt because trucks for transportation are available in Katsina.

In terms of quantity, the company does not have enough raw material for reasons already stated. However, in terms of quality, the raw material is said to be adequate as it meets International Standardand is even of higher quality than some of the imported ones.

3.5 SOURCES OF ENERGY SUPPLY

To avoid the attendant problems of being wholly dependent on the National Electric Power Authority (NE.P.A.), the company acquired an electric power plant consisting of 3 x 9 MVA and 1 x 1176, 5 KVA generators. The plant which was commissioned in 1984 is normally operated during production hours, whereas power from N.E.P.A. supports the furnace and other auxilliary facilities at other times. Civil and Structural work for a fourth engine is in place to increase the generating capacity to 36 MVA, if it becomes necessary. The company has a cost advantage in using her power plant as it is cheaper than N.E.P.A. This, more importantly prevents the disruption of production.

To safeguard against any 'dry taps' embarassment, the mill has a 4.5 million litres water reservoir which could sustain the factory requirements for about 4 - 5 days. Initial supply of water was got from Katsina State Water Board. Water is retained because it is re-circulated in the water treatment plant. Loss of water therefore is only through evaporation. The water here is used for cooling finished products.

3.6 FINANCE AND FINANCIAL PERFORMANCE

Katsina Steel Rolling Company was not given working capital right from inception to date. Over the years, the low plant utilization has eroded the little savings made from grants/subvention during the construction period and this was stopped in 1984[4].

The situation over the years was that customers deposits were used to pre-finance billet procurement from D.S.C. The acute shortage of billet and lack of funds accounted for the cumulative losses of the company which from the audited accounts stand at ₦137,238,224 as at December, 1991[5].

In view of the lack of fund to finance the procurement of billet from D.S.C., the management sought and got the approval of Ministry (Mines, Power and Steel) to utilize a ₦10 million overdraft facility from the Bank of the North Limited. This facility is now grossly inadequate becuase of the increasing prices of billets and other inputs required in the rolling process[6].

As mentioned earlier, lack of sufficient raw material (billet) led to the problem of low capacity utilisation. Now that the company is allowed to import billet, what is required seriously is working capital. The funds of the company diminished with the introduction of the Structural Adjustment Programme (S.A.P.) which led to the devaluation of the naira. It is as a consequence of this S.A.P. that the price of billet shot up from ₦160 per metric tone to ₦7,000 within a period of ten years. The company ultimately, resorted to using the customers deposits for purchasing billets.

Table 2 shows the phenomenal increase in the price of billet - the primary raw material for the 1982 - '92 decade.

Table 2: Rise in the price of Billet (1982 - 1992)

Year	Price
1982	N160.00 per metric tonne
1983	₦200.00 " " "
1984	₦240.00 " " "
1985	₦245.00 " " "
1986	₦360.00 " " "
1987	₦1,400.00 " " "
1989	₦2,400.00 " " "
1990	₦2,600.00 " " "
1991	₦3,500.00 " " "
1992	₦7,000.00 " " "

SOURCE: Accounts Department, K.S.R.C.

According to management it will be a big relief if the government comes to the company's aid with a subvention of at least fifty million (₦50,000,000) naira.

Departments within the company are taken care of from returns of sales by the company.

As for financial performance, it can be seen from Table 3 that the company has been financially sound in terms of working capital and liquidity position for most part of its corporate life. However, recurring losses since inception has gradually depleted the working capital. This is directly attributable to the very low plant utilization arising from inadequate supply of billets. For the periods during which output exceeded 50,000 tons per annum, losses recorded were mainly due to poor pricing of finished products.

Table 3: Financial Performance of the K.S.R.C. (1983 - 1992)

Year	Turnover (NAIRA)	Profit (Loss) (NAIRA)	Net Assets (NAIRA)	Working Capital (N)	Liquidity Ratio
1983	26,100,981	(6,552,592)	150,104,4281	14,690,264	2.8
1984	16,704,017	(10,100,415)	150,278,963	11,540,118	7 0
1985	33,502,798	(8,424,559)	150,412,823	24,262,395	3 5
1986	51,025,188	(2,182,143)	150,699,396	31,268,348	4 2
1987	40,636,149	(10,411,108)	153,914,120	44,187,724	6 2
1988	77,503,659	(16,272,129)	140,871,426	37,355,633	4 4
1989	93,269,199	(17,969,115)	124,733,603	31,185,145	2 3
1990	88,358,707	(31,159,421)	96,261,520	10,892,629	1 3
1991	68,456,435	(34,943,104)	62,398,451	(25,023,928)	0 6
1992	270,000,000	(18,482,053)	644,375,000	(11,725,000)	0 7

SOURCE: Report to T.C.P.C. on Commercialization Corporate Plan, (1992 - 2000).

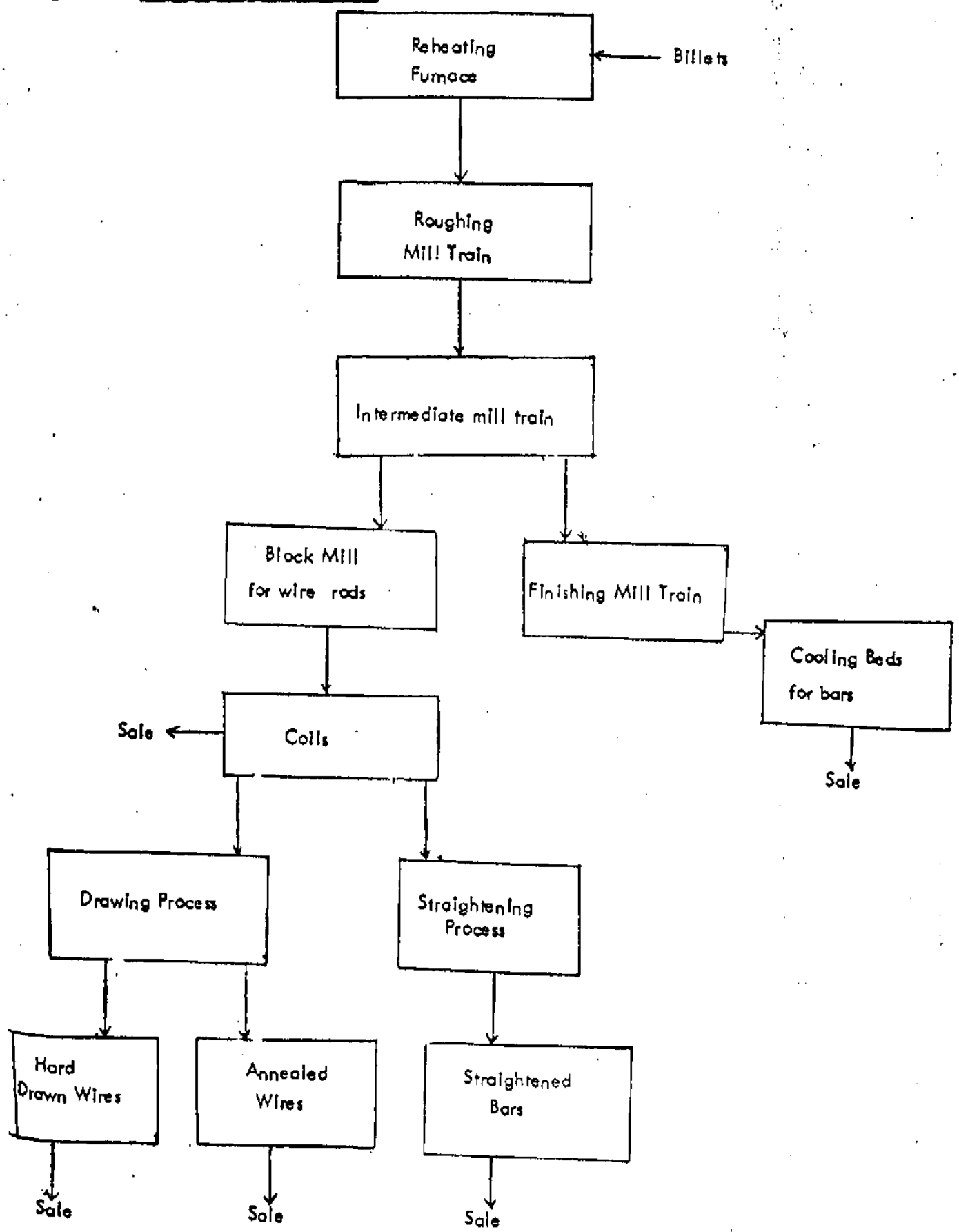
3.7 SOURCES OF REVENUE

As already stated above, the company gets no subvention from the Federal Government and as such has to generate its own capital. Revenue to the company is got from the profits of the sales of her products, plant hiring to individuals and companies, and also from the company's clinic which operates on commercial basis to members of the public. This revenue as indicated in the statement of account of the company for the year ended 31st December, 1990, is termed - Miscellaneous Income which amounted to ₦43,911 in 1989 and ₦356,970 in 1990. This amount was ₦500,000 in 1991 but is expected to increase by 10% annually.

3.8 PRODUCTION

The production history of the company from 1983 to date is specified and tabulated in table 4. The steel rolling process, which invariably is the production process is shown in figure 2.

Figure 2: Steel Rolling Process



SOURCE: Production Department, K.S.R.C.

In order to achieve 210,000 tons of rolled products, the company requires approximately 223,000 tons of billets. This implies that 95% of billet input ends up as rolled products. The importance of this raw material needs not be over-emphasised.

Table 4: Production History of the K.S.R.C. (1982 to 1992 Half Year)

Production in Tons.

Year	Wire Rods and Coils	Bars (Plain & Deformed)	Total	% of Installed Capacity
1982	2,130	8,172	10,302	5.52
1983	14,045	44,601	58,646	31.43
1984	8,092	19,066	27,158	14.55
1985	20,069	54,486	74,555	24.85
1986	20,019	42,517	62,536	20.85
1987	9,066	22,921	31,987	10.66
1988*	32,804		32,804	10.93
1989*	24,464		24,464	8.15
1990*	19,117		19,117	6.37
1991*	15,961.2		15,961.2	5.32
1992 (Half Year)	7,000		7,000	2.3
	73,421	99,346.2	191,763	364,530.2

Source: Commercialization of the Katsina Steel Rolling Company Limited. Main Report and Appendices, 1992.

Capacity utilization of the mill has been very dismal since commissioning in 1982. Maximum capacity utilization in any year has not exceeded 32%. Records of production for for half-year ending June, 1992 indicate a capacity utilization of 2.3%. Projected production level for 1992 is 60,000 tons out of which only 7,000 tons have been achieved as at last June.

The above analysis indicates the seriousness of the acute shortage of primary raw material - billet - and its impact on the effective and efficient operations of the company.

3.9 SALES AND MARKETING INFORMATION

The company's product mix comprises the following:-

(a) 5.5 mm - 12 mm diametre Wire Coils in both plain (mild steel) and deformed (High Yield) forms.

(b) 10 mm - 40 mm diametre BARS in both Plain (mild yield) and deformed (High Yield) forms

(c) Irregular 6mm lengths and Asorted products.

(d) Scraps[8].

In addition to the above product mix, the company produces HARD DRAWN and ANNEALED WIRES ranging from 10 mm - 5.7 mm diametres.

Over the years, because of trends in the steel market, the company has had to shift its product mix in response to the demands of the market place. This has caused a corresponding drop in the maximum output attainable because the small sizes in demand have less productivity. Table 5 gives the product mix employed from 1983 to 1992.

Table 5: Product Mix of the K.S.R.C. (1983 - 1992)

YEAR	5.5mm	6mm	8mm	10mm	12mm	14mm	16mm	18mm	20mm & ABOVE
1983	0%	19%	2%	3%	46%	13%	7%	6%	10%
1984	0%	25%	0%	6%	43%	6%	0%	0%	0%
1985	6%	7%	9%	7%	34%	13%	9%	0%	15%
1986	6%	11%	15%	17%	28%	14%	5%	0%	4%
1987	0%	15%	15%	9%	36%	13%	6%	3%	1%
1988	4%	14%	8%	18%	34%	13%	5%	2%	4%
1989	4%	14%	8%	18%	34%	13%	5%	2%	4%
1990	4%	14%	8%	18%	34%	13%	5%	2%	4%
1991	20%	5%	15%	30%	13%	1%	8%	4%	4%
	20%	5%	15%	30%	13%	1%	8%	4%	4%

SOURCE: Commercialization of the Katsina Steel Rolling Company Limited, Main Report and Appendices, 1992

The Company's products are sold through a flexible, but stream-lined marketing policy using a number of Registered Distributors. These include, Confidence Trading Company, Katsina; Leman Ltd, Kaduna; United Wire Trading Company Ltd, Kaduna; NIPACO Ltd, Kano.

Obviously, the existence of a growing market is a strength for the development of a domestic Iron and Steel Industry, although size and character may constitute bottle-necks in terms of translating of the apparent steel consumption into installed capacity.

According to official import records, Nigeria's steel has grown at an average of fourteen percent (14%) annually[9]. However, import figures, are distorted and besides, activity of the multi-national construction companies has not made it easier in arriving at acurate steel consumption in Nigeria.

Imported steel products have flooded the markets to the detriment of the local steel industries. This is the case of the Katsina Steel Rolling Company.

3.9.1 SALES AND PAYMENT TERMS

a) SALES - Prices of products are ex-factory Katsina including packing, loading, handling and other charges. Confirmed orders are charged and invoiced at the prevailing price.

b) PAYMENT TERMS - Confirmed orders are payed in certified Bank draft in the name of Katsina Steel Rolling Company Limited.

c) TEST CERTIFICATE - One of the set objectives of the company is the production of standard quality products. To this end, the company has a well equiped material Testing Laboratory which ensures that the product quality is within the international accepted standard. Where it is so desired, Test Certificate is normally issued to back up purchased product. However, Customers who need the certificate are expected to state this in their formal order for products.

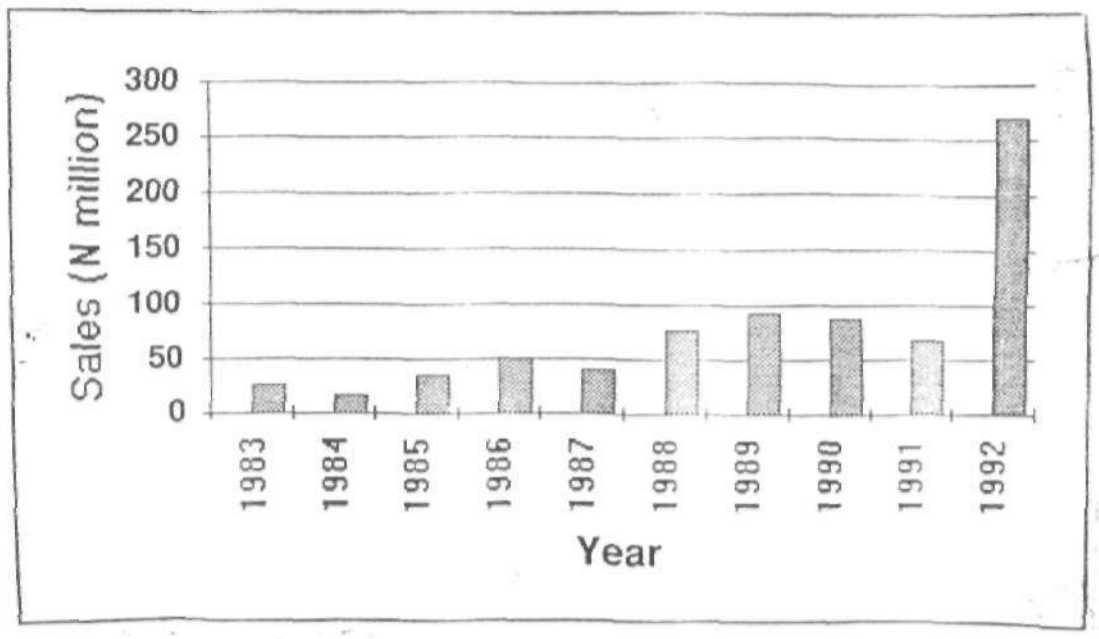
Table 6: Sales Turnover Recorded for the Period 1983 TO 1992

YEAR	TURNOVER
1983	₦26,100,981
1984	₦16,704,017
1985	₦35,502,798
1986	₦51,025,158
1987	₦50,636,149
1988	₦77,503,659
1989	₦93,269,199
1990	₦88,358,707
1991	₦68,456,435
1992	₦270,000,000 (Estimated).

SOURCE: Commercialization of the Katsina Steel Rolling Company Limited. Main Report and Appendices 1992.

Table 6 gives an account of the sales history of the company from 1983 to 1992. In fact, figure 3 presents the sales history of the company in a bold relief.

Figure:3 Sales History of K.S.R.C. 1983 - 1992 (₦ million)



SOURCE: Commercialization of the Katsina Steel Rolling Company Limited. Main Report and Appendices. 1992

3.9.2 EFFECT OF THE INTERNATIONAL MARKET

Due to government permission to import steel products, the mill has witnessed some sales set-back. In the first instance, she had most of her products unsold for a long period, and when they were sold, they were sold below the cost price due to poor pricing by customers. This is the result of foreign steel products flooding the local markets.

Moreover, despite the fact that the company's products are often times of higher standard than the imported ones, the imported ones are prefered by buyers because they are much cheaper. While Katsina steel rolling mill products sell at ₦9,500 for 12 Deformed Bar, the foreign ones sell at ₦8,500.

This has had adverse effect on the company in terms of loss of revenue from sales and waste of finished products, see table 3.

3.10 ECONOMIC CONTRIBUTIONS OF THE COMPANY

To the state, the company has made its economic contributions in the sense that the state indigenes have benefited as distributors and contractors to the company. An example is Alhaji Lema Jibril. It is assumed that these individuals re-invest their profit within the state to enhance the economic development of the State.

The company also pays tax and land rent of ₦5,050 per annum to the State Government. This should form a substantial sum of internal revenue to the State.

In the Nigerian context, the company has contributed to the economy by its ability to influence the growth of other related downstream industries which make use of its products. These include such industries like LEMACO UNITED, NIPACO and NIGROUP.

This realizes part of Federal Government's objective on industrialization. These industries through the rolling mill have one way or the other contributed towards the economic development of the country.

Assessing the economic impact or contributions of the Katsina steel rolling company, it is not far from the truth saying that its impact has hardly been felt. This at least is to the extent that what is expected of the mill has not been achieved. Producing below its installed capacity, it has not been able to satisfy the needs of the nation on its part. Its economic contributions to this end has been stunted.

The fact that the mill has not been able to generate any downstream industry in Katsina town and the State as a whole shows that investors do not have trust in the economic prospects of the industry. Moreover, the Public Relations department does not seem to be doing its job. This is seen in areas of poor coverage or promotion of the company's existence and its products.

The necessary foreign exchange so much needed by the country to transact its international trade and also to measure its wealth has not been got through the rolling mill. The company does not export her products as she does not have enough for local consumption.

However, the economic prospects of the company is bright. If the problems of the company are solved, its economic impact will be felt. Suffice it to say of now that the company produces to exist or survive, it is these failings in the economic areas that has made the Federal Government mark it out for commercialization.

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9. The GUARDIAN, Monday, May 11, 1992. P. 17.

CHAPTER FOUR

SOCIAL IMPACT OF THE KATSINA STEEL ROLLING COMPANY

4.0 INTRODUCTION

In the previous chapter, the economic performance and impact of the company was treated. Not much was got of its impact both on the nation and the State but it is obvious that the company has the potentials to play its role in national development.

The social impact of the company is to be treated in this chapter based on information given by the company officials and some independent observations. Not much is to be expected of the social impact as the company though ten years old is still a baby trying to comprehend its position within the society.

The economic impact relates with the social impact in that one cannot be discussed without mentioning the other. The social impact emanates from the economic impact.

Social impact as is discussed in this study is concerned with the benefits of the staff of the company, the people of Katsina State and its environs in particular and the nation as a whole from the company either negatively or positively. These include the areas of employment, staff training, sanitation and safety measures, staff welfare, its social contributions to the state among others.

4.1 EMPLOYMENT

One of the Federal Governments objectives for setting up the rolling mills is to provide job for as many Nigerians as needed by the company. To this end, the company has succeeded in generating employment for the people in the area. All members of staff are Nigerians. The breakdown and categorization of staff is given in Chapter Three.

With a strength of 546 workers, the company has provided jobs for the indigenes of Katsina State especially in the lower cadre - drivers, loaders, messengers, cleaners, clerks, security guards, etc which makes up 40% of the staff. 35% of those employed by the company who occupy intermediate and senior management positions are also of Katsina State origin.

This means that 75% of the total work force of the company are from Katsina State. The remaining 25% are staff from other states of the Federation.

However, due to the Structural Adjustment Programme, thirty-two staff of the company were retrenched. It has been indicated that when government grants approval for the commercialization of the company, the staff strength will be further reduced[1]. This is because according to management, the company is at present overstaffed especially in the lower cadre and with commercialization comes maximization of profit.

4.2 CONSTANT STAFF TRAINING

The company commits itself to the training and development of all its employees for the purpose of efficient and effective job performance and the career development of the employees. To this end, the company sent twenty-five of its pioneer staff to Japan for training in January, 1981[2].

However, the company presently has its own fully equiped Training Centre in the company for in service training programmes. The instructors are Nigerians who received further training in Japan to enable them teach other young technicians. Staff are also sent on outside short term courses for instance, to the Metallurgical Training Institute (M.T.I.) at Onitsha.

4.3 SANITATION AND SAFETY MEASURES

Sanitation of the company is satisfactory. The whole environment is kept clean by those employed for that purpose. This is confirmed by our personal observation.

The company has a fire service unit, and there is always a safety engineer on patrol to ensure that workers keep to safety rules. Furthermore, staff are covered by Group Personal Accident Insurance against any injury on 24 hrs cover basis[3].

4.4 STAFF WELFARE

As part of its efforts to provide adequate welfare services to its workers with a view to enhancing productivity, the Katsina Steel Rolling Company has established a staff canteen where it feeds its workers at subsidized rates, on standard accepted by medical experts.

There is transport for the workers to and from the company by the company's staff welfare bus. This has helped reduce the burden of cost of transportation to the benefit of the staff.

On health matters, the company has its own clinic, run by its medical staff. This takes care of health issues of both the staff and their dependants. The clinic is also operated on commercial basis to generate revenue. This serves for those who are not members of staff or dependants but require the company's medical services.

As regards education, the company's staff school is designed to give a sound qualitative primary education to the children of the workers. It is a remarkable welfare service.

The company has secured land where it established a housing estate for its workers. However, for those staff who are not accommodated within the premises, provision is made for the payment of 50% of their basic salary as rent allowance[4].

The company also provides recreational facilities for staff such as the staff club and indoor and outdoor sports.

4.5 STAFF-MANAGEMENT RELATIONSHIP

Staff-management relationship of the company has been very cordial. The company has not witnessed any strikes.

There is industrial harmony between both parties because of open management system derived from the Japanese experience.

4.6 SOCIAL CONTRIBUTIONS TO KATSINA STATE

The company has made commendable contributions to its area of location. Apart from its taxes, it helps its immediate community. For example in 1985, a sum of ₦200,000.00 was given to the state government as a donation to the drought relief committee[5].

The company has also contributed in the area of sports. It sponsors the popular polo tournament in the state for which the sum of ₦50,000.00 was contributed last year. However, this pattern of expenditure is difficult to justify when viewed against the background of dwindling resource base. However, the Public Relations dimensions of this gesture cannot be over emphasised.

4.7 RELATIONSHIP WITH OTHER ROLLING MILLS AND DELTA STEEL COMPANY

The three Inland Rolling Mills; at Jos, Oshogbo and Katsina, together with the Delta Steel Company and Ajaokuta Steel Company set up a consultative committee as far back as 1984 to discuss problems of common interest. Focus during the meetings is on pricing of billet and rolled products, Quality control and uniform conditions of service[6]. The meeting which is rotational was last hosted by Jos Steel Rolling Company in January, 1992.

The consultative committee through this joint participation usually makes representation to government on issues of common interest vide the supervising ministry.

NOTES

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CHAPTER FIVE

SUMMARY AND CONCLUSION

5.0 SUMMARY OF MAJOR FINDINGS

Within the ten years (1982 - 1992) of the mill's operations, great development land-marks have been achieved through the savings from the initial grants from Government and the support and co-operation of the ministry. Such improvement areas include a Wire Drawing Plant installed and commissioned by Kobe Steel Limited in November, 1984, to satisfy the raw material needs of down stream industries. The plant which produces hard drawn and annealed wire of 1.05-5.0 mm diametre has an installed production capacity of 8,600 tonnes of drawn wire annually.

An electric power plant of 36 MVA was acquired to avoid the problem of being wholly dependant on N.E.P.A.

Due to high demand for small diametre bars, the company was able to modify the existing facilities for use on 2-strand bars whereby two billets can be rolled simultaneously. This feat had increased productivity by about 50%. However, it is no longer possible to roll on 2-strands due to lack of spare parts because of shortage of funds.

Four units of wire straightening machines for the production of 6 mm and 8 mm bar were commissioned in 1982. These machinery which contributed 20% to the company's sales turn-over are now obsolete and beyond economic repairs. Approval was given for their replacement, but due to shortage of funds, the issue was set aside.

The company has a major problem which is that of lack of fund and raw materials. Despite these problems among others, the company still keeps its head above water. One of the records of declining performance is that the Katsina mill earned ₦75.7 million in 1991, which is ₦12.5 million short of its earnings in 1990.

Although the company's investment rose from ₦4.7 million in 1990 to ₦5.2 million in 1991, output dwindled by about 3,000 tonnes in 1990[1].

Katsina Steel Rolling Company had for most years achieved the highest production capacity among the Federal Government owned Inland Rolling Mills.

The main factor which has consistently militated against reasonable level of plant utilization has been acute shortage of billet. At present, the Delta Steel Company has serious problems that cannot be solved within a short period. Considering among others, the fact that they have no captive power plant and have serious shortage of spare parts with the result that their production capability has been seriously hampered.

To complement the shortfall in the supply of billet from the Delta Steel Company, permission to import billet was granted. This was stopped in 1989. This embargo was again lifted but then shortage of funds due to temporary shut down of the mill (due to lack of billet) virtually reduced the company's ability to finance importation of billet. The situation now is that the company entered into contractual agreement with prospective suppliers, but because such arrangements were without financial commitment on the part of the company, nothing came out of it.

The company experiences frequent break-down due to shortage of spare parts.

A cummulative turnover of ₦556,874,692 has been made by the company since commissioning. This figure would have been substantially increased but for the problem of lack of raw materials and funding[2].

The government of Katsina State and its indigenes have benefited from the company in different ways. The state government gets land rent and tax from the company, while its citizens benefited in terms of jobs, contracts, relief packages, sports donations, among others.

5.1 DISCUSSION OF FINDINGS

Nigeria as a country barely has enough agricultural products to feed its citizens. Reliance on agriculture for economic development will lead to a further lapse in the economy. All eggs cannot be stored in a basket hence another means to effective economic development is sought. This emphasises that a mono cultural economy hardly leads to effective development. Diversification of the economy is the in thing in the international market and this helps to cover up any set-backs or deficiencies where there is a failure in any of the modes employed towards economic development.

Indistrialization improves economic activities within and outside a country. The buying and selling of billets is an international economic activity.

The billets in the years shown in table 1 produced a tangible amount for the company and thus helped to meet the needs of the consumer industries. This further boosts the industrial activities within the nation and leads to economic development. The importance of industrialization to this extent cannot be over emphasised.

That the state and its citizens have benefited both in the economic and social aspects from the Katsina Steel Rolling Company, goes to prove that industrialization leads to the social and economic development of a nation.

In the years the company had no problems of raw materials supply - billet - production was constant and the company met the demands of its consumer down stream industries. There was therefore no need for the importation of foreign steel products to meet the demands of its customers. This shows that given the necessary raw materials to work with, the company can conviniently produce sufficient products for its customers. That industrialization leads to self reliance is proved right.

All the stated hypotheses in chapter one have been proved and therefore retained.

One of the major arguments of the U.D.T. is that of disarticulation, especially between economic sectors and regions. This was blamed on the colonial masters who developed only areas which they liked. From the findings of this study, the problem of disarticulation still lingers on in the area of location of industries. This is the case of the Katsina Steel Rolling Mill in its relationship with the Delta Steel Company. The distance between both companies is too much. The source of raw material is far from the mill. Hence there is no articulation between both companies. Companies should be located in areas of favourable weather and must be close to the source of raw material.

5.2 FUTURE PLANS FOR THE KATSINA STEEL ROLLING COMPANY

With the establishment of a Wire Drawing Plant purposely to encourage small-scale industrialists establish plants for secondary wire products, the company has further studied the viability of expanding the Wire Drawing Plant to include the manufacture of welding electrodes and galvanized wire. Detailed technical proposals and feasibility reports have already been submitted to the government. In anticipation of the increased demand for wire rods and the need to enhance the productivity of the wire line by rolling on 2-strands, there is a proposal to install the second wire line, the civil works of which have already been completed.

It is the hope of the Katsina Steel Rolling Company to be backward integrated whereby Direct Reduced Iron (D.R.I.) from the Delta Steel Company will be used to produce billets. To this end, the company sought for a piece of land measuring 500 x 200 metres located at the northern end of the factory from the Katsina Local Government. The request was granted and compensation paid to the farmers accordingly. A second request for another piece of land for the backward intergration of the mill was considered, but because of lack of funds the idea was set aside. Additional facilities expected to be installed are two electric arc furnances and a 2-strand continuous casting machine with a total capacity to produce about 80,000 tonnes of billet annualy.

A detailed proposal on the project has been submitted to the government and it is already under review[3].

As a result of the continuous efforts of Research and Development Committee of the company, there is already in the pipeline a proposal to modify the existing facilities at the mill to include light sections with a view to diversifying the company's products mix.

As the Katsina Steel Rolling Company grows into the third stage of its development, about 1.5 million tonnes of raw materials and finished products will be hauled to and from Katsina, hence it is hoped that a rail line will be constructed to the rolling mill and enough provision at planning stage had been made for the rail construction when the time comes.

All these are aimed at improving the production and economic performance of the company.

5.3 RECOMMENDATIONS

The major problem of the company is that of funding. It is indicated that the company has not got any grants or subventions from the Federal Government since it started production. The Federal Government should therefore come to the aid of the company by making provision for some form of financial assistance, even though it has been marked out for commercialization. This is so, because it will help prop up the company a bit before the Federal Government gives its final permission for its commercialization.

It is known that the current indebtedness of the company as at December 31st 1992 was as follows:

(i) Bank Overdrafts

U.B.A.	₦3 million
Bank of the North	₦10 million

(ii) Federal Government Agencies

Excise Duty - ₦2.5 million

N.E.P.A. - ₦3.275 million

(ii) Trade Creditors - ₦18.625 million[4].

The company's indebtedness to N.E.P.A. is because although it uses generator for production, its furnance and auxilliary facilities as well as its residential estate are powered by N.E.P.A.

It is hoped that the Federal Government would arrange to settle the non-trade indebtedness of the company amounting to ₦18,775,000.00 as detailed out above. The government should in addition provide funds for acquisition of spare parts for the successful production of the mill.

Another major problem is that of raw material - billets. Government policy of limiting Katsina Steel Rolling Company among the inland rolling mills, to the Delta Steel Company, Aladja (D.S.C.) for the supply of essential raw material - billet - has been negative, improper and counter productive. The inability of D.S.C. to meet up with requirements crippled production by the company.

Accordingly, it is recommended that the following steps be taken to remove the problem of acute shortage and erratic supply of billets.

Abolish dependence on the Delta Steel Company as the primary source of billets. Dependence on D.S.C. for supply is quite absord especially given operational inefficiency of the company.

D.S.C. should be depended on as a point of last resort, to bridge the gaps between turn-around times i.e., between order and delivery of foreign billets. Billet should be imported from Spain and Brazil as was done when permission was given to import foreign billets.

If this is done, the problem of the company producing below installed capacity will be almost eradicated if not entirely eradicated.

As per the sales of its products, the selling price of products is largely driven by the forces of demand and supply, the company should adapt to market trends, and make changes accordingly. The company therefore should employ this in her marketing system. The practice of selling the company's products at give away prices should be stopped and sales should only be done when the market price is to the company's favour. The company must try to brand its products with its standard and trade marks. This will indicate that the company's products meet the set international standard and will help its product compete in the international market. Moreover, the Federal Government should give concession for exemption of import duties for the mill to import its raw material. This will help reduce the cost burden on the company for importing its product. This will also help reduce cost of production and help her products compete favourably in the international market in terms of selling price. The price difference between the company's products and the foreign steel products in the markets will therefore be uniform or just slightly different.

The social costs of maintaining the clinics and secondary school is telling on the accounts of the company since she has to maintain them all on her own. The clinic should be fully commercialised to enable her purchase her drugs and other equipments.

The company is said to be over staffed and as such it is recommended that only the relevant staff be kept while others are layed off. This will help utilize the manpower input by the remaining staff as they will be made to work their full capacity. This is also going to reduce the cost of payment of salary on the part of the company.

5.4 CONCLUSION

Federal Government move towards industrialization is laudable. Alledged findings of some experts from the World Bank who came to inspect the Ajaokuta Steel Complex concluded that the project was unnecessary and unviable and

should therefore be scrapped[5]. Federal Government should be careful when listening to such 'expert advice' as the developed countries are not absolutely ready for the underdeveloped countries to catch up with them. The steel industry is a viable means of revamping the Nigerian economy and a sure progress towards industrialization.

From research carried out, it is noted that the emergence of downstream industries is very slow and unencouraging. However, the Delta Steel Company has made some progress in this area to encourage downstream industries. The company is now designing an industrial estate of about 100 hectres close to the plant. The estate according to sources is expected to have essential facilities like electricity, water and roads[6]. However, this venture is being constrained by the availability of funds. But one cannot fail to see that the extent of opportunities in the downstream industries shows the ability of the steel industry in providing the necessary industrial base for economic development and recovery.

The issue of the problem of raw materials and spares should be taken very seriously by the government. With such a heavy constraint due to lack of funds, the production levels of the steel industries have continued to fall far short of plans from year to year. The problem of spare parts which is the result of broken down machines is the problem of wrong location of the company. The weather in Katsina is temperate, humid, very hot and dry. This explains the constant breakdown of machines which results in the issue of the problem of spare parts. The government must always consider the disadvantages in the location of industries in the areas of unfavourable weather. Moreover, though the company claims not to feel the problem of transportation of raw materials from Aladja to Katsina, the distance between the company and the source of raw material is far. If the company is very comfortable with her transportation arrangement, then there will be no need for a rail line to the company.

At this juncture, it must be stated bluntly that the political decision to site the steel rolling mill in Katsina is the major source of the existing problems facing the mill.

Construction companies should assist the steel industry by contributing to the financing of the importation of raw materials. The resultant products can then be allocated to the financing construction companies.

All these problems still fall within the ambit of funding. Given the necessary funding, the steel sector can be made to play its role in contributing to the social, economic, technological and industrial development of the nation.

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