

# LOKSABHA DEBATES

## LOK SABHA\*

Wednesday, May 5, 1993/Vaisakha 15, 1915  
(Saka)

The Lok Sabha met at  
Eleven of the Clock

[MR. SPEAKER *In the Chair*]

### ORAL ANSWERS TO QUESTIONS

[*English*]

#### Tannery and Footwear Corporation of India Limited

+

\*881. SHRI INDRAJIT GUPTA:  
SHRI SANTOSH KUMAR  
GANGWAR:

Will the PRIME MINISTER be pleased to  
state:

(a) the details of orders placed with the

Tannery and Footwear Corporation of India Limited (TAFCO) by the Armed Forces in each of the last five years as compared to the purchases of footwear during the same period from the open market;

(b) whether the decision of the Union Government in regard to Utilisation of TAFCO's full capacity by the Armed Forces has not been followed strictly by the three forces;

(c) whether the Government would now direct the Armed Forces to utilise the installed capacity of TAFCO to the maximum extent; and

(d) if so, the facts thereof?

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI MALLIKARJUN):  
(a) to (d): A statement is laid on the Table of the House.

#### STATEMENT

(a): The details of the orders for footwear placed on TAFCO as compared to purchases from the open market, during the last five years are:—

TAFCO	Year	Total qty	Total price (in Rs.)
	1988—89	94,400	1,66,51,407
	1989—90	67,260	1,29,11,300
	1990—91	1,19,000	2,51,64,600
	1991—92	1,48,525	2,86,34,750
	1992—93	22,450	42,65,500

OPENING MARKET	Year	Total qty	Total price (in Rs.)
	1988—89	1,19,400	89,11,112.50
	1989—90	1,91,700	2,94,16,396
	1990—91	5,03,395	5,31,41,570
	1991—92	4,38,525	4,33,04,797
	1992—93	25,104	23,33,344

(b) All orders, including those on TAFCO have been placed in accordance with Government orders issued from time to time. The placement of orders is presently governed by the instructions of the deptt. of Public Enterprise dated 13. 1. 92. According to these instructions, Public Sector Undertakings are not eligible for any price preference. However, if the quoted prices of public enterprise is within 10% of the lowest valid price bid, purchase preference may be granted to the public enterprise concerned. This policy is valid for a period of three years. After booking the capacity of the Ordnance Equipment Factory, Min. of defence places orders for the balance quantities on the basis of the above cited guidelines issued by the Deptt. of Public Enterprises.

(e) and (d). Do not arise.

SHRI INDRAJIT GUPTA : Sir, I have carefully gone through the statement which has been laid. Now, if you will kindly look at the statement — the question was asked regarding the last five years — it is evident that in the five years from 1988 to 1993, the total quantity of footwear purchased, if you add up the five years, for the defence Forces, which were procured or bought from this TAFCO, that is the public sector, Tannery and Footwear Corporation of India Limited, comes to 4, 51, 635 pairs of shoes or boot whatever they were. Whereas the quantity bought in the same period from the open market comes to 12,78,124. It is about three times more from the open market than from this TAFCO. simi-

larly, if you see the value, the money which was paid out for these boots and shoes, to the TAFCO they have paid during these five years Rs. 8. 15 crore and to the open market they have paid Rs. 13.64 crore. It is quite obvious that an attempt is being made here to deny orders to the public sector unit in favour of the small scale sector. But I want to know why the Ministry has not been implementing a clear cut decision, which was given by the committee of secretaries headed by the Cabinet Secretary to the effect that fifty per cent of the orders must be given to TAFCO. why have this 50 per cent orders not been given for all these years ?

SHRI MALLIKARJUN : Sir, it is not true that the Government has not implemented the directives of the Government itself in relation to the procurement of footwear from the TAFCO. In 1985, the Committee of Secretaries have not only recommended that fifty per cent orders should be placed on the TAFCO but they have also said that the price should be at par of the Ordnance Equipment factory which produces footwear also.

As the hon. Member has rightly mentioned, if you take these five years, TAFCO has been given Rs. 8 crore and odd and open market has been given more than Rs. 12 crore. But the point of reality as such is the question of price, which is coming in the way. When the price at par with Ordnance Factory has been given, there was an objection from the Comptroller and Auditor General. And then, the prices quoted by the

TAFCO were always higher compared to that of DGS&D, whose prices are quite minimum. It is not only the question of encouraging the small scale industry but also it is the question of price variation. Because of the price variation, we were in a difficult position to place the maximum orders on TAFCO.

**SHRI INDRAJIT GUPTA** : Sir, I am afraid the hon. Minister is distorting the opinion and decisions of the meeting of the Committee of the Secretaries. The Cabinet Secretary headed this Committee at the time. Very senior people were there on this Committee; finance Secretary, secretary Ministry of Defence, Secretary Department of Industrial Development, Secretary, Department of Defence Production, Secretary, Department of Supply including the Cabinet Secretary. They had quite clearly mentioned and if I may quote from the proceedings of this Committee:

"The Cabinet Secretary observed that when the takeover of the two units of the BIC was contemplated, the Ministry of Defence could not have been unaware of the working results of these units, as also of the possibility of procurement having to be made at relatively higher prices. The take-over was nevertheless recommended to Cabinet for approval; this clearly showed that the defence authorities had tacitly accepted the position, that procurement would have to be made from these units, at prices which might not be competitive."

If I may say, Sir, small scale units which are there is Agra and Kanpur particularly, are not actually small scale units in the sense that behind them there are bigger people operating these small scale units. But, anyway the point that I am trying to make is that there is a deliberate policy here to make a public sector sick. Today, we are told so many public sector units have become sick and they must be wound up or something must be done. when these two units of BIC were taken over, there were 5000 people working in them. Now, there are 1700

people left. The orders that at least upto 50 per cent must be given to TAFCO have never been carried out. It is a deliberate policy of making the public sector sick. Therefore, I would like to know why the Government is following this policy. Do they want these public sector units to be destroyed while they go on saying that they are in favour of the public sector? The Cabinet Secretary and other Secretaries had given this clear cut opinion and it is just being violated by the purchasing Ministries.

**SHRI MALLIKARJUN** : It is not the intention of the Government to make any public sector unit a sick unit. The unit itself on the basis of its performance either becomes sick or becomes a healthy one. So far as the reference to the Cabinet Secretary and Secretaries committee is concerned, I have clearly informed the august house that we wanted to follow it. Today, we have a resource crunch. We cannot afford to give the price of Rs. 196 for a pair of shoes when we get for Rs. 132.30 a pair of shoes. Apart from that, so far as the quality is concerned, it is satisfactory. But, so far as the delivery schedule of TAFCO is concerned, I have just mentioned to you that when the Air Force has placed orders for 24000 pairs with their specifications, the TAFCO could not supply them, and when an order for 60000 pairs was placed, it was actually rejected. Also, so far as the Army is concerned, when order for 47000 and odd pairs was placed, they had taken two years. The order was placed in 1990 and only in 1992 March, they had delivered them. I do not blame it. I appreciate the capability of the unit. But, what am I to do when the BIFR is now concluding that it is a sick unit and an agency has been appointed to go into the details and find out the reasons for the sickness? It is not that the price competitiveness is there.

I am certainly prepared to purchase any quantity. So far as the Government guidelines are concerned, there was a 10 per cent price preference from 1989 onwards.

**SHRI INDRAJIT GUPTA** : How much ?

SHRIMALLIKARJUN : Ten per cent price preference.

SHRI INDRAJIT GUPTA : Is that permitted?

SHRIMALLIKARJUN : We have permitted till 13.1.1992 when the Government directive had come from the Bureau of Public Enterprises that there would be no 10 per cent price preference in public sector units, and that there would be only 10 per cent purchase preference. We are following all these guidelines.

SHRI INDRAJIT GUPTA : Sir, I have another question. I am a bit out of practice because normally I never get a question. It is up to you to allow me.

MR. SPEAKER : You can ask one more question.

SHRI INDRAJIT GUPTA : Sir, the hon. Minister has referred to a large number of pairs of shoes and boots which were ordered by the Air force at Avadi and also for the Army and said that the TAFCO had failed to supply these orders. I would like to know from him whether it is a fact that these large consignments which were purchased from the open market, in two cases, they caught fire and were destroyed and were found to be termite-ridden.

Sir, the Minister avoided talking about quality. I noticed that. He talked only about price preference. Our defence forces should not be supplied with lower quality material just for the sake of saving some money. It is the defence people who require the best quality of footwear and boots. But these large consignments caught fire at Avadi and I think, at Kanpur and they were destroyed. They were found to be termite-ridden. I am referring to the double moulded shoes. Do you want to close down TAFCO? Do you want to make it sick? Do you want to pretend that it is sick, send it to Bureau of Public Enterprises and get it closed down? I would like to know what is the game plan.

SHRI MALLIKARJUN : Sir, I do not have any game plan so far as TAFCO is concerned. I wish that it will come up, but unfortunately now it is with the BIFR. They should come to its rescue and they should rehabilitate it. The hon Member has mentioned about low cost procurement of things. I believe in it. sometimes, for the sake of competition, some people quote low cost. But, unfortunately or fortunately, we are taking it from the DGS & D and not directly from any other party. So, specifications are given and on that basis they are supposed to supply the material. If anything happens, it is the responsibility of the DGS&D and the supplier. We do not come into the picture in terms of quality and in terms of quantity.

[Translation]

SHRI SANTOSH KUMAR GANGWAR : Mr. Speaker, Sir, I was studying TAFCO report which shows a deficit of Rs. 140 crores as on 31 March 1992 and the reason for this deficit has been stated that the Ministry of Defence has not given adequate supply order as were expected of it. I have heard the reply order as given by the hon. Minister and he has said that full supply is not being given, but nothing has been said regarding the quality of the supplied items. Just now the hon. Members Shri Indrajit Gupta also said something in this regard. I would just like to know from the hon. Minister about the future planing in respect of TAFCO, the type of relations the Government will have with it and whether the Government would take care of the future of thirty one thousand employees? Would the Government ensure the quality of products prepared by TAFCO so that quality goods are supplied to our defence services?

[English]

SRI MALLIKARJUN : Sir, I have not disputed the quality so far as TAFCO is concerned, but only the other parameters which are essentially required in terms of supply of pairs. So far as the future orders are concerned, we will strictly follow the guidelines issued by the Bu-

reau of Public Enterprises.

SHRI A. CHARLES : Sir, from the answer it is seen that during 1990—91 and 1991—92, the quantity purchased from the open market is five lakhs and four lakhs respectively. The amount is also Five crores and Rs. Four crores whereas in the TAFCO, the quantity of the order placed was one lakh and unfortunately, the price comes only to Rs. 21/2 crores, in view of the 10 per cent price preference given.

But it is very unfortunate when the Minister says that the price preference has been taken away and they only give purchase preference of 10 per cent. That does not help any industry. In the cottage industry, small scale industry and small public undertakings of the Government, the general understanding is, 10 per cent price preference shall be given so that these industries will come up, especially at a time when this particular industry is referred to BIFR. When something is referred to BIFR, that is the end of it. No factory is coming out of it successfully afterwards.

May I know from the hon. Minister at least in these particular areas the Government would review their policy to see that 10 per cent preference is always given for public sector undertakings and also for small scale industry sector? If the small scale industry sector is not covered, I think, this may also be given the preference.

SHRI MALLIKARJUN : So far as 10 per cent price preference is concerned, I am not saying about it from my side. It is the decision of the bureau of Public Enterprises taken in January, 1992.

SHRI A. C. CHARLES : Sir, I want your protection. The Government should have some policy on this.

MR. SPEAKER : That is not for the Defence Ministry to decide this policy.

SHRI MALLIKARJUN : That is the Govern-

ment policy and not my policy.

[*Translation*]

SHRI ATAL BIHARI VAJPAYEE : Mr., Speaker, Sir, TAFCO does not have much workload because the goods prepared by it is of high prices, that is why the demand for its goods is low. I would like to know whether the Government has made any effort to raise the production? If it increases the production, it would require market, so it should reduce its prices in order to be able to compete in the open market. Secondly I would like to know about small industries. As Shri Indrajit Gupta has stated that large scale industries are working in the disguise of small scale industries, I would like to know whether the Government while purchasing material from small scale industries, ensures that the goods have actually been produced by the small scale industries and no multinational company is working behind the curtain?

[*English*]

SHRI MALLIKARJUN : Sir, it is up to the Director General of Supplies and Disposal to penetrate whether there is multinational or not, whether there is genuine small industry entrepreneur or not. I am not concerned with that. Because I am a purchaser. I am purchasing from the DGS&D. I am concerned with other things.

SHRI ATAL BIHARI VAJPAYEE : You are not only the purchaser but you are also the Government. How can you ignore that?

SHRI MALLIKARJUN : Of course, I am part of the Government. As the Government also, we have laid down business. It is not that I can interfere in somebody's duties entrusted as the Government. But as a part of the Government, I will make a report, if necessary.

As you are all aware, the other day only you have passed our Demands and soon.

[*Translation*]

SHRI ATAL BIHARI VAJPAYEE : Mr., Speaker, Sir, you have been a Minister of Defence? What type of reply is being given?

SHRI MALLIKARJUN : My reply is complete. If you want me to say something else in the name of Minister of Defence, I would not yield....(*interruptions*)

[*English*]

SHRI BASUDEBACHARIA : This TAFCO was in private sector. When it became sick, it was taken over and then subsequently nationalised. There was price preference up to January, 1992. In 1989—90, 1990—91 and 1991—92, in three years also, the order for TAFCO was much less than that of the private sector. Now the purchase preference is there. The Ministry of Defence has to consider it in view of the sickness of this industry. Reference to BIFR does not mean that this industry will be closed down.

It has been referred only to prepare a package for the revival of this sick industry. I would like to know whether the Defence Minister will help to revive this industry by placing order, on this industry direct or purchase even direct from this industry. I would like to know whether the Ministry of Defence will place order in order to help this industry and will give purchase preference so that the number of shoes purchased from this Unit is more than that of the private sector.

SHRI MALLIKARJUN : I never mentioned that this TAFCO should be closed down. What all I mentioned is that it is with BIFR. An agency has been appointed to go into detail as to how to rehabilitate it. We all wish it.

So far as this purchase preference is concerned, we will certainly follow it. It is a guideline of the Government, and we will certainly follow that.

So far as the question of what quantity we will place on it is concerned, it all depends upon the particular time.

SHRI BASUDEBACHARIA : You have to pay 50 per cent.

SHRI MALLIKARJUN : We will pay 50 per cent provided the price is in accordance with the competitiveness.

I have gone through all those instructions. The Secretaries Committee have met in 1989. That was of 1985. There was not only one Secretaries Committee. But there were three or four Secretaries Committees. On and often, after reviewing, they have come to certain conclusions.

SHRI BASUDEBACHARIA : What were those conclusions?

SHRI MALLIKARJUN : This is what I am telling that at one stage they said that the price of TAFCO must be given on par with the Director General of Ordnance Factory which is producing four lakhs of shoes. Again when the Audit objection has come, then the question of competitiveness has come up because of the objection raised by the Audit. That is how, they have to face the competitive life and we cannot as a Government afford just to support the public sector units, not only TAFCO, but any other. But they have to develop this competitiveness and for that reason, Government has adopted the policy of not giving 10 per cent price preference but to give 10 per cent purchase preference. Suppose, somebody gives at the lowest price, we will call for negotiations and we will try to see how best we can give the order to this public sector in comparison to this bogus tender. We are following this policy.

#### D. A. P. Fertiliser Units

882. SHRICHANDRAJEET YADAV : Will the PRIME MINISTER be pleased to state: