

NOT TO BE ISSUED

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LOK SABHA DEBATES

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LOK SABHA

Wednesday, July 17, 1991/Asadha 26, 1913 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS
(English)

PERFORMANCE OF PEPSI FOODS PROJECT

*61 SHRI V SREENIVASA PRASAD
SHRI PAWAN KUMAR BANSAI

Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state

(a) whether the attention of the Government has been drawn to a news item captioned "Pepsi project fails on most fronts" appearing in the 'Hindustan Times' dated July 1 1991,

(b) if so whether the Pepsi Foods Project has completely failed to fulfil its commitments to the Union Government on exports, employment generation etc

(c) if so the details thereof,

(d) the steps the Union Government propose to take against Pepsi Project for not fulfilling its commitments, and

(e) the amount of foreign exchange remitted by the company during the last one year ?

THE MINISTER OF STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI GIRIDHAR GOMANGO) .

(a) Yes, Sir

(b) to (e) A statement is laid on the Table of the House

STATEMENT

M/s Pepsi Foods Private Limited has set up plants for potato/gram processing and soft drink concentrate plant at Channo, District Sangrur and fruit and vegetable processing plant at Zahura Hoshiapur in Punjab. The above three plants under the project were commissioned during February, 1990, April, 1990 and June, 1990 respectively.

The Company has taken steps to encourage the farmers in developing nursery protected under polythene cover for growing tomato seedlings and to grow good quality high yielding hybrid tomatoes by adopting deep chisel ploughing techniques. The Company has also informed that it has taken steps in setting up of Agro Research Centre at Zahura

The Company have generated direct employment to 850 persons and indirect employment of over 25 500 persons in its allied and ancillary business

The Company has informed that they exported various products to the tune of Rs 9 62 crores during 1-4 1990 to 31 3 1991. The items exported in that year were not found to be from amongst the products of three units mentioned above. The appropriate actions have been initiated by the concerned Ministry in this regard. The Government have also initiated steps for *prima facie* violation of the conditions of Letter of Intent with regard to the production of soft drink concentrates. The outflow of foreign exchange for the project has been to the tune of Rs 11 29 crores

SHRI V SREENIVASA PRASAD

Mr Speaker Sir the Pepsi project is under criticism from various sections of the Press. As the Minister has stated in his reply, the project proposal was sanctioned by the Government with great hopes envisaging great benefit to the peasantry of Punjab and the economy of the State. As such, it may be too early to go into the performance of the Pepsi company. But taking into consideration the early indications the Government should ensure that the company fulfils its commitment and obligation in letter and spirit. Therefore I would like to know from the Minister whether the Government has ascertained that the company has initiated steps to implement the salient features of the proposals like establishing Agro Research Centre and Potato Gram processing commitment of 3 1 inflow and outflow of foreign exchange and also to create 25 000 jobs for the farmers of Punjab

SHRI GIRIDHAR GOMANGO : Sir, the Letter of Intent issued to the Punjab Agro Industries, was later transferred to Pepsi Foods Private Limited. Complaints were received by the Government from time to time for the non-fulfilment of some of the conditions committed to the Government on the basis of the Letter of Intent. There was a lapse in the implementation of some of the conditions of the LOL. Therefore, we had constituted a team of officers which has gone into the aspect of the fulfilment of the conditions laid in the Letter of Intent. Wherever we have come to know that they have not yet fulfilled the conditions, we have taken action whereby they will fulfil the conditions which are there in the Letter of Intent.

SHRI V. SREENIVASA PRASAD : Sir, with the experience of Pepsi already there, I would like to know whether the Government has any other similar proposals under consideration and, if so, whether the Government intends to formulate policy guidelines or such proposals.

SHRI GIRIDHAR GOMANGO : Sir, we do not have any such proposal.

SHRI PAWAN KUMAR BANSAL : Mr. Speaker, Sir, while the Hon. Minister assured the House that the Government is taking steps to ensure that there is no default by the Company, the statement laid on the Table of the House as well as the news item appearing in *The Indian Express* yesterday do lead to some sort of concern in the mind of the people, particularly of Punjab. Sir, we had lent support to the project with the hope that it would help the development of horticulture in the State. Nothing of that sort happened. Three units have been set up there all right, but if my information is correct, the one in Hoshiarpur District, that is at Zahura, is not working and, Sir, if you go through the last para of the reply, it is indeed very disturbing. It says that the exports were to the tune of Rs. 9.2 crores and nothing of what was exported included the products of any of the three units set up in Punjab. Sir, the purpose was not to give a trade licence to them.

MR. SPEAKER : Please come to the question.

SHRI PAWAN KUMAR BANSAL : Sir, there is no Member from Punjab.

MR. SPEAKER : There are many others who would like to ask. Please come to the question.

SHRI PAWAN KUMAR BANSAL : All right, I will ask the question.

Sir, I want to know whether it is a fact that the Company continues even to defy the authority of the Government and is not replying to the queries of the Government, and what steps the Government has taken to ensure that the Company does not utilise the licence to export goods not manufactured by it, but to fulfil the obligation of food processing and export its own produce.

SHRI GIRIDHAR GOMANGO : Sir, the Government is aware that they have not fulfilled the commitments. Whatever has appeared in the paper as Governments incapacity to take legal action is their view, but the Governments arm is long enough to discipline the Company to fulfil the commitments.

Sir, the Government has already initiated action for *prima facie* violation of the terms of the Letter of Intent, and the basic objective is to promote exports. The hon. Member asked certain questions about the obligations which they have not fulfilled. (*Interruptions*). They have not fulfilled. I am stating the facts. My predecessor had sent a team of officers to look into the present status of the Project. They have submitted a Report, the findings of which are to be considered by a group of Secretaries. In the findings it is reported that (1) no export of own manufactured products, i.e., fruit and vegetable products, processed potato/green products and soft drink concentrate manufactured in the three units under the Pepsi Project for which LOI/FC approval was granted, has been made, (2) sale turnover of soft drink concentrate has apparently been depressed, (3) no concrete steps have been taken for the establishment of Research Institute.

SHRI RAJNATH SONKAR SHASTRI : You are not paying attention to us.

MR. SPEAKER : I would ask the members not to speak out in this manner which is not in keeping with the dignity of the House.

[Translation]

SHRI DAU DAYAL JOSHI : Do the Government propose to cancel the import licence or the Letter of Intent issued to the Pepsi Company for *Prima facie* violation of the conditions of Letter of Intent. I would also like the hon. Minister to clarify whether there is any proposal to withdraw the rights given to this foreign Company for imports keeping in view the Foreign exchange crisis the country is facing and outflow of foreign exchange to the tune of over Rs. 11 crores due to this Company ?

SHRI GIRIDHAR GOMANGO : Sir, about the allegation made regarding over-invoicing, the matter has been referred to the Directorate of Enforcement, Ministry of Finance. Already I have stated that action has been initiated. On that basis, whatever further action is needed, it will be taken (*Interruptions*).

I have already stated that we had referred the case to the Ministry of Finance and we are awaiting their reply.

SHRI NIRMAL KANTI CHATTERJEE : Sir, it is widely known that Pepsi is a rather powerful organisation. It is said that it was connected with the overthrow of Allende Government in Chile. As far as I remember, when the predecessor Government or one prior to that Government permitted Pepsi to function here, the statement made was that they were only honouring an earlier assurance. It was also stated at that time that the public sectors like the Railways or the Airways need not buy Pepsi products and spend their money on this kind of an organisation. Now, it is discovered that Pepsi is defying all your instructions and what you are suggesting is that you have appointed a committee to find out whether they are obliging you or not and after discovering that, you are going to take steps. What steps do you propose to take against the company ? In the midst

of the financial crisis when gold has to be sold and when the feet of the IMF have to be caught to take us away from the crisis, is it possible for you to take a drastic step against such an organisation like the Pepsi Foods ?

SHRI GIRIDHAR GOMANGO : The Government is interested in getting the obligations fulfilled from the Pepsi Food Products which the hon. Member has referred to. They have to fulfil the obligations which has been given in the Letter of intent. (*Interruptions*) The matter regarding export obligations was referred to the Ministry of Commerce (*Interruptions*).

SHRI GEORGE FERNANDES : Mr. Speaker, Sir, I am on a point of order. For every answer the Minister is reading the notes. He should reply to the question; he should not read the notes.

SHRI GIRIDHAR GOMANGO : I am stating the facts. The Chief Controller of Imports and Exports has initiated action.

MR. SPEAKER : Mr. Minister, the question was whether in the present circumstances you will be able to have the company fulfil all the obligations or not.

SHRI GIRIDHAR GOMANGO : Yes, Sir.

SHRI GEORGE FERNANDES : Sir, Pepsi case is a classic case where multinational corporals manipulate and manage Governments in Third World countries. This is the same company that was responsible for the overthrow of an elected Government in Latin America, the Allende Government in Chile. (*Interruptions*).

SHRI PAWAN KUMAR BANSAL : The question is different. He is asking something else.

SHRI NIRMAL KANTI CHATTERJEE : It is obvious that Pepsi has been able to influence them also. This is the kind of influence Pepsi has the world over. (*Interruptions*).

[Translation]

SHRI DAU DAYAL JOSHI : Are the lion. Members belonging to the Congress Party in collusion with the Pepsi Cola that they are pleading their case ?

[*English*]

MR. SPEAKER : I take objections to what you have said.

No. It is not Like this. (*Interruptions*).

MR. SPEAKER : The Minister is quite capable of answering.

SHRI GEORGE FERNANDES : I believe the entry of this Company to India is one of the biggest economic scandals that we have had in recent years. I would like to ask a couple of very specific questions to the Minister for which I am sure his officials have not prepared the brief and could not give replies in advance.

My first question is :

Whether the Government has any record or any communication with it which points out that a large quantity of machinery that was imported by this company was over-invoiced and several crores of rupees of foreign exchange were siphoned out before this company was set up. (*Interruptions*). When I was Industry Minister, I checked out Coca Cola from India. Then, you have brought Pepsi Cola and tried to bring Coca Cola. We prevented Coca Cola from coming into India. Had you been in Government you would have brought Coca Cola also. You have done everything to bring Coca Cola here. (*Interruptions*).

MR. SPEAKER : You please do not interrupt like this. Let the Minister reply. He is putting a specific question. I would not allow these things to happen to you also when you are asking the question.

SHRI GEORGE FERNANDES : My second part of the question is :

Whether the fact that this Company would not be in a position to export any of these products was known to the Government or not in advance ?

They say, we are investigating whether the company is going to export or not going to export. But it was obvious for the Company that its products would not be exported. They will be exporting rice, cashew nuts, coffee and tea and showing that they are meeting the export commitments.

(c) part of my question is :

Whether the Government have any evidence in their possession that those who lobbied by collecting signatures of 100 Members of Parliament to bring this Company into the country were rewarded with franchises in various parts of the country.

SHRI PAWAN KUMAR BANSAL : Coming from Punjab, some of us were supporting the Project. It was for the benefit of Punjab farmers. (*Interruptions*). Shri Fernandes should place the facts here. In fact, he was a member of the Government which gave final clearance to the Pepsi Foods.

MR. SPEAKER : The Minister will reply. Mr. Bansal, the Minister has to reply. It is not like this. (*Interruptions*).

SHRI GEORGE FERNANDES : Are you Minister for Pepsi in the House ? (*Interruptions*). Mr. Speaker, Sir, may I appeal not to allow dignity of this House to be lowered in this fashion.
[*Translation*]

MR. SPEAKER : You first please take your seat.

[*English*]

Please take your seats. Mr. George Fernandes, please take your seat. It is in the interest of the Members and not in the interest of anyone else, to ask specific questions and get specific replies. In your interest, may I request you please not to interrupt when the question is being put and also when the replies are given ? I hope you will cooperate.

[*Translation*]

SHRI DAU DAYAL JOSHI Mr Speaker, Sir, please allow half an hour discussion on it. (*Interruptions*)

[*English*]

SHRI GIRIDHAR GOMANGO We have received allegation regarding over-invoicing. This matter has already been referred to the Directorate of Enforcement Ministry of Finance who are looking into the matter. On the basis of the views expressed by the Ministry concerned we will take action.

The second question is whether Pepsi have fulfilled the obligations as per the terms and conditions laid down in the letter of intent.

MR SPEAKER If obligation is not fulfilled what action would be taken?

SHRI GIRIDHAR GOMANGO As per the letter of intent the Company shall export 40 per cent of its turn-over and which shall be from the company's own manufactured products 10 per cent from other items but the company has not fulfilled its obligation. We have initiated action to fulfil export obligations by the company. The matter has been referred to the Ministry of Commerce the Chief Controller of Imports and Exports.

Secondly, they have exceeded the production limit of 25 per cent of soft drink concentrate. But the company stated that they have not. We will take action on the basis of the views expressed by the concerned Ministry.

SHRI GEORGE FERNANDES What is your reply to the third part of my question?

SHRI GIRIDHAR GOMANGO They have not fulfilled the obligation. The hon Member is asking what action has been taken. (*Interruptions*)

[*Translation*]

SHRI KRISHAN DUTT SULTAN PURI Mr Speaker, Sir, Hon Minister has already replied to it. Hon Member should know the reply.

[*English*]

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SHRI GIRIDHAR GOMANGO I have already made my point clear. Again the hon Member is asking what action has been taken. All the questions which the hon Member is now putting could have been examined when they were in power and whatever action they wanted to take should have been taken by them when they were in power.

[*Translation*]

SHRI RAJNATH SONKAR SHASTRI Mr Speaker, Sir, in the first instance I would like him to go through the question once again. The question is directly related to the non fulfilment of the commitments made by the Pepsi Company.

MR SPEAKER No you simply ask question. Half an hour has passed. Therefore you come directly to the question.

[*English*]

SHRIMATI GIFTA MUKHERJEE Sir let us have an Half-an-Hour discussion on this subject if any justice is to be done. Otherwise, all the other questions cannot be taken up. (*Interruptions*)

[*Translation*]

SHRI RAJNATH SONKAR SHASTRI Sir, in the first place I would like to draw your attention towards the heading given to this question by you. Question Branch. The question has been titled as "Performance of Pepsi Foods Project" whereas the question is in no way related to the performance of the company but it is about the future of the company. First of all I would like to draw your attention.

MR SPEAKER Not mine but the Minister's attention.

(*Interruptions*)

SHRI RAJNATH SONKAR SHASTRI I seek your full protection in this matter since we are not given specific reply to our questions. I have read the entire question thoroughly. Hon Minister and his colleagues have praised this project in

the reply. I would like to know that when an agreement was reached between 850 farmers of Jahura and the company and they were asked to provide tomatoes at the rate of Rs. 750 per tonne to the company. For this purpose, they were provided quality seeds. Seeds of seven varieties were made available to them and the farmers had sown and produced the tomatoes as per the instructions of the company.

MR SPEAKER You directly come to the question.

SHRI RAJNATH SONKAR SHASTRI Sir I would like to know whether the farmers of Amritsar have been benefited by this project. If not, whether the hon. Minister would make efforts to provide compensation to those farmers who had to suffer loss to the tune of crores of rupees on account of Pepsi Project.

[*English*]

SHRI GIRIDHAR GOMANGO . The Company has not yet set up the Agro Research Centre. But the information which the hon. Member has given to me, I will enquire into it.

Extension of Public Distribution System

*62 **SHRI JAI K. ADVANI**

SHRI ATAL BIHARI VAJPAYEE

Will the **PRIME MINISTER** be pleased to state :

(a) whether the Government propose to extend the Public Distribution System to the remote places in hilly, desert and tribal areas in each State, if so, the outline thereof, its action-plan and proposed time-schedule;

(b) the items to be so distributed,

(c) whether some specific items for distribution are likely to be added taking into consideration some special requirements of the above mentioned terrains;

(d) if so, the details thereof; and if not, the reasons therefor; and

(e) the State-wise proposals in this regard ?

THE MINISTER OF STATE IN THE MINISTRY OF CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (SHRI KAMALUDDIN AHMED) : (a) to (e) A Statement is laid on the Table of the House.

STATEMENT

The strengthening and streamlining of the Public Distribution System is a continual process. The Central Government has been advising the State Governments|Union Territory Administrations among other things, to :

- (i) using mobile vans in the areas which are unserved or under-served;
- (ii) to increase the commodity coverage;
- (iii) to evolve an effective coordination system among various agencies engaged in PDS;
- (iv) to organise sale of PDS items in Haats in Tribal areas,
- (v) to set up Advisory, Vigilance Committees at various levels, and
- (vi) to monitor the availability of PDS items to consumers at field levels. States|Union Territories have been taking action in this regard.

Six key essential commodities, viz. wheat, rice, kerosene, levy sugar, imported edible oils and soft coke are supplied by the Central Government to State Governments|Union Territory Administrations for distribution to consumers. The State Governments|Union Territory Administrations are free to add, on their own, additional items of mass consumption taking into account local preferences.

The Ministry has a Scheme under which financial assistance is provided to State Governments|Union Territory Administrations for purchase of vans to operate as mobile outlets in such areas.