

17.46 hrs.

**HALF-AN-HOUR DISCUSSION**

**Performance of Pepsi Foods Project**

[English]

MR. CHAIRMAN: The House will now take up Half-an-hour discussion on the performance of Pepsi Foods Project and it will be initiated by Shri George Fernandes.

[Translation]

SHRI GEORGE FERNANDES (Muzaffarpur): Madam Chairman, on Nov. 3, 1988, the then Minister for Food Processing Shri Jagdish Tytler had made an announcement in regard to the proposal to set up the unit of Pepsi Food in India. He had stated that —

[English]

The salient features of this proposal include:

1. An agro research centre;
2. Potato grain processing unit;
3. Fruit and Vegetable processing unit; and
4. A soft drink concentrate manufacturing unit in that order.

[Translation]

Further, it was stated in the announcement that the project would help in the development of Punjab particularly agriculture in Punjab. He also made an announcement

which I would like to quote in his own language.

[English]

The turnover from soft drink concentrate manufacturing in no year exceeds 25 per cent of the total turnover of the Company that year. Second, the project shall export 50 per cent of its total turnover each year for a period of ten years from the commencement of the commercial production of which 40 per cent will be from the company's own manufactured products and ten per cent from select list products manufactured by others. And thirdly, foreign brand names shall not be allowed to be used on domestic sale.

[Translation]

Madam Chairman, I would like to know from Hon. Minister as to which of the promises Pepsi Foods have fulfilled. So far as development of agro industry and setting up of agro research centers are concerned nothing has been done so far as was announced in this House as well as in the other House. Two three months back, so far as condition of export, i.e. 40% of the turnover of the company, is concerned, it has not been done at all. At the same time they have not kept their promise restricting their production of soft drinks to 25 per cent nor the Government seems to be capable to checking them from doing so. Rather the company has become a challenge to the Government. When the matter of export by them was raised, the Hon. Minister gave reply in Rajya Sabha on 29th of this month. He stated that.

[English]

The Company has given the break-up of the exports for the year 1990-91 as under:-

Marine products	.. Rs.	58,49,000
Tea	.. Rs.	58,95,000
Rice	.. Rs.	5,45,90,000
Cashew, Pepper etc.	.. Rs.	2,98,99,000

[*Translation*]

The total export was to the tune of Rs. 9,62,33,000. At the time of getting licence and letter of intent from the Government the company accepted all the conditions of the Government to set up a unit in the country, but there is a great difference between what they promised and what they have been doing in practical in the country. What is meant by total turn over? As per the company total turn over means that even if the company exports iron it would be treated as the total turnover of the company. They can export anything from this country. They say that they have kept their promise. I cannot say much on the bungling going on it because this is only Half-an-hour Discussion. I know that several companies of this country were in export business and this company has a deal with them and in that deal, this Pepsi Company is exporting their goods and there is no check on accounted money of this company. You should get it separately.

Mr. Chairman, Sir, as regards, the brand-name, we see in our country today that there are several foreign names in several areas. But a law was enacted in the past which said that foreign names could not be used in India. That condition was placed before the company and it was asked to link its name with the word "Lehar". Now this word is, however, being written on the bottle but the people see the picture of Pepsi only. I, have neither any hate towards these names nor do I want to raise a debate on its name. But the importance of the name is that when any company, which produces consumer goods and is known in the world only because of its publicity, tries to establish itself in our country with its international force, the small industries and small industrialists of our country, who are unable to carry out so much publicity, suffer. Otherwise, what is there in these soft drinks? What is there in Pepsi Cola? The water is taken from our wells, the sugar is manufactured in our factories. Only they add some colour and an ingredient which adds flavour. When Coca Cola was asked about its formula, they said it was a secret. A myth was created that this secret has been kept in

an underground locker of a bank in Atlanta. This was their reply and it appeared in newspapers all over the world. Such things are being done by these Americans to create a myth in other countries of the world. There was no speciality in Coca Cola and there is no such things in Pepsi Cola too. But it has the name, has the means for publicity and has money. These American companies are aware of all the tactics. Pepsi Cola is the company which was instrumental in the murder of the elected President of South American country, Chile, Mr. Ellan Dey and in over-throwing the Government there. This is known to the entire world. But even then, this company is there and its publicity is carried out here.

I would like to remind you the condition imposed by you as per the statement made by Shri Jagdish Tytler in this House in November, 1988 in this regard. Today, this company is challenging you. I would like to know the Hon. Minister's response in this regard.

Madam Chairperson, when I was the Railway Minister, we had some strong opinion on this issue. No matter we were in the Government or out of it, we never used to speak on this issue whether this company should come in our country or not. But when we got all the facts about this company, I had said on the basis of those facts that this company is a cheat -- I had called this company a cheat. This company raised much hue and cry against me and said that whatever he is saying is totally baseless. I would like to know from the Hon. Minister today whether it is not a fact that while submitting its project report, the Pepsi Cola had said that with a total expenditure of Rs. 22 crore, they will set up their entire business and they will manufacture three type of things: soft drink, fruit and vegetable processing and processed food which we call junk food. For setting up three factories to manufacture these three items, they had announced a total expenditure of Rs. 22 crore only, part of which was to be foreign exchange and a little was to be provided by our country as they have to buy some machines here. I would

[Sh. George Fernandes]

like to know whether it is not a fact that instead of Rs. 22 crore, through which this company was setting up its three units, Rs. 75 crore of this company has been spent so far? Is it also not true that an officer of the Industrial Finance Corporation of India, whose name I will not mention here, had given a loan of Rs. 43 crore to this company without checking any documents. But it should be investigated not only by your Ministry but by the police department also who is responsible for it. What happened to that money -- I would like to submit it with full responsibility, in this House that this company spent Rs. 22 crore on its project here. But of those Rs. 22 crore, some part was taken from the country itself, as Voltas, Tatas and Punjab Agro Corporation are also involved in it. Both of them had invested some capital in it. Pepsi Cola has only a share of 39.9 per cent or 40 per cent in it and the rest is shared by these so-called private and public companies. First of all, this company... drew the capital of these two companies and then remitted all the money to America that came from America, that means, even before the factories started to work, Pepsi Cola and both these companies started recovering the invested capital.

18.00 hrs.

They siphoned off nearabout Rs. 25 crore to America to grease the palms there and then washed off their hands. I am saying it here with full responsibility and the matter does not end here. Madam Chairperson, this company is so innocent.

[English]

MR. CHAIRMAN: How long will you take?

[Translation]

SHRI GEORGE FERNANDES: This is a very serious matter and it has international importance. Therefore, some more time should be given to it.

[English]

MR. CHAIRMAN: Do you want to continue today or tomorrow?

[Translation]

SHRI GEORGE FERNANDES: I have to complete it today as I have no faith in that company.

[English]

SHRIMATI GEETA MUKHERJEE (Panskura): On these things, questions are to be put and not lecture to be delivered. If that is done, in that way probably we can be very precise and finish the discussion today.

MR. CHAIRMAN: We can go on till 6.30 p.m.

[Translation]

SHRIGEORGE FERNANDES: Madam Chairperson, I will conclude within five minutes.

This company has done things, which I had brought to the notice of this country when I was the Railway Minister and today I will prove it in the House. This company bought some foreign machinery from the companies which were actually its subsidiaries. They were its own bogus companies. They brought foreign machinery worth 6,88,473 dollars from America and they were brought here by a company named "Crunch Barrel Foods Incorporated". Questions on this issue have been raised in the House several times, but the Hon. Minister has evaded reply. The Hon. Minister had replied only this much that the matter was under investigation. Last time, when I sought to know whether the matter on which a half an hour discussion is now going on in the House, was investigated and also when I pointed out that in this way the Government was looting country's money, the Hon. Minister had said that it was being investigated by the Directorate of Enforcement. The Government had ample evidence in this regard much earlier

but with great regret I am saying that the Government did not take any concrete steps which it ought to have taken. This machine was imported for 688,473 dollars at the rates prevailing in 1988-89. In 1990 the cost of that machine was 3,86,476 dollars in the U.S.A. It implies that by over-invoicing they cheated this country of foreign exchanges worth 301,997 dollars through a company about which it was learnt, on investigation, that it was an offer from the officers of Crunch Barre! Foods Incorporated. It is a subsidiary of the Pepsi Cola. The Chief Executive of this company, Mr. Friend Ronald is an employee of Pepsi Cola since 1982. Its Vice President, Donar Kucchiwan is the Manager of Pepsi Group since 1976 and its Director Phil Diplis is an officer in Pepsi Cola since 1980.

Madam Chairmen, the authorised capital of this company is one thousand dollars and there is no money of this company in the bank. It has no funds in its accounts payee. But in 1988 the proposed sales of this company was 70 lakh dollars and the projected sales was 8 million 200 or 82 lakh dollars. It is a bogus company. Help of this bogus company was taken to purchase a machine from U.S.A. by paying 3 lakh dollars more from this country. Despite having evidence, the Government did not take any steps in this regard. As such, you have rightly pointed out that a long speech in this respect is not required. It was necessary to place some facts before you. We want to raise two or three concrete points to the Government. Whatever may be our opinion about the Multi-National Company of U.S.A but one thing is certain in their respect is that they would dismiss their President if he is found to be indulging in corruption. The Pepsi Cola Company looted the country by preparing bogus receipts and indulging in underinvoicing and over invoicing. In this way country's foreign exchanges worth Rs. 25 crores were drained out to U.S.A. In view of this, please let me know whether the Government prepared to initiate prosecution proceedings against the Pepsi Cola Company in the U.S.A. Is Government is prepared to gather information in respect of people whose money was transferred there

and the names of banks in whose accounts the money has been deposited. Is the Government prepared to investigate the matter within the country through C.B.I. or other investigative agencies of the Government. If necessary the matter could be handed over to one of the Parliamentary Committees which might investigate how the company looted the country. Either the company should fulfil its commitment or quit India. This is what the Hon. Vice-President of India said a few days back in the other House. Is the Government prepared to proceed against the company like this?

[English]

SHRIMATI GEETA MUKHERJEE (Panskura): Madam Chairman, for a change, I shall directly come to the question.

Firstly, since Food Processing Ministry is the Administrative Ministry, what made the Food Processing Minister refer this to the Law Department instead of taking action himself?

SHRI SOMNATH CHATTERJEE: You are giving him a way out!

SHRIMATI GEETA MUKHERJEE: No. Not at all. The second question is, since it is well known that Pepsi has not exported 40 per cent of their own production, naturally the turn-over loses its meaning. Why has not the Hon. Minister taken action from his own Department instead of referring it to the Commerce Department? Why did not the Hon. Minister stop Pepsi from producing soft drinks? (Interruptions)

Thirdly, instead of taking action straightway, why can not you stop soft drink production? (Interruptions)

Fourthly, the question of Lehar has already been asked. I would like to know what is really preventing you to exhibit Lehar in a big way, instead of exhibiting Pepsi etc which is very notorious name.

Fifthly, the Agro Research Centre which

[Shrimati Geeta Mukherjee]

is the most vital part of the whole project is not even put up by the Pepsi so far. What prevented you to put Pepsi production to a stop on that score alone?

SHRI SOMNATH CHATTERJEE: It is top secret.

SHRIMATI GEETA MUKHERJEE: Let him say it is top secret.

It is widely well-known that there is some injurious element in Pepsi drinks. Therefore, despite this wide knowledge, how is it that the Government is still allowing Pepsi to go on producing this drink?

These are the questions for which I want an answer.

[*Translation*]

SHRI SANTOSH KUMAR GANGWAR (Bareilly): I wonder why this company is being allowed to function when the committee constituted by the Government for this purpose has submitted an adverse report against it and so much discussion has taken place on it in this august House. I shall be much obliged if you let me know a single condition mentioned in the Letter of Intent which the company has fulfilled. It had agreed to provide employment to 25,000 people, but in the reply it is mentioned that only 850 people have got employment, Shri George Fernandes had said much in this regard, so I would like to say only this much that such companies have been exploiting the country for a long time, so much so that we can even trace back the roots of our freedom struggle to a multi-national company, East India company by name. Moreover, when many international organisations are advocating themselves that the third world countries should not fall into the trap of multi-national companies, why did the Government allow this company and why it is bent upon putting its burden on the country.

When the Pepsi Company has not ful-

filled its commitments, why it is being allowed to continue to function here? I request the Hon. Minister to make the Government's position clear in this regard. A decision to this effect could be taken in the House on that basis.

DR. LAXMINARAYAN PANDEYA (Mandsaur): Madam Chairperson, like other multi-national companies in the country, this company too has become a subject of controversy. I would like to once again draw the attention of the Hon. Minister towards the reply given by him on July 17. He had himself admitted that.

[*English*]

"We have received allegations regarding over-invoicing. This matter has already been referred to the Directorate of Enforcement, Ministry of Finance...

[*Translation*]

I would like to know from the Hon. Minister the reply received from the Directorate of Enforcement, the case that has been made against the company and the immediate action being taken in this regard. Secondly, in his reply, the Hon. Minister mentioned that the company has interpreted the term 'turnover' in an arbitrary manner and is indulging in activities not mentioned in the Letter of Intent. Moreover, as Shri Fernandes said, the company has also sent valuable foreign exchanges abroad. I would like to know as to when this matter, pertaining to the definition of the term 'turnover' was referred to the Ministry of Law and whether they have given a proper definition to it or not. In this regard, will you kindly look into the agreement that was reached with the company on the basis of which a Letter of Intent was issued? Has the company taken any steps to implement the provisions in the agreement? Not only has it violated the conditions, whether it is with regard to agricultural research, food processing or any other matter, but also it has thrown a challenge to the Government by sending foreign exchanges abroad, violating all pre-conditions.

tions. By when, does the Hon. Minister expect to get a reply from the Ministry of Law? I also request him to inform the House of the steps taken by the Directorate of Enforcement, in this regard.

[*English*]

SHRIBASU DEB ACHARIA (Bankura): Madam, apprehension was expressed in this very House a number of times by us that the Pepsi Cola Company would violate the Letter of Intent because we have the experience. The Third World countries have the experience of these multinational companies. We have the experience of the multinational company in Chile. Other multinational company also have exploited the Third World countries. And here also, when the Letter of Intent was approved and licence was given, we were very much opposed to this multinational company. And when this new Industrial Policy was being discussed in this House, we also had expressed our apprehension for inviting multinational companies by opening our doors.

The company had promised at that time to revolutionize the agro-industrial scene in Punjab through advance technology of germ-plasma, high-breed seed and export of fruit juice and pulp. What is it doing now? It has only developed the farming of tomato by means of modern technique in order to meet their requirements with subsidized fertilizers. There is no way of revolution. What did they promise to do? We were told that an enquiry committee was set up and that committee had submitted a report. That report went against this company. We want to know what is there in the report. Why was no action taken on that report? When there was complaint against that company, the committee was set up by the Ministry. I want to know why no action was taken on that report. Then the so-called notice was also issued. And the Company even defied that also. The Government is helpless. I would like to know whether the company has defied the show-cause notice issued by the Ministry. I want the Minister to clarify this. Then there is a report that the export body of the Commerce

Ministry is said to be lobbying for Pepsi and has even sought to waiver a clause in the Letter of Intent that stipulates about the foreign exchange. And the Chairman of the Agricultural Product Export Authority also wants moratorium for Pepsi till the fiscal year 1992 before it fulfils its export obligations. May I know from the Minister whether this is true or not?(*Interruptions*)

[*Translation*]

SHRI PHOOL CHAND VERMA (Shajapur): I too had given notice for a question. You may please allow me to speak for half-a-minute.

MR. CHAIRMAN: I know but I am yet to receive your name.

[*English*]

SHRI PRAFUL PATEL (Bhandara): I have also given my name. Can I ask one small question?

MR. CHAIRMAN: If I allow you, I will have to allow others also. You please take your seat.

(*Interruptions*)

MR. CHAIRMAN: The Minister may speak.

THE MINISTER OF STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRIGIRIDHARGOMANGO): First of all, I would like to express my concern over the points raised by the Hon. Members, through half-an-hour discussion. It has given me an opportunity to express in detail, what has happened, what action has been taken by the Government and the related issues, which are important in this respect.

Madam, we have got the notice for half-an-hour discussion. With regard to the explanatory notice given by the hon. Member, I will deal with that later. All the points which have been referred by the mover, Shri Fernandes, were on the basis of the state-

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ment made by Shri Jagadish Tytler, in the House on 3rd November, 1988. This statement was made by him on the basis of the report of the Inter-Ministerial Committee, constituted at that time, to go into different aspects of the project.

The points which were mentioned in that report were incorporated in the Letter of Intent as well as in the Foreign Collaboration Agreement.

The history of the project was, first the Letter of Intent was given to Punjab Agro Industries Corporation. Then Punjab Agro transferred the Letter of Intent to the Pepsi Foods Pvt. Ltd. The Voltas, Punjab Agro as well as the Pepsico, these three companies, have agreed upon certain conditions which were laid down in the Letter of Intent. Madam, I may be permitted to give a little bit of explanation here. They had to apply for industrial licence, but at that time, that is in 1985, the soft drink industry was delicensed. Having been a delicensed industry, they had applied for Letter of Intent, which was accorded. Along with that, they have tied up the Foreign Collaboration Agreement. The approval was given by us. But, the agreement was signed between, Pepsico, Punjab Agro and Voltas.

All the points which the Hon. Member, Shri Fernandes had raised, I have replied to them not only here but also in the other House. On the question of violation of the terms and conditions envisaged in the Letter of Intent as well as Foreign Collaboration Agreement. I would like to say that a team of officers visited Pepsi plant on 26th and 27th December, 1990. The team comprised Director (Food, Vegetable Products), A.D.G., (I.C.A.R.) and the Deputy Secretary from the Ministry of Food Processing Industries. On the basis of their findings, we have taken action. The findings were:

1. that Pepsi had made no effort to export 40 per cent of its own manufactured goods.

2. the sales turnover of soft drinks had been depressed.
3. no concrete steps have been taken to set up a agro research institute.

These are three findings. On this basis, we have referred the matter to the concerned Ministries. I will come to the issue of show-cause notices later. The letter of intent was given subject to the following terms and conditions. There are two types of terms and conditions - one is normal and another is special. When the Pepsico signed the letter of intent to set up their factory here, they had examined all the aspects at that time and they signed the agreement. That agreement was based on an special letter of intent - special in the sense that normally out of those companies which are there already in the country totalling 66, where we have got the foreign collaboration, foreign investment and foreign equity share - Pepsico is one of them - Pepsico has accepted a project with the special conditions which we have laid down. That is firstly 40% of the product has to be exported; the product has to be produced or manufactured with the three units which they have set up. And 10% from the select list. This is the first condition. Secondly, if they send one rupee foreign exchange from the country to other countries, they have to bring back five - that is, the ratio should be 1:5. This is tough condition.

The other points which are there in the letter of intent are also tough. But with those tough conditions also they agreed at that time, to fulfil all the conditions. I will now mention what has come out of the visit by the team of officers. There was one point that the turnover from the soft drink concentrate manufacture shall in no year exceed 25% of the total turnover of the company for that year. This I have said while replying to a starred question in the House today also. What is the turnover? In the normal case, turnover has the special definition. But in this case turnover means an abnormal condition. Therefore, as I explained in the norming, the stand taken by them was that the turn-

over should be inclusive of all products which they are exporting. We say, you may export whatever you like, but you have to export 40% of the product which are being manufactured in the factory - that is, soft drink concentrate, processed potato/grain foods and processed fruit/vegetable products. They have to export 40% of them. Therefore we differed. We referred this to the Ministry of Commerce because though the nodal ministry is the Ministry of Food Processing, we have to refer it to the Ministry of Commerce because they are dealing with exports. We have got to know whether the export obligation has been fulfilled by them or not. Obviously they have not fulfilled it.

SHRIMATI GEETA MUKHERJEE (Panskura): My question is, why didn't you put a stop to the production of Pepsi on account of this violation?

SHRI GIRIDHAR GOMANGO: I am coming to that. We have to refer it to the Ministry of Commerce. They have not fulfilled the obligations as per the letter of intent. If you ask me a straight question, I will reply 'no', they have not fulfilled the obligation according to the letter of intent and therefore before I come to the conclusion I should get the legal aspect of the agreement cleared. (*Interruptions*)

[*Translation*]

SHRI GEORGE FERNANDES (Muzafferpur): Sir, some points are clear from what the Hon. Minister said now. According to him, they were supposed to export 40 per cent of their own products. The Letter of Intent further specifies that.

[*English*]

10 percent from the select list of products manufactured by others.

[*Translation*]

When conditions stipulated in the Letter of Intent and Licence are very clear, why did the company raise the point that the mean-

ing of term "turn over" is questionable. In his reply in the morning, the Hon. Minister said that he has referred the matter to the Ministry of Law. The Government should not get involved in such things. He should tell them directly in plain English. He also speaks English fluently. He can tell them that this matter has been explained in the Letter of Intent in simple English. It has been clearly written that the company would export 40% of its own products and 10% from the select list. We would put a question mark when the company says that it was 50% and not 40. There should be no doubt about it when the terms are very clear in the Letter of Intent and licence.

[*English*]

SHRI BASU DEB ACHARIA: Is there any ambiguity?

SHRI GIRIDHAR GOMANGO: No; I am not satisfying you because, in fact they have signed an agreement with the Ministry of Commerce. Therefore, they are examining

MR. CHAIRMAN: How much more time will you take to respond?

SHRI GIRIDHAR GOMANGO: It is opportunity for me to explain my position. (*Interruptions*) Some more time is required because I am to make my stand clear.

SEVERAL HON. MEMBERS: Yes, Yes. (*Interruptions*)

MR. CHAIRMAN: Then, please carry on as Hon. Members are also agreeable.

SHRI GIRIDHAR GOMANGO: We found that they had not met their export obligations. The Ministry's contention is that they should export the products manufactured in the three units for which the letter of intent was granted. They have violated it. Therefore, we have referred the matter to the Ministry of Commerce. They have issued a show-cause notice, and it is being examined. The stand taken by the Ministry is very

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clear. But the contract which they are submitting before the Ministry of Commerce is a different one. Therefore, what we are saying is that we go by whatever is there in the letter of intent. We will not deviate from the interpretation. Here the Ministry of Commerce will have to take a view. In the letter of intent, it is clearly mentioned that they should export 40 per cent of the products. Have they fulfilled or not? We know that they have not fulfilled but I have to go to the Ministry of their own manufactured Commerce because that Ministry has to take a decision whether they have fulfilled the obligations as per the letter of intent or not.

They were to export 50 per cent of their total turnover. Then, the foreign exchange inflow shall not be less than five times the foreign exchange outflow of the project from the country for the ten-year period.

Then, there shall be no import of proprietary ingredients to manufacture soft drink concentrates and materials which you raised the other day. I said, yes, as per the letter of intent, it was not permissible.

Interestingly there is a clause that import of raw material and chemicals, which are not available indigenously, may be permitted as per the policy from time to time.

Then, no foreign brand name shall be allowed for domestic sales. That also we have taken up. In the domestic sales, they have given hybrid name - Lehar Pepsi. Lehar will be there and Pepsi will also be there. What will be the size of the letters and what will be the visibility or invisibility we have to see. They have to abide by whatever decision is taken by the Government at the highest level. At that time, it was not a decision taken by me when they agreed for hybrid name. They have to use, the name, that is, 'Lehar' as well as 'Pepsi'.

Then, the company was to set up agro research centre covering the development of improved varieties, development of opti-

mum production technologies, etc. They have already taken an initiative to set up an agro research centre. The Punjab Agro as well as the Pepsico are negotiating for setting up the agro-research Centre. I am happy that they have proceeded for setting up an agro search centre.

Efforts were to be made for increasing the export potential. The actual export performance of the project would include export of soft drinks concentrate also. Anybody can export other products. But the export potential has to be increased so that the productivity is more for domestic as well as for export purpose. The agro-based industry has to grow on the basis of the agricultural development which was the intention at that time. It was indicated in the letter of intent as well as the statement given by my previous colleague, Mr. Jagdish Tytler.

The second point is about the violation which you have raised. Violation of the conditions in the Letter of intent is one and export of the products is another. I will give the details. According to Pepsi, the turnover is Rs. 15.46 crores and export comes to Rs. 6.92 crores. The items which are included for exports by Pepsi have already been mentioned. Marine products, tea, rice and spices do not come under the conditions of letter of intent. Therefore, these products were not part of the letter of intent. Therefore, Madam, as per the conditions of the letter of intent, only the following items are to be included, that is, processed potato, grain food, processed food and vegetable products and soft drink concentrate. The interpretation of the items has already been communicated to the company and also to the Ministry of Commerce as I have already explained. And I have already sought the necessary legal advice from the Ministry of Law and Justice. Then, you may put a question as to why I am referring to the Ministry of Law and Ministry of Commerce... *(Interruptions)*...

SHRIMATI GEETA MUKHERJEE  
Then, why have you not given the order to stop production even after violating the agreed conditions? *(Interruptions)*

SHRI GIRIDHAR GOMANGO: I will explain the position. This is a project for which the Food Processing Ministry alone and not issue the letter. The officers of the Ministries of Commerce, finance, Industry and food Processing set together and decided the terms of reference. The Inter-Ministerial Committee is scheduled to meet day after tomorrow... (*Interruptions*)... The consensus was reached at that time itself. I alone will not be issuing the licence. It has to go to the Ministry of Industry also. I play a nodal role but not an arbitrary role. But here I can assure the House that the project was initiated on the basis of recommendations of the Inter-Ministerial Committee which have gone into all the aspects including whether the conditions about the collaboration agreement had been given in the letter of intent or not, and also whether all other conditions are fulfilled or not. All these papers are recommended by my Ministry and the Inter-Ministerial Committee which is supposed to meet day after tomorrow will go into all the details... (*Interruptions*)... I cannot take a decision arbitrarily. The Inter-Ministerial Committee will examine the conditions in the letter of intent, their intentions at that time and whether or not the conditions which have been referred in the letter of intent have been implemented and also whether we are right or wrong. The interpretation of all these aspects will be examined and decided by the inter-Ministerial Committee which will meet day after tomorrow. I will be getting its recommendations, whatever they may be. But the interpretation of the letter of intent will remain the same unless it is changed. It has not changed so far.

Recently the Industrial Policy has been changed and the Export-Import Policy has changed but they have not touched the industries which have already been set up in the past. Therefore, the interpretation of the letter of intent will remain the same as we have not touched that part. Therefore, here I may be permitted to refer to what the Chairman, Rajya Sabha stated, while I was speaking on this subject. The Chair directed me to ask the Company to fulfil all obligations as per the letter of intent or to quit. Our

intention remains the same. They have to fulfil all the conditions as per the letter of intent. If they are not fulfilled, then action must be taken. Now, it must be decided as to how the action has to be taken. I may state here that I have already started administrative action. The issue was totally kept in cold storage for the last two years. The issue is now raised again, only because I have replied in the House that this is the information and on the basis of this information, we would take action. I am not going back on my statement. On the basis of my reply only, all these questions have been raised by the Hon. Members. I am fully obliged to the Hon. Members for raising such important matters which are very relevant for the project. I say this because at that time the project was intended to develop agriculture, to provide employment, to produce certain items which are of high quality and which would be exported.

Now I come to the aspect of turnover. Nowhere have I mentioned that I agreed with the interpretation of the Company. What I have stated in the morning is that I stand by what is intended by the letter of intent. As per the letter of intent, the turnover from the soft drink concentrate manufacture should be within 25 per cent. The information given by the Company at that time was that it was below 25 per cent. When we requested the Central Excise authority to verify, it was found that it was more than 40 or 50 per cent. When we questioned the Company, they replied that their earlier reply was wrong and that it would be rectified. Now, if somebody else is at fault, why should I be answerable for that? Now, on this question, they have accepted that the turnover would be 25 per cent. On that basis, the Ministry replied that it would accept the terms as given in the letter of intent only.

Many Hon. Members raised certain questions about outgo and inflow of foreign exchange as well as some other related points, which are already replied by me.

SHRIBASU DEB ACHARIA: What about FERA violations?

SHRI GEORGE FERNANDES: I have three very specific questions. The IFCI has given Rs. 43 crore without going through any kind of exercises which it was expected to. What are you going to do about it? What are you going to do about the money that has been siphoned out of the country either through this bogus shell company, where there has been over-invoicing of all the machinery that has been imported or the money that has been funnelled after extracting it from the IFCI? Are you prepared to make a reference to the US Government and say that here is a company which has indulged in criminal activities in India and what action they would take on that?

SHRI NIRMAL KANTI CHATTERJEE: You seek adjournment to answer the questions.

SHRI GIRIDHAR GOMANGO: Madam, we will ask the Ministry of Finance to look into the matter of IFCI.

SHRI BASU DEB ACHARIA: With your recommendations!

SHRI GIRIDHAR GOMANGO: Yes, not only examination but with my recommendation to find out something.

Regarding over-invoicing which you have referred;

SHRI BASU DEB ACHARIA: Why can't you institute a House Committee? (*Interruptions*)

SHRI GIRIDHAR GOMANGO: No, I am replying to Shri George Fernandes. The Inter-Ministerial Committee is going to meet day after tomorrow. The U.S. customs have informed us that the supplier company, is a registered corporation. It is active. But there is no trace of its physical existence. The U.S. investigating authority is still investigating the case. We are awaiting their final report.

SHRI GEORGE FERNANDES: I am giving you the Report. I have named the officials of the Company. I have given you

the balance sheet of that Company.

THE MINISTER OF STATE OF THE MINISTRY OF STEEL (SHRI SONTOSH MOHAN DEV): This is not fair. (*Interruptions*)

SHRI GEORGE FERNANDES: It is not a subsidy of Pepsi. (*Interruptions*)

SHRI SONTOSH MOHAN DEV: You were the Minister. You know the procedure.

SHRI GIRIDHAR GOMANGO: I am sharing whatever information is available with me. But I cannot share the opinion of yours. I can examine whatever points you have raised whether those points are related to this or not. But I cannot jump to the conclusion.

I have already covered almost all the points which have been raised by Hon. Members. The important part of it is that the mover of this discussion, Mr. Fernandes gave an explanatory note. It indicates that the decision to allow Pepsi Company was wrong. If he thinks it is wrong, he must have thought it wrong. But the reply in toto was not at all evasive. It does not indicate the lack of political will. It is not the question of political will. It is the question of administrative will. What is that administrative will? The administrative will is that he has fulfil the conditions. I stand by that, provided all those aspects which have been agreed by the Centre are fulfilled.

The intention of the Government, whichever party was in power, was always there to promote the development of the country. The intention of the Government was to set up this industry. With good intentions we have completed the task. They did many wrong things and they have been rectified. There are 66 industries in all. Why are they questioning the credibility of this company alone?

SHRIMATI GEETA MUKHERJEE: Since the Government continues, I believe the Minister will take into consideration all our questions and initiate necessary action. Is it so?

SHRI GIRIDHAR GOMANGO: I have already said this.

18.49 hrs.

SHRI NIRMAL KANTI CHATTERJEE: In the meantime, the answer is entirely unsatisfactory. Let him prepare the answer.

*At this stage Shri Basu Deb Acharia and some other Hon. Members left the House*

SHRIBASU DEBACHARIA: He has not replied to most of our questions. No action has been taken against the Pepsi Company, though they have violated all the rules. So, we walk out in protest.

MR. CHAIRMAN: The House stands adjourned to meet at 11.00 o' Clock tomorrow.

18.50 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, September 5, 1913 Bhadra 14, 1913 (Saka)*