

[Shri M. C. Shah]

ministrative difficulties and practically it will become impossible to administer this section in the best way in which it should be. We cannot accept that amendment.

The next amendment is No. 433. What is to be considered as a transfer will be defined in the rules to be framed under the Act. The term suggested by Mr. Tulsidas is very comprehensive. A person will be deemed to have made a transfer of property to a company if it came to be comprised in the resources of the company by the effect of a disposition made by him or with his consent or by the effect of any associated operations of which such a disposition formed one. This will be seen if he refers to the U.K. Finance Act of 1940, section 58(2). The normal forms of transfers are sale of business or property to a company in consideration of the issue of shares, or cash or debentures. If the amendment is accepted, the whole purpose of this clause will be defeated. We cannot accept the amendment.

**Shri U. M. Trivedi:** Can a Minister read his speech? (*Interruption*)

**Mr. Deputy-Speaker:** The hon. Minister is opposing both the amendments of Mr. Tulsidas Kilachand. Now, I will put the amendments to the vote of the House. Enough has been said on both sides.

The question is:

In pages 11 and 12, omit lines 34 to 50 and lines 1 to 5 respectively.

*The motion was adopted.*

**Mr. Deputy-Speaker:** The question is:

In page 9, line 14, after "the company" insert "as a result of such transfer".

*The motion was negatived.*

**Mr. Deputy-Speaker:** The question is:

In page 9, after line 17, insert—

"Explanation 1.—For this section 'transfer to a controlled com-

pany' means transfer to a controlled company made without consideration.

*Explanation 2.*—For this section merely holding of shares and deposits in a controlled company will not be treated as a transfer."

*The motion was negatived.*

**Mr. Deputy-Speaker:** The question is:

"That clause 17, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 17, as amended, was added to the Bill.*

*Clauses 18 and 19 were added to the Bill.*

**Mr. Deputy-Speaker:** The House will now take up the one-hour discussion on the automobile industry.

**Shri M. C. Shah** rose—

**Mr. Deputy-Speaker:** The hon. Minister will continue at 4 o'clock.

**Shri M. C. Shah:** I thought the discussion was at 12-45.

**Mr. Deputy-Speaker:** I have allowed three minutes more to the hon. Minister.

## FUTURE OF AUTOMOBILE INDUSTRY

[**SHRI PATASKAR** in the Chair]

**Dr. Krishnaswami** (Kancheepuram): Sir, before being critical of certain aspects of governmental policy, let me express my deep sense of thankfulness to the hon. Minister for Commerce and Industry for having furnished us with an opportunity to raise the issue of the future of the automobile industry on the floor of this House.

The automobile industry, as hon. Members are aware, has received official encouragement, the blessings

of the Tariff Commission and has had its praises sung day in and day out by influential publicists in our country. Today, what is called for is a searching enquiry, an enquiry into the policy that has been followed since 1948. We have to ask ourselves the question whether the community should incur great cost for having the luxury of a fully manufacturing plant which is expected in the remote future to lead to the growth of ancillary industries and the production of vehicles at an economic price.

In 1948, the then Minister for Commerce and Industry, Dr. Syama Prasad Mookerjee, pointed out that the automobile industry could be started as a manufacturing plant, and that within three or four years, cars would be available to the consumer at the prices of Rupees 6,000 or 7,000 per vehicle. All these expectations have been belied. We are far far away from that happy day. It is extremely difficult for us to visualise the possibility of the automobile industry ever producing cars at this price. Hon. Members know that the manufacture of motor vehicles is essentially a mass technique, which can be thoroughly efficient and economical only when they are produced in large numbers and only when a large market is available, for say 20,000 or 25,000. The demand for motor vehicles, let me add, is notoriously unstable and is particularly responsive to changes in the level of income and conditions of prosperity.

How does the Tariff Commission deal with this problem? The Tariff Commission went into the question of what the economical output should be and after having considered its findings, I must confess that these findings are most haphazard and illogical. The Tariff Commission collected evidence from the manufacturers. Some said that about 20,000 or 25,000 would be the minimum number that could be produced economically. Some said that about 10,000 would be the minimum number for producing cars at cheap prices.

One producer said that 5,000 would be sufficient. Another producer said that 2,000 would be enough. After collecting these estimates the Tariff Commission remarks facetiously:

"Two facts emerge from these and similar views expressed by others. One is that a large volume of about 30,000 is required for mass production. The other is that with a small volume it is possible to manufacture motor vehicles in India at a reasonable price provided the resources of ancillary industries are properly utilised and the management of the automobile factory is economical and efficient."

Now this type of loose thinking is most heartrending. One would have expected the Tariff Commission which went into the question of costs at length, which had before it cost accountants and other experts, to find out what exactly is the minimum quantity that could be produced at an economic price, to find out what the price would be, and then to lay down the lines of policy to be followed by the Government. We have gone the wrong way about in dealing with the problems of the automobile industry. We ought to realise that the anticipations of the authors of 1948 resolution have not materialised. We expected when those resolutions were passed that within about three or four years sufficient number of automobiles would be manufactured and at economical prices, and that consumers would buy them because of their cheapness. Even the Tariff Commission has been forced to acknowledge that the present level of import duties has not stimulated the demand for automobiles in our country, and a lowering of tariffs has been recommended to the Government of India. I am glad to find that the Government of India has accepted this recommendation with alacrity. This step, welcome though it is, is not sufficient.

What is the purpose of having an automobile manufacturing industry?

[Dr. Krishnaswami]

Why should the automobile industry occupy a key place in our economy? I can only visualise two clear reasons, and I am placing them before the House for what they are worth. The two important considerations for advocating the manufacture of automobiles in our country are the needs of defence and mechanised agriculture. So far as mechanised agriculture is concerned, it is very unlikely that in the near future we would require tractors on a sufficiently large scale for the purpose of developing agriculture. The needs of defence are however important, and the Tariff Commission is correct in inviting our attention to the strategic position of this industry in the economy of our country. I am all in favour of considering the defence needs of our country as of prime importance. But are the steps that we have taken so far fair to the consumer and the country? If considerations of defence are important, if it is suggested by the policy makers that in the event of war breaking out we should not be caught napping, a different policy should be pursued a policy which would benefit consumers and the country. Let us separate the demands of defence from those of the consumers or the civilian policy. The former may be termed as a strategic demand which would have to be satisfied at any cost, the latter as consumer's demand which will have to be built up by careful nurture. What is the position today? Our incomes are low, and as has been pointed out even by the Tariff Commission, it would not be possible for more than 16,000 or 18,000 automobiles to be absorbed by consumers and the Defence Departments. It follows, therefore, that even if a single factory is entrusted with the responsibility of producing automobiles, it still would function at less than the economic optimum. If it functions at less than the economic optimum, the prices at which automobiles are produced would be highly prohibitive. We are faced with a dilemma: cars are not purchased

because they are priced too high; cars are not produced cheap because of insufficiency of demand.

So far as defence is concerned, I am making the suggestion, and I hope it will be considered by hon. Members on the other side of the House, if our strategic needs are important, why should not this aspect of demand be nationalised? Why should not, for instance, trucks and other heavy military vehicles be produced by the Defence Department? We are operating the Chittaranjan Locomotive Works. Locomotives are produced, and surely the production of trucks for defence purposes would not be more difficult than that of producing locomotives. The moment we begin thinking on these lines, we will realise that there are great advantages which flow from separating the demand into two parts, strategic demand and consumers' demand. The strategic demand will be one which will have to be satisfied at any cost, whereas, consumers' demand must be one which will have to take account of the market and economic factors.

Incidentally, it may be pointed out that the expense incurred in opening a manufacturing unit for producing trucks for meeting the strategic demand of our country would benefit the automobile industry catering to the demands of the civilian population. The experience gained in the building up of engines and component parts can be made freely available to other assemblers and producers. The Tariff Commission has in a passage of cryptic merit, indicated that the automobile manufacturers do not cooperate with one another, that they do not share the results of engineering research, and that each attempts to conserve to himself the benefits accruing from scientific research. There is a saying that dog does not eat dog, but in the case of automobile manufacturers one has to confess regretfully that dog eats dog. The Tariff Commission has bewailed the reluctance of automobile manufacturers to purchase the products of

ancillary industries. In fact, on several occasions, even where the quality of the article has come up to specification, they have refused to purchase these products of ancillary industries because of certain alien considerations.

The ancillary industries have been considerably handicapped due to lack of goodwill displayed by automobile manufacturers.

Let me, however, examine the demand for automobiles in our country at some length.

**Mr. Chairman:** May I suggest to the hon. Member that this is a one-hour discussion. Already he has taken ten minutes. It would be better if he finishes within 15 minutes. There are a number of other hon. Members who want to speak. And I am going to ask the hon. Minister to reply. I must give him at least 20 minutes

**Dr. Krishnaswami:** I am very much obliged to you, Mr. Chairman. I shall attempt to shorten my speech. But the difficulty that I am experiencing is that there are powerful vested interests which are entrenched in the automobile industry, and one has to sufficiently get his teeth into the problem before he is able to elaborate it at some length. I hope you will sympathise with me and be a bit lenient in stretching the time in my favour.

**Mr. Chairman:** The only result will be the others may not get a chance.

**Dr. Krishnaswami:** The total demand in our country is not large enough to allow even one unit to be run economically. The Tariff Commission has estimated that out of the output of 84,000 vehicles, we are able to sell on the market about 16,000 to 19,000 vehicles. I suggest that the cost of producing even in one unit would be most prohibitive. So, from the point of view of the consumer, what we ought to concentrate on, I suggest—once our defence needs are

met—is to have cars sold on the market at as cheap a rate as possible. Now, this can be done if we revise our policy. We have to make up our minds that the automobile industry cannot be a manufacturing industry at once. The growth of ancillary industries, should be encouraged and as a result of such growth an automobile industry can come into being. If we start the other way about, it would be like putting the cart before the horse, the Tariff Commission curiously enough seems to think that ancillary industries will develop as the result of the growth of the automobile industry. How can ancillary industries develop when the automobile industry itself has a limited market, and when it finds that it cannot sell cars at sufficiently remunerative prices. The community has to incur a high cost in order to sustain our manufacturers. Today, for instance, most cars are out of the reach of a middle-class family, and it must be understood that when we are talking of opening up of the country and of increasing the transport facilities of our country, there have been considerable restrictions on the purchase of vehicles due to the capital costs that will have to be incurred.

**Shri R. K. Chaudhury (Gauhati):** Opening of roads.

**Dr. Krishnaswami:** If roads are opened, and buses are sold at prohibitive prices, and lorries are sold at prohibitive prices, then, undoubtedly, there would be a sharp restriction in the demand for them.

Here let me point out that apart from capital cost, there is also the question of running costs being high. Due to taxation policies of a conflicting and contradictory nature, being pursued by State Governments, great deal of difficulty has been experienced by people running buses and lorries. Ancillary industries have, to a large extent, been curtailed on account of the chaotic policies followed by different States and different Governments. I suggest to the Government of India that they should concern

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themselves not only with the problem of tackling the capital cost of producing a car, but also with the problem of running costs. If, for instance, the running costs could be halved, there would be a great expansion of transport and this would also inevitably increase the employment in our country.

**Prof. D. C. Sharma** (Hoshiarpur): How can that be done?

**Dr. Krishnaswami:** This can be done by having the taxation on vehicles reduced and compensating the States, as the case may be. But this is a matter of detail into which I cannot go now, because I do not have sufficient time at my disposal. But I should like to point out that so far as some of these problems are concerned, they are closely linked up with the question of employment. The automobile manufacturing industry today does not afford much employment. The maximum number that is employed in the leading factory of Hindustan Motors Limited, is about 1733. Compared with the employment in other countries, where the automobile industry has been developed, it is pitifully small. The reason is that unless we have other ancillary industries, it would be impossible for us to have a manufacturing plant employing a large body of workers. What is the policy that should be followed? I suggest to the Government that we should have cars imported in completely knocked down condition; only revenue duties should be levied, so that demand might be stimulated. Today the automobile industry is in an anaemic condition. There is not sufficient demand for vehicles, and sufficient vehicles are not produced at economic prices, to stimulate demand. I ask the Government to consider these matters, and also the Tariff Commission's recommendations which, on the subjects of an automobile industry are pitifully inadequate and vain, and have not taken account of the essential factors that influence the development of an industry.

**Mr. Chairman:** We started the discussion at 12-20 P.M., and one hour has to be devoted for this discussion. I propose to give at least 20 minutes to the hon. Minister. We shall sit up to 1-20 P.M. If the discussion is to be useful, the hon. Minister must be in a position to give us some information and reply to the points raised. I think in a matter like this, if hon. Members instead of going into details, put forward their suggestions, the hour could be usefully utilised.

**Shri H. N. Mukerjee** (Calcutta North-East): Mr. Chairman, Sir, for the five years ending with 1951-52, we spent foreign exchange to the tune of Rs. 55 crores on motor vehicles, and Rs. 37 crores on motor parts. This indicates, apart from the fact that Rs. 88 crores are invested in this industry, the importance of this industry and the urgency of Government looking after it. Actually we find that in 1948 when the policy statement was made by Government in regard to this industry, hopes were held out that we could produce at an economic cost of about Rs. 8000 or Rs. 9000, a sufficient number of motor vehicles needed by our country in a comparatively short while, and Government had said that they were going to regulate and control the production. As far as I can see, the regulation and control business has been done in such a fashion that today the industry is still in a very sorry pass, and we ought to try and find out the reasons for this calamity.

One of the reasons, I should think, is that we have allowed certain monopolist interests who are very dangerously linked up with foreign capitalist interests, to have control of the automobile industry. In the United States of America, there are three companies, the General Motors, Chryslers and Fords, who control nearly the entire production of passenger cars. We have got five leading producers who are connected with foreign combines, such as the Hindustan Motors with the Nuffield Group and Studebaker Corporation, the

Premier Automobiles with Chrysler Corporation and other Combines, the Automobile Products with Roots Group, the Ashok Motors, with Austin and Leyland of U. K., and the General Motors which is of course a subsidiary of General Motors of U. S. A. This being the state of things, it is very important that Government should come forward soon to really control and regulate the production of automobiles in our country. As far as that goes, we find that though the capacity of production has been 84,014 units, in 1951, we produced 22,393, and in 1952, 15,723, the average being for these two years 19,788. This is extremely unsatisfactory, and something has got to be done about it.

When we think of what requires to be done about it, we find that there is a very serious disequilibrium. Government have not yet found out the real relationship which should be made to subsist between the major industries, as far as automobiles are concerned, and the ancillary industries about which so many references have been made in the report of the Tariff Commission. But I find that there are some very serious facts which have come out as a result of the report of the Tariff Commission.

There are so many raw materials about which we have to be very shaky, for as long as we can foresee, if Government do not drastically change their present economic policy. In regard to steel for example, it is impossible that there is any chance of our producing rolled alloy steel all-round bars. Even turnplates for fuel tanks are not available in this country, as so many other raw materials which were mentioned in the Tariff Commission's report. The non-ferrous raw materials like aluminium, brass or copper are under the control of monopolist foreign interests. This being the case, naturally our industry would continue to suffer.

We see also that we cannot bring down the price of cars. We cannot bring about an increase in the production as well, because of so many

other factors, because of petroleum prices, for instance. Only the other day, we had the information vouchsafed to us by the hon. Minister of Works, Housing and Supply that the Assam Oil Company makes profits to the tune of from one hundred to three hundred per cent. per annum, and the Assam Oil Company and similar foreign combines do not allow Government access to their books, so that we cannot at governmental level try to regulate and control these foreign capitalist concerns. Petroleum prices are surely a factor which stand in the way of an increase in the number of consumers as far as our automobile products are concerned.

Then again, rubber is a monopoly almost entirely of foreigners. The hon. Minister of Commerce and Industry knows very well, and I think he made a statement to that effect in this House some time ago that Indian made tyres and tubes are more costly in India than the British made tubes and tyres are in England. Even so, we have to import rubber from abroad, as far as most of our requirements are concerned. Rubber is a very major ancillary industry which is standing in the way of the real development of our automobile production, and I am worried also to find that we are permitting these monopoly interests in our own country, which, I repeat, are dangerously linked with foreign capitalist interests. We are allowing these companies to rule the roost, and the Tariff Commission has made certain recommendations about which I feel very dubious.

I find for instance that the Hindusthan Motors have made a demand for certain concessions, as far as export duties are concerned. They wanted to have a remission of export duties, in respect of whatever they send out, if their finished products are exported to countries like Burma and Ceylon which perhaps might take some of our products. Our Customs authorities, it appears, demanded to see the invoices of the Hindusthan Motors. The Hindusthan Motors, for

[Shri H. N. Mukerjee]

some mysterious reason were not in a position to produce these invoices, but the Tariff Commission, very generous to the Hindusthan Motors—for Heaven knows what reason—recommends that *pro forma* invoices should be enough, and after that, the necessary rebate of export duty should be given.

Now, I do not know the gentlemen who operate the Hindusthan Motors. But about them all sorts of nasty things are bruited about. Only the other day I had occasion to refer to the second edition of that book *Mystery of Birla House*, and I refer to it not because that book itself requires to be mentioned over and over again in this House.—It is a book, Sir, of which serious note has to be taken by Government—but because I find it quoted by a foreign journalist who recently wrote a book called “New World Arising”. He refers to this book on the Birlas and says that in any other country the publication of a book of this sort would have meant either that Messrs. Birlas sued the writer or that something happened in regard to the continuation of Messrs. Birlas as an operating concern in this country. Nothing of the sort has happened. If this kind of thing happens, then I certainly have a right to feel extremely dubious—extremely doubtful—about the kind of favoured treatment which the Tariff Commission is suggesting to be applied in regard to Hindusthan Motors and their like.

Now, Sir, it is very necessary that we should try to increase the volume of passenger car production, and automobile production in general in our country. It is very necessary that we try and find a real equilibrium between the automobile industry and the development of all the ancillary industries. It is very necessary that we also find out the reasons why the ancillary industries are not developing. The Tariff Commission has referred to this matter and it says that there are certain foreign associates of these Indian automobile concerns which preclude the adoption of a right policy. I quite

understand that, Sir. There are rubber interests, there are paint interests and there are oil interests which are always standing in the way. In regard to paint, I find, for example, that Imperial Chemicals, Alkali Chemical Corporation, Jenson and Nicholson and Shalimar Paints can always rule the roost as far as paint production is concerned; and it seems that there are certain agreements entered into by our Indian concerns with these foreign associates which preclude the adoption of a right policy, as far as the development of ancillary industries is concerned. I quite understand the Tariff Commission not having the courage to suggest the real remedy which is that these agreements between our Indian concerns and their foreign associates should be subject to the closest possible scrutiny by our Government, and if there is anything in these agreements which precludes the proper utilisation and proper development of our ancillary industries, then certainly drastic steps ought to be taken against these foreign associates because what we all want is the development of our indigenous automobile industry.

I say, therefore, that what Government said in 1948 in its declaration of economic policy should be followed up properly. Let us not have to say that Government's brave declarations have proved to be wish-fulfilling bubbles which burst without much loss of time. We all want the automobile industry to develop. We want it to get out of the clutches of these monopoly interests in our country which are so dangerously linked with monopoly interests abroad.

**Shri M. S. Gurupadaswamy (Mysore):** Mr. Chairman, Sir, I only want to emphasise one or two important aspects connected with the automobile industry.

**Mr. Chairman:** I think the hon. Member may make only suggestions. If he can finish within about 5 or 6 minutes, it will be better.

**Shri M. S. Gurupadaswamy:** First of all, I want some information from the hon. Minister whether there is a scheme or any policy with regard to the automobile industry, and if there is any policy framed, we want to know what steps the Government contemplate to take with regard to the acceleration or development of this industry.

Sir, we know that today there are 12 firms operating in the field of automobiles and all are private firms. The management of those concerns are pitiable. We have come to know that the establishment cost alone takes much of the expenses involved in this industry. The labourers employed are very few whereas the staff functioning in the offices alone are many. This is one of the causes why the price of automobiles here is comparatively high. Another thing, Sir is—I have read it in the reports—that the automobile assemblage here is done in co-operation with certain foreign firms, and those foreign firms have given certain standards and designs according to which alone the assembling has to be done. So they cannot produce cars or any commercial vehicles of a different design which is not prescribed by the agreement.

So there is not sufficient scope or freedom given to automobile manufacturers here. Another point is this. Now the Government has not thought of any plan so far to expand transport services in the land. Sir, if our automobile industry is to thrive, it is imperative that we should bestow our attention to expand transport services. Now there are so many bottlenecks in expanding transport services in the country. One bottleneck is that the duties on motor vehicles are exorbitant, apart from the high price they have to pay for vehicles. These two things—high prices as well as high duties—are responsible for the very low level of transportation here. Unless we expand the transport services, unless we give relief in the matter of taxation to those people who run transport services, it is very difficult to create demand for automobiles.

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Moreover, there is another point to which I want to refer. That is very important. My friend, Dr. Krishna-swami was referring to the requirements of the defence industry. The automobile industry is very important and vital to the defence of the country. I want that the hon. Minister should make it a point that all automobile requirements for defence should be purchased from the manufacturers in India. No foreign vehicles—commercial vehicles or cars—must be purchased for defence purposes. If you adopt this policy, you will be helping the industry to expand.

Lastly, Sir, I refer to the private firms which are engaged in this industry. I want an inquiry to be conducted immediately by the Government. A Commission may be set up to inquire into the conditions prevailing in this industry. I was told that the high cost of production is due to lack of management and it may also be due to certain other difficulties which are the result of agreements entered into between the Indian capitalists and foreign capitalists.

So, I want an impartial Commission to go into the whole question. That Commission should also be asked to go into the cost structure. Till today we have not got any data regarding the cost of production and we are virtually in the dark. So, we want a thorough enquiry with regard to this aspect.

Lastly, Sir, I want that as far as possible auxiliary industries and the main industry should be developed simultaneously. We want to follow one-step method and not a step-by-step method in this matter. We do not want to have slow progress. The automobile industry is a very important industry; particularly, during emergencies it becomes all-important. So, we should take all measures to develop this industry both from the point of view of defence and also from the point of view of civilian needs.

**Shri Bansal (Jhajjar-Rewari):** I thank you, Mr. Chairman, for calling me. But, as I find I have only five minutes, I do not think



[Shri Bansal]

I can make a very valuable contribution. In fact, when I sent in my name to you. Sir, I was hoping that Dr. Krishnaswami who has been championing the cause of industrialisation in this country would be informing the House about the difficulties facing this industry. But I was taken aback at the way in which he referred to this subject. In fact, Sir, he a miracle as far as I am concerned.

**Shri K. K. Basu (Diamond Harbour):** Gone out of gear.

**Shri Bansal:** Even in these days of very quick travel he transported me to America in a matter of moments. I was, Sir, in that country recently and everywhere that I went—I was there at a time when the Tariff Commission's report had just come out and the Government's resolution on this industry had been announced—in fact, I had not known about it—I was assailed with a number of questions—very much of the type which the House heard from Dr. Krishnaswami today. I do not think any comment is needed on this. In that country, the industrialists who have been having only assembling programme of American motor-cars here, were feeling annoyed that the Government of India had the temerity to adopt the suggestions of the Tariff Commission and accept its recommendations in assisting those factories which were embarking on a manufacturing programme, and telling the assemblers that their days were numbered. Today, I find Dr. Krishnaswami voicing those very feelings.

Dr. Krishnaswami referred to the saying of 'Dog eating dog'. I was reminded, when he referred to this, of the heroic efforts that were being made by Indian industrialists to put up this industry in the country in the face of opposition from the British Government. I was particularly reminded of the efforts of the late Shri Walchand Hirachand. I could not agree with Dr. Krishnaswami's remarks that dogs were biting dogs at that time and that is why this industry did not develop in India.

I was surprised, Sir, when he said that, although there is no demand in this country for automobile vehicles, Government should take over the manufacture of bigger vehicles. Sir, if there is no demand in this country for automobiles, how will it be economic for Government to undertake the manufacture of heavier vehicles?

**Dr. Krishnaswami:** For defence purposes.

**Shri Bansal:** Does it mean that they should be produced at an uneconomic cost and was he implying that the Chittaranjan Locomotive Factory could manufacture motor vehicles? I was surprised, at the bundle of contradictions he presented to the House. I am sorry, I cannot match with his eloquence and I have no time to match facts with these half-truths and half-facts.

I am sure, Sir, from what I have said the House would not be deceived at all in believing as to where the real good of the country lies, whether in developing this industry or in allowing the industry to shut down and allow the import of cars in completely built up and knocked down condition and allowing their assembly here.

Dr. Krishnaswami made another surprising suggestion that before we begin to manufacture full cars, subsidiary and ancillary industries should be allowed to develop. Has it ever happened? Has he studied the development of the automobile industry in America and other countries?

**Dr. Krishnaswami:** I have.

**Shri Bansal:** I have also done, Sir. I have read the autobiography of Ford and Chrysler and I have known of the early efforts they made in developing this industry. Sir, I have seen a picture where Mr. Chrysler is seen with the manufacture of very ordinary tools, which you won't believe you can manufacture an automobile from, because that was the condition of that industry then. There was no ancillary or subsidiary industry existent at that

time in that country. It is the manufacture which started first and the ancillary and subsidiary industries developed later on. It is bound to happen that way and I dare say that it has happened in every country also that way. Sir, I would earnestly request Dr. Krishnaswami to forget the past and his prejudices and turn a new leaf and help in the industrialisation of this country which he is keen on advocating off and on in this hon. House.

1 P.M.

**Shri K. K. Basu:** Sir, may I ask a few questions?

**Mr. Chairman:** Yes.

**Shri K. K. Basu:** I would like to know the percentage of the productive capacity that is being produced under the existing arrangement, in the different manufacturing concerns. Then, I would like to know the percentage of the cost of materials imported as compared with the total cost of manufacture. And, thirdly, I would like to know the percentage of the share of the foreigners with patent rights and their brand who are engaged in the manufacture.

**Shri V. P. Nayar (Chirayinkil):** Sir, I find that the average production of automobiles has been 19788 for the last year. I also note from the Tariff Commission's report that actually the industry engaged only 6313 workers. That would mean on an average one worker has produced 3 or 4 automobiles. Is it not a fact that what you call manufacture is only merely assembling and polishing?

**The Minister of Commerce and Industry (Shri T. T. Krishnamachari):** Mr. Chairman, Sir, I am grateful to the hon. Dr. Krishnaswami for raising this discussion, and I think, at a time when the policy of Government is in the process of becoming crystallised, a discussion of this nature is extremely helpful. I would also like to compliment Dr. Krishnaswami on presenting a very clear story or rather a version of what he wanted the automobile industry to be. In fact, Sir, there may

be certain points on which we may disagree, but, I do feel that my hon. friend Mr. Bansal was unduly harsh upon Dr. Krishnaswami; and it is a point of view, which, I think, has a certain validity in the circumstances in which we are placed.

**Shri A. M. Thomas (Ernakulam):** It is only a quarrel between two America-returned men.

**Shri T. T. Krishnamachari:** I do not think Dr. Krishnaswami needs any more support from me. Sir, the basis of the complaint made by Dr. Krishnaswami and also by Prof. Hiren Mukerjee was that the hopes that were held out have been belied. Sir, I am not very good at quotations, but I do remember having read in days when I was at school an English poem. At the end of a stanza it says.....

**Dr. Krishnaswami:** Hopes are dupes.

**Shri T. T. Krishnamachari:** No. it is a different one. Hopes blasted, name blighted, life's life lied away.

I am quoting from Byron, not an elegant poet. That is the lot of Ministers of Cabinets. We reconcile ourselves to such occurrences. To all intents and purposes our hopes fall into this category and therefore we pitch our hopes rather low.

In this connection, I must say that Dr. Krishnaswami finds a sympathetic soul in me for the reason that when I was not on the Treasury Benches I had my own doubts as to the manner in which we are going about this automobile industry. But, today, Sir, I must agree that Government are not writing on a clean slate. We have made certain advances and there is no use blinding our eyes to the fact that the advances that have been made are not all in the right direction. It may be that they have been made at great cost to the consumer, at great cost to certain interests. But, unfortunately, the advances are there and it is a fact which we cannot shut our eyes to. It is sure, Sir, that the Tariff Commission had to conduct its enquiry on this basis. I am sorry to say that

[Shri T. T. Krishnamachari]

my hon. friends have been rather hard on the Tariff Commission. They have been so hard that my hon. friend from Mysore wants another Commission. Well, if we go on appointing Commission after Commission, we can await the report of these commissions and nothing will be done. Here, at any rate, there has been a very honest attempt at appraising the position of the industry and they have been ably assisted by an automobile expert from Germany who is not tied up with any particular automobile factory. I do propose to make his report available to the Members of Parliament and to the public. It is an extremely good report and I think so far as technical guidance is concerned, the Tariff Commission had the best guidance that they possibly could get.

Sir, Dr. Krishnaswami objected to the statement made by the Tariff Commission on page 51. I hope, Sir, you won't feel offended when I say that the trouble is that oftentimes the lawyers take only such of those passages as are favourable to them and forget the context.

**Mr. Chairman:** This is not peculiar to lawyers only.

**The Minister of Finance (Shri C. D. Deshmukh):** He gets some privileges.

**Shri T. T. Krishnamachari:** The quotation has been from para. 11, sub-para (c). Here the Commission say,—

“Conflicting evidence was placed before us in regard to the minimum volume required for economic manufacture of motor vehicles.”

They go on to say:

“One is that a large volume of about 30,000 is required for mass production; the other is that with a small volume it is possible to manufacture motor vehicles in India at reasonable prices provided the resources of the ancillary industries are profitably utilised.”

This is a statement of fact which has been put before them in the shape of evidence. It is not the conclusion of the Tariff Commission and with that I would leave that aspect of Dr. Krishnaswami's criticism. Therefore, Sir, the Tariff Commission was placed in the same position as any of us. While there are countries like the United States of America which works on the basis of mass production, and needs a certain quantum of production to run the factory economically, there are again countries like Germany which work with what look more or less street factories, where the manufacture is being done, where assembly is being done. So, both sides of the picture are available. There is no denying the fact that mass production leads to economy, but the question really is whether you want an industry in this country or not. If you want the industry in this country and the demand in this country is not very great, well, naturally, the productive methods used cannot be very economical and we have to deal with that position from a different angle altogether.

Sir, Dr. Krishnaswami suggested that we should categorise this question under two heads: strategic demand and the consumer demand. He also said that the strategic demand should be met by a nationalised factory. It is a very good suggestion. In fact, my own reactions are—and I am not committing the Government to any statement of policy—that if in the next twelve months we do not find that development has taken place adequate to meet the strategic demand, well, I do not see why Government should not take a step forward in this direction. Because, in my view, the strategic demand is not merely the defence requirements; it is also the transport requirements of the country,—which is equally necessary in the interest of the country's economy. The suggestion made by Dr. Krishnaswami will certainly be borne in mind. We are prepared at the moment to give those

people who have a manufacturing programme and the necessary equipment and those who might probably come in in the next six months with the necessary equipment to meet this demand a chance. If they do not, the strategic demand will have to be met by other means.

The other point that he mentioned that cars can be assembled cheaply if ancillary industries are developed is one which we cannot take exception to. I may tell him that is how our mind also runs. In saying this I would like to take the House into my confidence and admit that our policy is in a formative stage. We are beginning from where the Tariff Commission had left it. We have called upon the five manufacturing firms to submit their programme, those which would be able to manufacture the majority of the parts of the car,—it may be 60 per cent. it may be 65 per cent. or it may be even 55 per cent. But we would like to have their programme. When they bring their programme, before us we can tell them: "Well, somebody else can manufacture this part, you might buy it from them. In fact, we have appointed another committee to carry out a survey of the engineering capacity in the country. One of the terms of reference to that Committee is that they should find out if certain factories cannot manufacture some of the ancillary requirements either of automobiles, or of textile machinery or of something else. This is how we want the industry to be built up. So, any suggestion that comes forward from the mouths of hon. Members in this direction is certainly welcome and I do not resent it at all, because we recognise that our knowledge in this matter is not perfect: it is very limited. A suggestion from an hon. Member which gives us an indication of the direction of approach is therefore welcome.

My hon. friend Mr. Hiren Mukerjee has been kind, as usual. (*Laughter.*)

There is nothing to laugh at all. After all to put out a point of view which is not palatable in a manner which is suave is certainly an art. I envy him in that respect. But he cannot escape the temptation of bringing in King Charles' head: the question of foreign interests, what the foreign interests are doing, how they are exploiting the country, how tyres are sold at a higher price in this country than in England and how I have myself admitted it, how the Tariff Commission has said something about foreign associates in paragraph 20, sub-clause (1) at page 82. Well, they are all factual statements from the angle of view from which he looks at it. I do recognise that there is an element of truth in it, as I have said this morning that there is an element of truth in all slogans, and perhaps a higher quantum of it here. The fact remains that while the Tariff Commission has recommended that dependence on foreign associates in regard to technical know-how, designing and getting jigs and tools for new models should progressively be eliminated, it does not mean that we can do straightway without foreign help. Even in Russia—if my information is correct—in the days when they started the automobile industry, they went and bought from Mr. Ford jigs and tools of models which he had rejected. Those were the models that were put out in Russia. In fact, I do not think there has been any country which has developed rapidly in the industrial field which has made as much use of foreign technical talent and foreign know-how as Russia. Of course, now they are in a position to do things themselves. But initially they did make use of foreign help fairly liberally. I would only ask Mr. Mukerjee just to consider that we are in the same position as Russia was in 1927, not in 1917. And when we have to build from that stage, we cannot do it altogether without foreign help. I do agree with him that it should not bind us or that we should hitch our wagon to them. We do not want one wagon to run along with them stand. My hon. friend Mr. H. N. Mukerjee

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knows that we do not want to do it. We shall certainly take care to see that that does not happen.

One point that he mentioned was about the export duties in regard to the Hindusthan cars. My hon. friend is perhaps not aware of the fact that my hon. colleague the Finance Minister has brought forward a Bill before this House which, if passed, will enable us to give a rebate in regard to import duties on goods exported, taking into account that quantum of import duty that goes into the manufacture of a particular article. I think he would agree with me that it is a good thing to develop some export markets and give some encouragement to our local manufacturers to go in for exports. I do hope that some time later, in about five or six years, we shall have an export market for the cars manufactured in this country.

Mr. Gurupadaswamy, I am afraid, has, as usual, been slightly beside the mark. I do not agree with my hon. colleague, Mr. Reddy. It is a case of Mysore against Mysore. I am from Madras. He wants to do all that has to be done at one step, and not step by step. I am afraid I have never practised long jump, and I am 53 years old. It is far too late for me to begin it. I have got to go step by step. Sometimes, I am not quite sure, of my steps so I have also got to use a stick.

I am very sorry that Mr. Bansal entered into polemics, whereas he could have made a material contribution to the debate. I value very much any criticism of Government's policy. If he feels that Government's policy is halting, he should have criticized it, and left Dr. Krishnaswami alone.

The Chitragupta of the Communist party asked for statistics.

**Shri S. S. More (Sholapur):** Sir, are not titles prohibited?

**Shri T. T. Krishnamachari:** These titles have been handed to us from the

past—I shall attempt to devise some title for Mr. More later, but at the moment my imagination does not run very wild. Mr. V. P. Nayar is an assiduous student of statistics. I see every day, thanks to the Secretariat of the House of the People, unstarred questions in regard to all kinds of information, which I cannot possibly give him. In this particular instance, I am not able to oblige my hon. friends Mr. Basu and Mr. V. P. Nayar. I am afraid I cannot give the figures at the moment. There is one mistake which Mr. Basu made. He wanted to know what percentage of the productive capacity in these units is being utilized: He asked: what is the productive capacity. I am afraid the productive capacity is on an assembly basis, not on the basis of production of all the parts. The question of productive capacity on an assembly basis where there are no assembly lines, so to say, is merely a matter of area which the factory occupies. That is the productive capacity today, and therefore we have no yardstick to gauge until we reach a higher stage or a better stage of manufacture. So far as percentage of import by various factories is concerned, I would recommend that my hon. friend Mr. Basu should read the report. It is a good report, as I said. I shall also make available to the hon. Mr. Vorwig's report. It deals with the existing structure of the various factories. Even with the assembly plants, I am told that we have reached a stage where we manufacture about 30 to 40 per cent. of the parts required for the car in one factory. These are made by the Hindusthan factory. I believe within another six months, they will make further progress. The other factories are in the stage of establishing their manufacturing plant so far as engines are concerned, and we are asking for their programme. Sometime later, perhaps during the budget session, I may be able to enlighten the hon. Members about the exact stage in which the automobile industry is placed, but at the moment, it is a little too early.

May I say, Sir, that the general statement of Government policy is an acceptance of the Tariff Commission's report, subject to certain minor changes. Government are seized of this problem. We have appointed a Committee of the Secretaries of the various Ministries concerned, who are vitally concerned in the development of the automobile industry, to be in more or less close touch with the progress that is made from time to time, and probably we will have an expert visiting these factories and checking up the rate of progress. I do hope we will be able to give a better story later.

One point with which I shall deal before I sit down is about the question of development of road transport generally. I think my hon. friend Dr. Krishnaswami did raise the question of State taxation and the high cost of motor vehicles which is impeding the development of road transport. While on this subject I do feel that our estimates in regard to what we call public service transport has been rather on the conservative side. With all the development that has taken place and the development that will take place in the near future, if our plans go through, we might envisage before the next ten years a demand, so far as the public transport is concerned, in the region of somewhere between 80,000 and 1 lakh of vehicles a year. That will make the industry economic also; but to develop it, we do want the cooperation not merely of these factories but also of the States. State taxation is unduly high today, and Government are in correspondence with the States, to implement the recommendations made by the Tariff Commission, and to see that taxation is brought down. We would indeed like to bring down our duties, the cumulative effect of which should be that the price of vehicles should come down and also the operation costs lowered. There, the point made by the hon. Mr. H. N. Mukerjee also comes in. We will probably have to make an evaluation of the cost of petrol but it might be that our own taxation of petrol, both Central and

State, is heavy enough and that perhaps operates as a limiting factor more than even the cost. But these are matters to be gone into. We do propose to go into these matters. We are in correspondence with the States, and the general lines indicated by hon. Members—by Dr. Krishnaswami and Prof. Mukerjee—are the lines which we shall keep in mind in our negotiations with the States and in formulating our policy regarding the automobile industry.

**Mr. Chairman:** We will now adjourn. The House will meet again at 4.0 P.M.

*The House then adjourned till Four of the Clock.*

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*The House re-assembled at Four of the Clock.*

[MR. DEPUTY-SPEAKER in the Chair]

THE ESTATE DUTY BILL—Contd.

**Mr. Deputy-Speaker:** The House will now resume the discussion on the Estate Duty Bill. Clause 19 was disposed of.

**New Clause 19A.—**(Power to make rules etc.)

**Shri C. D. Deshmukh:** I beg to move:

In page 13, after line 48, insert:

"19A. Power to make rules respecting controlled companies generally.—(1) The Board may make rules—

(a) prescribing the class of dispositions or operations which shall be deemed to be transfers to controlled companies within the meaning of section 17;

(b) prescribing the matters to be treated as benefits accruing to the deceased from any such controlled company, the manner in which their amount is to be determined, and the time at which they are to be treated as accruing.