

foreign capital. Now that the industrial policy is on the anvil, may I ask the Minister what they are going to decide? Are we thinking of nationalising plantations? If not, why not? There is no case stronger than that of plantations to be taken over by the Government. Plantations have developed, because they got very cheap land in our country. 230 square miles of land were purchased about a hundred years ago for Rs. 5,000 by a company and that company is called the Kannan Devan Company today. They employ very cheap labour and derive huge profits, which should really go to the national coffer. Because these plantations have been developed for the benefit of the metropolitan country, there is foreign grip over them at every stage. Therefore, it is high time that we think of nationalising this industry.

I now pass on to something which may not be very creditable to the Ministry and the officers in it. We have got the Rubber Board. We have too many Boards and it is one. The Rubber Board submitted a plan for replanting 70,000 acres of rubber within the next ten years at the rate of 7,000 acres per year.

**Mr. Deputy-Speaker:** The hon. Member's time is up.

**Shri Punnoose:** I will just conclude. Planting has to be done in June and they sent up the plan in December. The plan is somewhere here and the wise men in the Ministry are discussing and discussing. Seasons do not wait for the Ministers to conclude their discussions. The rains will come and go and the replanting of 7,000 acres this year and the big scheme placed before the country is going to be a fiasco, for which the inefficiency, the incompetence and the unimaginative procedure of the Ministry is responsible.

**Mr. Deputy-Speaker:** The hon. Minister will reply day after tomorrow.

COMMITTEE ON PRIVATE  
MEMBERS' BILL AND RESOLUTIONS

**Shri Altekar (North Satara):** I beg to move:

"That this House agrees with the Forty-ninth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 11th April, 1956."

This report is in connection with the allotment of time. Out of the 3½ hours allotted to the first Resolution of Shri G. D. Somani, 1 hour and 6 minutes have already been taken up and 2 hours and 24 minutes are left. The next Resolution is that of Shri M. S. Gurupadaswamy on nationalisation of banks for which 2½ hours are allotted. There are other Resolutions also for which the time has been stated in the Report. Five minutes are already over and I would request you, Sir, to extend the time by five minutes, so that Shri Gurupadaswamy may be on his legs to move his Resolution.

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

"That this House agrees with the Forty-ninth Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 11th April, 1956."

*The motion was adopted.*

RESOLUTION RE. APPOINTMENT  
OF A COMMITTEE ON INDUSTRIAL  
AND COMMERCIAL STATE  
UNDERTAKINGS

**Mr. Deputy-Speaker:** The House will now resume further discussion of the Resolution moved by Shri G. D. Somani on the 31st March, 1956 regarding Appointment of a Committee on industrial and commercial State undertakings.

Out of 3½ hours allotted for the discussion of the Resolution, 1 hour and 6 minutes have already been taken up and 2 hours and 24 minutes are left for its further discussion today.

Shri K. P. Tripathi may continue his speech.

**Shri K. P. Tripathi (Darrang):** The other day I had just started. The question in my mind was, what was the intention with which this Resolution has been moved.

**Mr. Deputy-Speaker:** The hon. Member will excuse me for one second. There are a large number of hon. Members who want to participate in the debate on this Resolution, because it is an important one covering a very wide field. If the hon. Members so feel, they might put on themselves some time limit.

**Shri Feroze Gandhi (Pratapgarh Distt.—West cum Rae Bareli Distt.—East):** This is an important Resolution and the time may be extended.

**Mr. Deputy-Speaker:** We have just now adopted the Report fixing the time limit. If hon. Members agree, I will put in a limit of 15 minutes in normal cases; in some cases it may be extended to 20 minutes.

**Shri K. P. Tripathi:** The question immediately came into my mind as to what was the intention with which this has been moved. Obviously, the House will remember that there have been a large number of discussions in this House with regard to the efficiency or otherwise of State-managed industries. We have all been very much concerned about it. We desire that the efficiency of the public sector should be increased. We had a desire that the Government should set up an industrial service so that the State-managed industries might be managed well, but at no point of time it came into our mind that perhaps the public sector experiment has failed and therefore it should be scrapped. Such an idea never came into our mind. Now, this Resolution has been clothed in a way which raises a doubt in our minds as to what the intention is. Is it for this purpose, namely, "let us try to prove that firstly, the public sector is less efficient than the private sector; and secondly, that the public sector has less cost structure, i.e., capital investment costs are less in the public sector than in the private sector. Why put such a huge burden on the people? Let us have less capitalised industries, so that the prices of things might be also much cheaper if the profits are reduced, for which, of course, there is no chance. Let us scrap his public sector altogether". This sort of doubt arises in our minds. I have no doubt that my friend, Shri Somani, is an hon. gentleman and I have great respect for him. I never doubt his personal opinion at all in the matter. I quite realise that he has raised the issue with the best of intentions; but, the person who might have drafted his Resolution, in paragraph 3 says:

"to examine the capital cost of each of them and find out if the expenditure has been according to estimates, and whether such capital costs are reasonable, especially as compared to capital cost of comparable units in the private sector;" etc.

Here is not merely a question of investigation into the public sector; but, the idea is that it must be investigated with a view to finding out the comparative costs and to establish that the

comparative costs are higher in the case of the public sector than in the private sector. Why should the society be burdened with this high capital cost structure?

**An Hon. Member:** That is a challenge.

**Shri K. P. Tripathi:** Before we accept that challenge, there are certain important considerations which we have to examine. Our country is experimenting on this. It is not that we have already got a well-developed public sector. In the case of many of the industries, the estimates had to be revised several times. The cost structure of some of them is high, with the result that we had to subsidise them. All these questions are there. Therefore, it would be a risk in the initial stage to accept this challenge in the way in which it is thrown out.

Now, if my hon. friend Shri Somani were to say, no, I do not want to scrap this idea of socialist pattern, I agree with the socialist pattern all right, but I want to improve upon the public sector, then the question assumes a different shape. We are all for the improvement of the public sector. Once we have accepted that idea and adopted it as our pattern of economy, there is no going back on that decision. If this enquiry be for the purpose of going back on that decision, then, obviously I for one would fight against such an enquiry. But if this enquiry is for the purpose of determining what are the shortcomings of our public sector and what are the correctives that we should apply, then, such an enquiry might perhaps be justified. Therefore, the question has to be discussed further.

Now, what is the intention of the public sector in a socialist economy? Is it one of profits? Obviously not. What is the intention of the private sector? Obviously it is profits. If you set up an industry for private profit you will run it from one point of view; if you have the industry for the purpose of welfare both for the workers and for the society, you will run it from another point of view. For instance, I want to start a cement factory. If I were a private industrialist, I would have the machines first and put the workers in a hovel and start working. If I were Government and start an industry in the public sector, I would have to plan ahead for the housing of labour.

I went to China quite recently. There were road construction workers. What did they do? Before they took up construction, they built houses for the pur-

pose of housing the workers who would be working there; then they started the actual work. In our country in the private sector what happens. Before people are housed, the construction begins. The work on the factory begins, they are completed to schedule and production starts, before workers are housed properly. Therefore slums start. It is therefore, a major question of policy, as to what is the purpose of industry going to be in this country. Is it going to be mere profits or is it going to be welfare? Since we have adopted welfare as our goal, naturally the capital cost structure will change; it will have to change. In the public sector the capital cost structure will have to take into account many things. We are building a steel plant. The hon. Minister Shri Krishnamachari told us the other day that the plant started with the housing of labour. Obviously if it were in the private sector, the housing of labour would be thought of after the plant started production. If this is the state of affairs, how are you going to compare the cost structure? You will obviously come to wrong conclusions, if you do that. It would be said that the industries of the public sector are over-capitalised, where as in actual fact they may be under-capitalised.

**An Hon. Member:** Let it be enforced by law.

**Shri K. P. Tripathi:** It will have to be enforced.

Now the Plantation Act was passed. The law is that the planters should provide housing. The planters say we cannot provide housing, it will take another 26 years. In fact they have been running this industry for more than a hundred years. In a period of 126 years they are going to provide the minimum housing. If the plantations were to be in the public sector, what we would do would be to provide houses for labour in the first instance, instead of waiting for 126 years.

These are problems which are very genuine to the consideration of this resolution: as to what is going to be the purpose of the industry? If the purpose of the industry is going to be welfare, then my hon. friends in the private sector will have to change their outlook. So long they have not done so. Government have come forward to advance them loans for housing the workers, but the private sector has been fighting shy even to accept these loans. They have been even refusing to accept the grants. Would anybody think of refusing a grant

without any liability to house their labour which normally they should do out of their pockets? But here is a Government which comes forward with grants. But they would not have it. That shows that the mind of the private sector has not changed in the least.

Therefore, if we straightway launch into a comparative study of the cost structure of the different types of industries, then, we are likely to arrive at wrong conclusions.

Now, with regard to efficiency there is a feeling that the public sector is less efficient than the private sector. To some extent it appears by the results to be true. Now what is the difference between the two sectors? In the private sector the employer is the man who is to earn the profits. Therefore, he is very very careful that the industry may be run as a profitable enterprise. That is with regard to small type of industry. But in the modern world, industries have become so big that the big manufacturer cannot manage it as a private concern; so joint stock companies are formed. In the matter of management, there is not much difference between the management of joint stock companies and industries in the public sector, because both managements are on behalf of somebody else. Unless, they have their own honesty and efficiency they will not run it as efficiently as the other. It is for this reason that in the case of joint stock companies in India the world will be surprised to learn that so many companies have failed so many companies have lost their whole assets. Why? Because the standard of management in the private sector has not been up to the mark. This is one of the most unfortunate aspects of it. The whole point is as between the company type of management in the private sector and the management in the public sector, there is much similarity with regard to the nature of the management.

Now in the private sector the man who is managing has somebody over him. Where he is not under fear of being removed, he becomes irresponsible. In the public sector the amount of security which the management enjoys is very great indeed and we have not yet been able to evolve a procedure whereby we could saddle the man on the top with the responsibility as well as the right to take decisions. Now decisions have to be referred back to somebody miles away. When you have got such a situation, then ob-

[Shri K. P. Tripathi]

viously the man is not fully responsible. You cannot hold him responsible; and when he is not held responsible he does not discharge his duties properly. We are therefore at crossroads. We are still in the stage of experimentation, finding out which is the best way of managing public concerns. It may be that we may take some time; but this time should be used for the purpose of finding out the best way, not for the purpose of halting the whole process so that we might go back to the private industry.

So far as efficiency is concerned. I noticed in today's papers that the targets have been achieved in the case of the Sindri factory, the Penicillin factory, the Cable factory and the DDT factory.

**Dr. Jaisoorya (Medak):** Not in the case of the chewing gum factory!

**An Hon. Member:** That is in the private sector.

**Shri K. P. Tripathi:** It does not mean that the targets are well fixed. It may be that the targets were under-fixed. The question still remains, how to manage. I have been thinking on these lines. I have no doubt that the Government will have to develop an Industrial Service. Up till now, they have been depending on the Civil Service. Obviously, the Civil Service in very good up to a point, for a particular purpose. So far as industrial work is concerned the nature of the decisions that they have to take, the urgency with which they have to take and the nature of the relations with and their behaviour towards the public are completely different. As soon as you enter a factory, you can find by the demeanour of the management itself whether it is a public concern or a private concern. Why is it so? Because, the demeanour has not been attuned to the requirements of public concerns which have dealings with public on an equal footing. We have to find out a way by which we can reduce the bureaucratic tendency of the management in the public sector. This is an experiment. Unless and until this is found out, I agree with Shri G. D. Somani that there will be great room for improvement in this sector. I have no doubt that the Government is also thinking on these lines. Some time or other they will have to come to some conclusion.

One more point and I have done.

**Mr. Deputy-Speaker:** But, he may take more time.

**Shri K. P. Tripathi:** I will not dilate on it.

**Mr. Deputy-Speaker:** The time limit of 15 minutes is already fixed under our rules. Every hon. Member should realise that this is the usual time for Resolutions.

**Shri K. P. Tripathi:** I agree; I will not dilate on it. I merely want to draw the attention of the House to the experiment in other countries. In Germany, they developed this system of management councils plus labour directors in the board. They succeeded so well that the Americans have called it the German Miracle. In France they tried to remove the bureaucratic tendency by associating labour in the management. There also, it has been a great success. I went to Yugoslavia. There, they have gone a step further. The management itself has been converted into a committee of workers in which the manager is an *ex-officio* director of the concern. There, the efficiency has gone up. All the world over, wherever bureaucratic management exists, it has already carried on experiment how to democratise the organisation so that it may function with efficiency. These are the examples worth considering and I have no doubt that the Minister would consider them.

**Shri N. C. Chatterjee (Hooghly):** I have no ideological animus against the public sector or the private sector. Whether you like it or not, it is absolutely clear that you are committed to a welfare State and if you have got to build up a welfare State, it is inevitable, especially in an undeveloped country like India, that there must be expansion of governmental activities and there must be a continued progress of industrial activities under governmental control, under the aegis of the State. I am endorsing Shri G. D. Somani's Resolution for the acceptance of this hon. House, not in a spirit of inquisition or censorship, but in a spirit of helpful, constructive criticism. I think the time has come when Parliament as the custodian of the public funds and as representative of the national interest would be justified in thoroughly examining the working of the public sector.

**Shri Feroze Gandhi:** The Estimates Committee does it.

**Shri N. C. Chatterjee:** As a matter of fact, the Estimates Committee has pointed out, to some extent, that there are black spots. But, the Estimates Committee has not been able to really consider the whole issue properly. Therefore, I

think the time has come when a Committee like this consisting of Members of Parliament, of experienced people whose judgment is entitled to respect, should sit in judgment over the various aspects of the working of the public sector.

State enterprise in India can be divided into three categories. Firstly, there are a number of enterprises which are run departmentally: Railways, Posts and Telegraphs, the locomotive factory and certain other enterprises. Then, there are statutory boards or corporations, like the D.V.C., the Industrial Finance Corporation or the Air Transport Corporation and other organisations. Lastly come the joint stock companies, wholly or partly owned by the Government. These are undertakings mostly of recent origin. These three forms of management have been developed in India, without really any proper pre-mediated scheme. There is no reason why, for example, the locomotive factory should be departmentally run and managed and the machine tool factory should be formed into a company. The distinction between these three types of management is not clear-cut. The Railways are departmentally managed; yet there is a Board to which the affairs of the organisation are entrusted. The idea in modifying a departmental organisation in such a manner is to ensure speed and elasticity in management. It is perfectly clear that our Second Five Year Plan connotes that both the public sector and the private sector must co-exist. That peaceful co-existence and interdependence cannot be ensured and cannot be a success unless you put the public sector also in order. Therefore it is time that you should help the Government in scrutinising and finding out where it is going wrong and if it is going wrong, how it has to be rectified. The so-called joint stock companies are only functioning in name. In some cases, Government is the sole shareholder, all the shares being in the name of the President and possibly one share in the name of the Secretary of the Ministry. The management of these companies tends to be similar to those enterprises which are departmentally run. This departmentalisation, bureaucratisation is there, which I am commenting upon.

As my hon. friend who spoke just before me pointed out, there is a demand for proper industrial personnel. We have great faith in the services. But, the services are not quite fitted for running these organisations. The time has come

when some Committee should report to us and point out what should be done in that direction. It is clear that in this country, in spite of diversity of forms of management, State enterprises tend to be undertaken by and large in the same manner as any other department of Government. There are a few exceptions such as the Reserve Bank or the Finance Corporation. But, the general conclusion holds good that State enterprises in India suffer from all the disadvantages of a departmental organisation. The result is sacrifice of autonomy and sacrifice of elasticity. I want that by one yard-stick, one standard of efficiency and economy, both the private sector and the public sector should be judged. From that point of view, I think there is a good *prima facie* case which justifies Shri G. D. Somani's Resolution being considered worthy of acceptance by this House.

In recent years, there is a steady growth in the participation of the Central Government and the State Governments in the field of industry. What is happening? You know that in regard to a number of cases, the Hindustan Steel Ltd., Sindri Fertilisers, and other concerns, some under the Ministry of Production, some under the Ministry of Communications, some under Defence, and so on, there are two aspects to the problem: (1) whether the construction of the factories has been efficiently organised; and (2) whether after completion, the undertakings have been run on really sound commercial principles. With regard to the first point, a number of indications are available that the process of expansion of Government's industrial schemes is not satisfactory as compared to the provision made in the First Five Year Plan. It will be noticed that in many cases, the actual expenditure lagged behind the planned provisions. There is in governmental administration something inherently wrong. It is incapable of fulfilling with the same degree of speed and efficiency as is found in well-run industrial undertakings the task of organising construction and establishment of factories and other establishments. As a matter of fact, this point requires investigation.

Even when they start a factory, has it been run efficiently? There are some cases. Take, for instance, the Housing factory. That provides an instance of a good deal of delay in the implementation of the project. The factory was set up by the Government as early as 1948. Three years after the setting up of the

[Shri N. C. Chatterjee]

factory, it was decided to abandon the original scheme for the production of prefabricated houses and explore new avenues for making the factory work profitable. The production programme was completely revised. The factory went into production I think six or seven years after it was set up. This instance brings out the inherent inability of Government departments to take quick decisions and in many cases to take right decisions. I think there is a case. Let us not shirk it. Let us not condemn only the private sector. Let us not tighten the loop-holes and say the private sector is misbehaving. You have no right to go for the private sector unless you put the public sector also in order. We must set our own house in order.

But I would ask this hon. House to remember that the management aspect is more important. Each of the private limited companies is managed by a board of directors appointed by Government. Who are there on these boards of directors? Practically almost all the directors are officials. In each case there is a Chairman or Managing Director, and I think in almost all cases—I am speaking subject to correction by the hon. Finance Minister—the official elements preponderate on the boards of directors of these companies. The Chairman in each case is a senior officer of the Government. An attempt is sometimes made to associate successful businessmen in the running of these companies by appointing only one man, or only two men, on the board of directors, but in actual practice, because of the complete preponderance of the official element, the board of directors tends to be only a nominal body and the affairs of the company are being directed solely by the Secretary of the Ministry concerned as the Chairman and the representative of the Ministry of Finance. This is something which should be changed.

Shri Asoka Mehta was telling me that Mr. Herbert Morrison assured him the other day that when he was Minister he appointed a very important industrialist who belonged by the opposite party, the Conservative Party, as the Chairman of these boards, and Mr. Geoffrey Lloyd who was the Minister in charge of fuel and power in the Tory Ministry appointed a leading trade unionist as Chairman of the National Coal Board. And if you look at the working these English companies, you will find most of them are staffed and manned by successful

businessmen. Why can we not have that? Let us have a committee to go into this. That has been a success in England. Statutory corporations in the United Kingdom which run governmental enterprises are free more or less of official interference in their day to day business and this has been done by the constitution of the boards of directors almost entirely from successful businessmen. Why cannot that example be adopted in India?

Then I have got a lot to say about foreign collaboration. I am not saying this, that this resolution should be interpreted as casting a vote of censure on anybody, but the time has come when this Parliament should do something. What Shri Somani wants is that the Committee should examine the planning, development policy and targets fixed and recommend appropriate basis for future policy in respect of these matters. You can change the wording if you like. I am not endorsing everything that is said here. The resolution is possibly too long, but I am quite sure this is a step in the right direction, and I am pressing the hon. Minister to accept it or to announce that he is going to take steps in this direction.

Take, for instance, the Sindri Fertiliser Factory. My friend was saying they have reached the targets. The financial results for the two years 1952-53 and 1953-54 show that the company had not been doing badly. The company adopted the method of depreciation with the result additional provision for repairs and renewals had to be made in order to compensate for the fact that during the first two years of operation of the new plant and machinery expenditure on repairs was below normal, and after providing for depreciation and payment of the interest on loans from the Government of India the company was left with a net profit in both the years. The net return on the gross block of Rs. 17 crore is very small. But then it is a nascent company which is still burdened with a huge development expenditure comparable to preliminary expenses in an ordinary private company. Should it be written off over a period of years, or what should be done?

There is a lot to be said in respect of other companies. I am not going into every detail. The time is very short, but all that I want to point out is that if you really study the financial results of the different companies, it is apparent, I am sorry to say, that no striking

achievement has been shown by any of these companies. It is a little too early to condemn them and to judge the performance of the governmental enterprises which have been formed into limited companies, but it is doubtful whether the annual statements of profits and losses of these companies really reflect efficiency and the desired speed and progress. Therefore I am suggesting that there should be a more critical examination by a proper body of these factories.

Then in those cases where competing firms in the private sector exist, the tendency of Government is to have their own enterprises. That is noticeable, and even then we have got to find out how far economy has been achieved. With great deference I must say there is a lot of monopoly when Government takes up things, and therefore it is very difficult to find out exactly from the Estimates Committee's more or less periodical examinations how far they have justified themselves.

To sum up, from the information available to us on the working of industrial undertakings under the Government it is clear that in almost all cases it is found extremely difficult to keep to schedule in the establishment of factories. Secondly, no really striking achievements have been shown by the factories which have commenced production. Therefore I am submitting that there is a case for enquiry; there is a case for investigation. Let us not do it for the purpose of condemning the public sector, not for the purpose of saying that unlimited power and prerogative should be given to the industrialists and the monopolists and the multi-millionaires to go on making profit. That is not my approach. My approach is different. It is this. We will do every thing possible to eliminate excessive profits at the cost of the welfare of the State and the community if the private sector is indulging in that, but at the same time we will put our house in order and see that the public sector behaves properly and yields the largest amount of public good, works with the desired speed and also does not in any way play with public funds, with the taxes paid by our very much oppressed and under-fed population. Therefore I am submitting that there is a case for the appointment of an independent commission which will put the whole thing under its searchlight and offer constructive suggestions before the Parliament and then it will be for Parliament to

consider the report and to take such steps as are deemed desirable.

**Shri Ramachandra Reddi (Nellore):** I give my whole-hearted support to this resolution which was so ably moved by my hon. friend Shri Somani. I feel that it is neither a day too late nor a day too early to discuss a resolution of this type because we are now on the point of transition from one period to another period. The first period of expansion of Indian industrial enterprises has come to a close and we are now launching upon a very gigantic and ambitious programme of industrial expansion in this country.

The resolution is very comprehensive and practically the terms of reference are embodied in the resolution. The House is particularly anxious to see that this resolution is accepted by the Government not because they have a desire to find fault with the attitude and action of the Government so far, but because they want to see that the public money is spent in the right and proper way. Every tax-payer is practically a subscriber of shares to these big enterprises in the public sector and as such Parliament which is the representative body of the public has a right to discuss this and there will be nothing wrong in the Government itself accepting the resolution either in this form or in any other convenient form provided the objective is achieved. We have no desire to criticise very much the performance of the public sector, for the simple reason that the Estimates Committee have gone into it in greater detail. They have shown in their reports the several aspects that have to be taken into consideration in regard to the organisation and administration of the nationalised industrial undertakings. They have mentioned the salient points which have to be looked into by Government, and they have touched on almost every aspect of industrial expansion in our country.

For instance, they have suggested something in regard to the appointment of boards of directors, the need for having an advisory body, and so on. They have also pointed out that a commercial undertaking should be given a free hand within the framework of policy to produce up to the optimum size at an economic cost. They have also dealt with the question of recruitment of management, fixation of ceilings on salaries in the private sector, recruitment of labour, semi-skilled, skilled and unskilled, and so many other subjects. If at all it can be

[Shri Ramachandra Reddi] considered that criticism of the Estimates Committee is right, then Shri G. D. Somani's resolution is also a step in the right direction.

It is, no doubt, to be admitted that in some of the undertakings of Government, the targets have been exceeded. In the case of certain concerns, the production in the public sector has been very satisfactory, and the targets have been reached and probably over-reached also. But there are certain other concerns where the estimates have been exceeded very much, and production has not been achieved to the extent programmed for. I do not want to go into the details of these, but I would only like to urge upon Government to think of the several terms of reference that have been adumbrated in the resolution, and to find out a solution by having an expert committee appointed for the purpose. For every important matter, we have been appointing committees, and I suggest that we can certainly profit by having a committee of the nature suggested in the resolution appointed to go into this matter also.

I would also like to enquire of the Finance Minister whether all these undertakings in the public sector are going to be worked on a no-profit-no-loss basis.

**Shri Kamath (Hoshangabad):** All-loss-and-no-profit.

**Shri Ramachandra Reddi:** If they are worked on a no-loss-no-profit basis, then they should be in a position to compete with the private sector. If, however, as my hon. friend Shri Kamath suggests, they are working on an all-loss-no-profit basis, then it is high time that we look into the matter and scrap those that are not likely to give us profit, and improve those that are likely to give us decent profits.

In the public sector—I speak subject to correction—we do not pay any income-tax.

**Shri Feroze Gandhi:** Income-tax has to be paid after six years. The private sector also does not pay for first six years.

**Shri Ramachandra Reddi:** If the public sector is going to make profits, then it must also be in a position to pay income-tax and reimburse the exchequer of the country.

**The Minister of Finance (Shri C. D. Deshmukh):** That would include the railways also.

**Shri N. C. Chatterjee:** That means greater fares to Andhra.

**Shri Ramachandra Reddi:** In regard to railways, I have all along been urging that there should not be a separate budget for the railways. As I have already pointed out, if there is one budget for the railways and the other Ministries, then the whole thing will come under the control of one Finance Minister, and be managed in an orderly manner.

Even so far as the railways are concerned, they have now come to be considered as not only a profit-making concern, but also a concern which looks to social service and welfare. Of course, the emphasis at present is on social welfare and social service rather than on profit-making. Nevertheless, they are paying a few crores of rupees to the exchequer, and I should think that that amount should be taken as a part of the income-tax that they might pay.

**Shri C. D. Deshmukh:** It is very small. It is less than 4 per cent.

**Shri Ramachandra Reddi:** Shri K. P. Tripathi was a little bit allergic when he saw this resolution, when he was given an opportunity to speak on it. He was very anxious that labour should be provided for first, because according to him, the private sector has not been able to provide for them.

**Pandit K. C. Sharma (Meerut Distt.—South):** It is not willing to provide.

**Shri Ramachandra Reddi:** But I would like to point out the counterpart to him, that in most of these undertakings in the public sector, labour have not been completely provided for. If we go and see some of the factories like the Hindustan Antibiotics Ltd., Poona, or the Chit-taranjan or the Sindri factory . . .

**Shri Bhagwat Jha Azad (Purnea cum Santal Parganas):** At Sindri, 90 per cent. of the labourers have been provided with houses. I am there as the representative of their union.

**Shri Ramachandra Reddi:** So, 10 per cent. of the people are still to be provided for. (*Interruptions*).

**Mr. Deputy-Speaker:** Interruptions are very infectious, and they catch one Member after another. We should not submit to them.



**Shri Ramachandra Reddi:** The object of the committee, if it is appointed should be not only to go into the financial and administrative aspects of the public sector but also to provide for labour to the extent that it dictates to the private sector to provide for them. As a matter of fact, I was a little bit surprised to notice that there is a greater dissatisfaction in the public sector than in the private sector. Of late I have been hearing of strikes here and there mostly in the public sector. Last year, we had the strike in the Hindustan Shipyard Ltd., and also in the UP cement factory. And almost every day, we are hearing of some strike or other here, organised as against Government by government servants.

**Shri K. P. Tripathi:** Are you speaking as a trade unionist?

**Shri Ramachandra Reddi:** I am not a trade unionist, but I have every sympathy with trade unionism.

**Mr. Deputy-Speaker:** If the hon. Member addresses me, he will find me the most patient listener.

**Shri Ramachandra Reddi:** I was only trying to meet those Members who are impatient about my speech.

The object of the resolution is definitely to have a sort of overall control of Parliament over the public sector. I wish that Government take up the matter seriously, and find their way to accept this resolution, though not in the very form in which it has been moved and discussed, but in any other form which would enable them to have a committee appointed to go into the entire question.

**Shri Feroze Gandhi:** Sir, I oppose the resolution, and before my hon. friend Shri N. C. Chatterjee goes away, I shall deal with him first.

He said in the course of his speech that non-officials are not represented on the boards of directors of these public concerns. I may give the instance of Hindustan Shipyard Ltd. Out of eleven directors, one is a technical director and a foreigner who is attached to the concern. As regards the other directors, out of the ten, those who belong to the private sector are (1) Shri Dharmsey Khatau—I do not know what kind of an officer he is—(2) Shri Tulsidas Kilachand, MP, (3) Shri Michael John, (4) Shri Lalchand Hirachand, MP, and (5) Shri Shantikumar Morarji. These people belong to the private sector.

As I said, I oppose the Resolution, but I admire the courage shown by the Mover of the Resolution. With distorted facts which he has presented and given to the House and fantastically wrong figures about the Public sector, he tried to prove that the sector to which he belongs is one where probably things are so rosy and heavenly that we are all invited to go in with him.

**An Hon. Member:** And wait outside.

**Shri Feroze Gandhi:** I would like to ask Sethji a few questions. Who is responsible for all these irregularities and corruption in the public sector? Who are the people who are corrupting the public sector? Who are the bribe-givers and gainers? Who are the people who have poisoned our national life? To which sector of industry do these people belong—the contractors, the businessmen and the industrialists?

Sir, I accuse the private sector of having corrupted the public sector and the officials in the public sector. I will prove my case. It is not that inquiries have not been held. It is not that cases have not been instituted in courts of law. Hundreds of cases have been taken to court, and what have these cases revealed? These inquiries, each and every one of these cases, have revealed that those who have corrupted our officers invariably belong to the private sector. Therefore, against whom should we institute this inquiry? Such an inquiry would be more fruitful if held against that part of the private sector who are the suppliers of materials to the public sector. And that is where all the corruption and all the irregularities begin. It is in the supply of materials by the private sector that irregularities begin. It should be against those industrialists who are the contractors to the public sector that the inquiry should be instituted. It is only when an inquiry is made in that direction that we will know exactly who are the people who are corrupting our national life.

Sethji says that we should leave things to the private sector, the sector whose only contribution to human civilisation has been the coining of two words 'black-marketing' and 'pugree'. Our memories are fresh with all the damaging revelations made by the Company Law Committee and in the debate which took place in this House in connection with the Companies Bill. The only success which part of the private sector can

[Shri Feroze Gandhi]

claim is the success of sending to damnation thousands and thousands of families who were share-holders in their concerns.

Parliament and the Estimates Committee are not there to inquire into the affairs of the private sector. Sethji can bring no resolutions demanding inquiries against the private sector in this House. Their misdeeds remain buried in their registered offices or underground cellars, and Members of Parliament have no access to those places. And if by some chance we get an opportunity of raising these questions in this House, immediately we hear the familiar ring of words. "Order, order; the hon. Member may resume his seat".

**Shri N. C. Chatterjee:** Is it not a reflection on the Chair?

**Shri Feroze Gandhi:** Sethji has jeered and jibed . . . . .

**Mr. Deputy-Speaker:** Is it very necessary to repeat 'Sethji' again and again?

**Shri Feroze Gandhi:** If you like, I can call him 'Mota Seth' or 'big Seth'.

**Mr. Deputy-Speaker:** Repetition so often would smack of something else.

**Shri Feroze Gandhi:** It is not unparliamentary. If it is not allowed, I will call him 'Somani Sahib'.

Shri Somani has jeered and jibed at the working of our Sindri Fertiliser Factory, and has revealed some extravagantly fanciful figures with regard to its working. In the entire course of his speech, Sethji declared with great gusto—I am sorry to have to use the word 'Sethji' again; I cannot help it; I call him that in conversation—that the price of fertiliser f.o.r. is Rs. 315 per ton. To utter such rubbish on the floor of this House is, to say the least, most disrespectful to this House, coming from a person of Shri Somani's standing in the industrial field. The price of fertiliser at Sindri is Rs. 270 per ton. That is a factory in the public sector. So far as the factory in the private sector at Always is concerned, the price is Rs. 345 per ton ex-factory. And against the imported price of fertiliser, how does that compare? The c.i.f. price of imported fertilizer is Rs. 305 per ton. It is only to keep that factory in the private sector going that all this fertiliser has to be pooled, and the poor peasants, about whom Shri Somani spoke, have to pay.

**Shri V. P. Nayar (Chirayinkil):** Through their nose.

**Shri Feroze Gandhi:** That is because the factory in the private sector has got to be maintained. That was why I said that the figures that Shri Somani gave were rubbish.

**Shri N. C. Chatterjee:** Is such an expression permissible?

**Some Hon. Members:** It is.

**Mr. Deputy-Speaker:** I do not say that the words in themselves are unparliamentary, but the way in which they are being used and the force which is being put in them, does not look very right.

**An Hon. Member:** Can he use them with moderation?

**Mr. Deputy-Speaker:** The hon. Member can say the same thing with moderation.

**Shri Feroze Gandhi:** Shri Somani, in the course of his speech said that the Sindri project had exceeded the estimates. The original estimate was Rs. 13 odd crores, and Rs. 23 crores had to be spent. Now, I will correct Shri Somani's figures. The original estimate was Rs. 10.53 crores.

**Shri G. D. Somani:** I said that.

**Shri Feroze Gandhi:** This estimate was prepared by a Technical Mission on the basis of prices prevalent in 1944, not 1947-48 when the orders were placed for machinery and plant for this factory. He said that excessive price had been paid for land. What was the actual position? Land was acquired by the Bihar Government by a notification published by them sometimes in 1945. What was the situation that existed in our country in 1945? He wants to hold this Government responsible for what had happened in 1945 and 1947 prior to August.

Now the Technical Mission, when it prepared its estimates, left out many things, because probably those men belonged to the private sector. In the estimate of Rs. 10.53 crores, the powerhouse which they had planned for would not be adequate. The expansion of the powerhouse, fresh water supply for the factory and the housing estates cost Rs. 2.38 crores. Then again, they did not provide for the following: engineering and other charges for the Chemical Construction Corporation and the Power Gas Corporation, which were added later

on, Rs. 182 lakhs; expenditure on exploration of gypsum deposits in Rajasthan, Rs. 27 lakhs: The establishment charges during the period of construction—that was left out—Rs. 17 lakhs; the C.P.W.D. and the Bihar Government departmental charges at 17½ per cent, that, I believe, was the rate agreed—that was left out; it amounted to Rs. 78½ lakhs. Similarly, there are a few other items totalling about Rs. 482½ lakhs.

4 P. M.

This Technical Mission prepared its estimate and submitted its estimate some time in May 1947. But the estimate was submitted on the basis of prices ruling in 1944. In 1947 May and later these prices had gone up by about 100 to 300 per cent. How did that affect the increased cost of the factory? The Housing Estate itself cost Rs. 1·121 crores. Prefabricated steel, bricks, and R.C.C. accounted for an increase in cost to the extent of Rs. 3·503 crores; laboratory, workshops etc. Rs. ·57 crores; railways and roads Rs. ·394 crores; land purchase, services etc. Rs. ·477 crores. Totalling up the sum, we find Rs. 12·762 crores. Add it to Rs. 10 crores and you will realise that the cost of the factory is roughly Rs. 23 crores.

**Shri V. P. Nayyar:** That was again due to the private sector, increasing the rates of cement and steel.

**Shri Feroze Gandhi:** What are the production figures for Sindri? It has produced in 1955, 3·21 lakhs tons of fertilizer. I say that this is a very good record and this House should send its greetings to those who have run the Sindri Fertilizer Factory and not to condemn them in this House. What is the average number of days on which a factory of this kind can work, which is an absolutely new kind of venture in this country? It cannot be worked for 365 days, it is only the private sector that can run these factories and their men all the 365 days. This factory, I am told, has, on an average, run for about 330 to 340 days. Therefore, its production is not exactly what it is supposed to produce throughout the year. It is a little less. This is a chemical factory and the plant and machinery also are of a type which requires constant attention and the factory has got to be stopped at times for proper maintenance and repairs and rest to workers.

Shri Somani has said that the balance-sheets of the public sector concerns do

not give the correct picture of the working. I challenge Shri Somani—here is the balance-sheet of the Sindri Factory—I challenge him to show me the balance-sheet of a concern in the private sector which gives the details of the company in the manner in which Sindri has given its figures in this balance-sheet. I have seen many balance-sheets in the private sector. Shri Sodhia pointed to the fact of directors and other officers making big T.A.s and D.A.s. I do not know where Shri Sodhia got his information from \*\* It is Rs. 4,650 against the total expenditure of Rs. 12·33 crores. I would like to know how this is excessive. How does a Member say that where the total expenditure is Rs. 12·22 crores Rs. 4,650 on account of directors' fees and allowances is too much. I say that it is an insignificant amount and I say you can look up the balance-sheet of any private company and you will come across fantastic figures so far as these directors' fees and allowances are concerned.

**Shri C. D. Deshmukh:** There are only given to those members of the Board who are in the private sector.

**Shri Feroze Gandhi:** That is worse.

After taking into consideration depreciation, after having paid interest on loan, it has taken to the appropriation account a sum of Rs. 1·78 crores odd. How have they distributed this amount? Rs. 94 lakhs have gone to the General Reserve. In the very second or third year of work they have paid a dividend of Rs. 34 lakhs. Has any private concern done that? They have declared a net profit of Rs. 6,27,325 out of which, I am told, 3 months, bonus will be given to the workers. I can challenge Shri Somani to sit with me and study the balance-sheet of any private concern in the private sector which gives these details. They have given out what is wrong, what are the shortages etc. They have mentioned them. I challenge him to show me a balance-sheet of any concern in the private sector which gives a picture of the concern in this manner.

Shri Somani said, leave things to the private sector and they will do it better. I will give the case of the cost of production of locomotives produced by the Tatas and also by Chittaranjan. They are both manufacturing locomotives. The cost of the Tata locomotives is so prohibitively high in spite of the fact that

\*\* Expunged as ordered by the Chair.

[Shri Feroze Gandhi]

they may be the most efficient industrialists in this country. The imported price of the kind of locomotives which the Tatas make is Rs. 3.25 to Rs. 3.5 lakhs and the price of the Tata locomotive is Rs. 6.5 to Rs. 7 lakhs.

**Pandit Balkrishna Sharma** (Kanpur Distt.—South cum Etawah Distt.—East): You are saying of the Chittaranjan.

**Shri Feroze Gandhi:** Please do not correct me. The imported price is Rs. 3.25 lakhs and the Tata price is Rs. 6.5 to Rs. 7 lakhs. This is in the private sector and they are the most efficient industrialists in this country. What is happening at Chittaranjan. The imported price of the Chittaranjan locomotive is Rs. 5.35 lakhs and the Chittaranjan price is Rs. 5.1 lakhs. This is what the public sector has been able to do. I say again—and I repeat that,—to a man like Shri Karnail Singh, who has run this Chittaranjan Factory, this House should send its greetings. There are a handful of foreign technicians in that concern; but, in the Tatas, it is full of foreign technicians.

Now, I will take the case of the Hindustan Anti-biotics. This factory is only for the production of penicillin. This was estimated to produce 9 million mega units of penicillin. Here is a case where the actual production has gone much ahead of what was estimated. It was estimated to produce 9 million mega units of penicillin per year. This factory is now producing 12 million mega units per year. It has been able to meet foreign competition in spite of the very heavy fall in prices of penicillin in the United States and Great Britain. It still produces penicillin at a very low cost, which compares well with the drop in prices of foreign penicillin.

I will take the Hindustan Cables. In the year ended March 1956, 510 miles of cable were produced though the factory was designed to produce only 470 miles. The cost is less than the price of imported cable. With the installation of a new plant, they hope to manufacture 1,000 miles of cable every year.

The Telephone Factory is producing telephones for Rs. 92/8/- against the imported price of Rs. 110. The Perambur Coach Factory in producing coaches today at a cost of Rs. 2.4 lakhs against the imported cost of Rs. 2.8 lakhs.

The case of Hindustan Shipyard is better known to Shri Somani. This did

not belong to the public sector. The private sector miserably failed and the Government had to take it over. The Deputy Minister for Production tells me that there was not a sheet of steel, even enough for making the funnel of a ship, left over there when the Government took it over. That Shipyard today has produced ship after ship. There may have been complaints. I agree that there will be complaints, but it has done a job of which any nation can be proud, and I am proud of it.

Shri Somani referred to the NEPA Mills and said that it was a miserable failure. Who started it? The private sector started it. They made a mess of it. They ordered the wrong kind of machinery, old machinery and put up wrong kind of buildings. When the private sector decided to leave they burned all the accounts. They burned the accounts, they burned the books, they burned the ledgers and left NEPA. Now the Government is trying to salvage and has been able to produce 20 tons of newsprint a day and the rated capacity of production, I am told, is about 100 tons. When the private sector failed, there was nobody to accuse it. Shri Somani did not come forward and say: "Look, what is happening". Only when the Government has taken it over, only when the public sector has made it a partial success, that Shri Somani says: "Oh! How badly you are doing it."

**Mr. Deputy-Speaker:** Now the hon. Member has surpassed his own limits also.

**Shri Feroze Gandhi:** I would like to answer only one point more, which was raised by Shri K. C. Sodhia and Shri Bogawat. Both Shri Sodhia and Shri Bogawat made very great charges that officers who are manning the public sector make pretty amounts of money here and there, they get high salaries and so on. Sir, I want to refute this argument and I would like to prove to you that these officers are working in their capacities as Secretaries in the Ministries and also looking after this part of the public sector.

With regard to what the private sector gets, Shri Sodhia and Shri Bogawat would get a shock, because I am going to read this agreement and then finish. This is a registered published document and it is not something which I have produced from somewhere. This is an agreement between the Managing Director of Killick Industries and Killick Industries Ltd. Just see how it reads:

"4. Remuneration of Mr. Sheppard to be as follows:—

(i) Fixed salary at the rate of Rs. 6,750 per month to commence from . . . . ."

I would like Shri C. D. Deshmukh also to pay some attention to this.

**Shri C. D. Deshmukh:** Sir, I am all ears.

**Shri Feroze Gandhi:** The agreement further reads:

"(ii) Commission at the rate of 1 per cent. of the net profits of the company as defined in the Indian Companies Act."

Now I come to D.A.

**Shri K. C. Sodhia (Sagar):** I am told that in your State services you have got Managers who get Rs. 7,000 per month.

**Shri Feroze Gandhi:** It is said here:

"Conveyance allowance at the rate of Rs. 6,000 per annum".

I have not finished the list; if the hon. Member finds his figure, then he can say.

**The Deputy Minister of Production (Shri Satish Chandra):** There is no such manager in the State enterprises.

**Shri Feroze Gandhi:** The agreement further says:

"Entertaining allowance at the rate of Rs. 9,000 per annum."

It further says:

"The Company to pay medical and dental expenses incurred by Mr. Sheppard for himself and/or his wife and family . . ."

Then again:

"Mr. Sheppard to be entitled to leave of absence on full pay at the rate of three months per annum to be taken at a time to be mutually agreed.

The Company to provide Mr. Sheppard with such passages as he may require for himself and/or his wife and family from and to Bombay and the U.K. or elsewhere at his option at a total cost to the Company not exceeding a cost at the rate of two first class return air passages from Bombay to U.K. per annum."

The same thing has been repeated exactly the same agreement, in the case of the General Manager.

Sir, we cannot move towards a socialist society in this manner. This is

really shocking. This is shocking that two persons should be paid such heavy amounts. These are things happening in the private sector about which we do not know. Shri Somani will agree with me that if revelations in connection with the private sector were to be made, probably members in the House would fall unconscious.

**Shri V. P. Nayar:** Mr. Deputy-Speaker, Shri Feroze Gandhi's speaking before me has made it possible for me to finish my speech earlier. I oppose the Resolution of Shri Somani. It is a very carefully worded and a very exhaustive Resolution, no doubt, and I have found that with the very careful wording of the Resolution and the speech which he made, he could even influence persons like Shri N. C. Chatterjee, who said he had no ideological animus, and also Shri Ramachandra Reddi.

Let us take the Resolution as it is. What is Shri Somani's case? Shri Somani has read out the extracts from the report of the Estimates Committee and spoke at length criticising the public sector. He did not say a single good word about the public sector at all, nor did he say a single bad word about the sector which he represents, the private sector.

I was rather amazed at the very clever way in which this Resolution has been moved. He says:

"Many of these undertakings are functioning in a position of monopoly when units in the private sector function in a competitive field. Those in charge of the management have, therefore, to take the necessary steps to ensure that they function in the most efficient way."

This is his chief contention. He says that the public sector brings about a monopoly and in that monopolistic position the industry or the undertaking is liable to go on unchecked. Therefore, without any fear of competition it does not function properly.

Now let us look at the case of private sector. I am arguing the case of the public sector *vis-a-vis* the private sector. Take, for example, the industry, which is best known to Shri Somani himself,—of cement. Shri Feroze Gandhi was reading out how the Sindri construction estimate figures went up.

**Mr. Deputy-Speaker:** Even when such an interesting debate is going on, some hon. Members find certain more important subjects to be discussed privately.

**Shri Nambiar (Mayuram):** That is, again, private sector, Sir.

**Mr. Deputy-Speaker:** Let all hon. Members pay attention to what the hon. Member on his legs is saying.

**Shri V. P. Nayar:** I am submitting for the attention of the House the case of cement industry. Probably, Shri Somani will say that there is no monopoly. For the purpose of argument, I am prepared to concede that in the cement industry there is no monopoly for any grade. What is the cost of cement today? The contention is that, when there is monopoly in the public sector there is some sort of price manipulation and nobody can touch it. But, I am asking Shri Somani himself, whether, in view of the fact that there has been no monopoly in the cement industry according to him, they have brought down the price of cement? He promised two cement factories each producing 1½ lakh tons at Rs. 4½ crores anywhere; probably, he can supply even at the Himalayas, I do not know. But, what about the price of cement? We require cement for all our construction projects. The common people require cement for all their construction works. How is it that this industry, which is very vital for the national building activities has not been able to reduce the prices? What about the black-market? Cement, a product of the private sector, is available in the black-market. Today, if there is a very urgent demand for cement for some urgent construction works of the Government, the contractors have only to take recourse to the prevailing black-market. What has Shri Somani and this industry done in this respect?

Take, for example, another case—the case of cotton yarn. As you know and as everybody knows, on the price of cotton yarn depend lakhs and lakhs of people's lives. Even during the peak war prices, you did not have the prices which you have for cotton yarn today. There is no case for the private industry to show that either the price of raw cotton has increased to justify the price at which it is sold today or that the wage bills paid by the mills have increased to such an extent as to warrant such a highly inflated price. What has the private industry done? This is a matter which we should look into. The private industry is interested only in one thing and that is the profit. But I do not hold a brief for all the projects, nor do I say that every project in the public undertakings has done all that is best. It is

not so. I have had occasion to visit most of these undertakings either as a Member of the Public Accounts Committee or as a Member of the Estimates Committee. I have seen most of them. I can unhesitatingly say that the conditions which are available for the workers in those undertakings which are run by the Government are far better than those which are given by the private industry. But that does not mean that we are providing all that is best. Certainly not. But as compared to the industries in the private sector, certainly the public sector affords better facilities. We know, as a matter of fact, that there has been many wrong approaches made. Many things which could have been avoided, have been done. There were many mistakes and some of them very costly mistakes too. But all that is different. Yet, why is it that we are forced to say this? Let Shri Somani think of it. Why is it that good private industrialists in India did not start one of these factories? The simple reason is that they were not interested in nation-building. They were interested primarily, only on getting some articles made and having them sold out—palm them off as genuine stuff—at fantastic profits. If that amount of profit was not forthcoming, immediately, then the private sector was not prepared to take it up.

Why is it that India has made no development in fisheries? Everybody knows of its importance. The private sector would not touch it even with a pair of tongs, because, if today you invest on it, tomorrow you cannot get anything out of it.

Take the case of any other industry which is run by the private sector. Has there been any price reduction commensurate with the other reductions in other fields? The prices of oils are varying and sometimes they are taxed down very heavily. What about the soap prices? The soap industry is one which is run by the private people. Have the prices been reduced? Take the case of any article, where the price of raw materials will go down, the wage bills will not increase and the price will not be reduced. This is the private industry's role.

Shri Somani says that the Estimates Committee has said this. Well, I also endorse it. The Estimates Committee has said what other Committees have to say. But then, Shri Somani did not say anything about the private sector. I do not have the time to go into all the details

within the limited time, but I would like to read out one or two extracts to show what the private sector has done. There can be no case even for Shri Somani where any one of these undertakings in the public sector had misused its profit in the way in which the private sector has been using. The reports of the Income-tax Investigation Commission are replete with instances. I do not want to go into the details, but one or two typical cases in respect of the friends of Shri Somani will be very illustrative. Here is the case in the report of the Income-tax Investigation Commission for 1952:

"The managing agents of a textile mill were found to have evaded tax by showing the cloth manufactured by the mill as sold to nominees and intermediaries, who passed the same to other nominees before the goods reached the genuine dealers, the profits earned at each stage being secreted and taken by assessees".

Is there any public undertaking which has done this?

This is not the most serious thing, because there is another instance in the report of the Income-tax Investigation Commission for the year 1953 where a firm, a well-known firm of cotton textile dealers, have purchased fictitious losses. Has anyone heard about it? They have purchased fictitious losses and shown them in the accounts of the company. Much was said about travelling allowance. I do not justify—

**Shri K. C. Sodhia:** Are you cutting your nose to spite others?

**Shri Nambiar:** It is a reality.

**Pandit K. C. Sharma:** He wants to keep it safe from infection!

**Shri V. P. Nayar:** In view of so many interruptions, I do not propose to answer them. I shall read out another instance. These are things which we must go into. If Shri Somani's case was that these things happen only in the public sector and nothing of the kind happens, whatever be the conditions, in the private sector, we could have understood, but he always said in respect of the public sector that this is wrong there, that is wrong there, and so on, and he said not a word about the private sector. Here is another case which paints a picture in the private sector and I may be allowed to read one extract more. I am read-

ing from the report of the Income-tax Investigation Commission for the year 1953:

"A firm of managing agents derived substantial income from the managing agency of a textile mill year after year, but the same was being wiped out to a large extent by the losses claimed in bullion and cotton speculations, etc. The investigations disclosed that the firm was buying fictitious losses in speculation with a view to reducing its taxable income—a not uncommon device and one which is being largely practised in places like Bombay and Calcutta."

These are both places with which my friend Shri Somani has associations and business contacts.

"The *modus operandi* was to employ a chain of brokers who recorded the transactions in their books for a small remuneration and showed the payment to some other party".

I submit that the Income-tax Investigation Commission could not cover even one per cent of the cases of tax evasion. It was physically impossible, because tax evasion was the order and tax remission was the exception. Even within the very limited number of cases brought forward in the report of the Income-tax Investigation Commission, there is nothing to show by way of support of Shri Somani's points. I am relying on those reports, because Shri Somani was quoting from the Estimates Committee's report very often. The report from which I have quoted shows that all types of conceivable and inconceivable transactions have been done by the private sector in every type of industry, and the managing agents failed to do proper things, and it was to the very serious detriment of the industries concerned. I am submitting this point again because Shri Somani's case was that when we spend money in the public sector, we should see that every pie that we spend is properly spent or utilised. It is very strange that Shri Somani comes out with a resolution. We know that Shri Somani—I have the greatest personal regard for him—and the private sector are very much irritated by the expanding public sector, and by the inroads which the public sector is now making in the fields where the private sector had a monopoly. Shri Somani is getting offended about it. We also know that if you make an inquisitorial

[Shri V. P. Nayar]

approach, on the one side, for something wrong that has been done, printed out and then circulated, Shri Somani thinks and he probably feels, that by that time it will be possible to ridicule the whole apparatus of the State which is now running certain organisations. We know that this is to show the defects of the public sector without mentioning anything about the private sector. I have no doubt about it.

In the circumstances, the House must throw out Shri Somani's resolution. It does not even merit serious consideration. When I say this, I do not say for a moment that everything in the public sector has been done very well. We have made a beginning. We have committed several mistakes of omission and commission. Let us look at the factories themselves. If some serious criticism was offered I could have understood it. Obviously, there are certain facts which we cannot escape from. There is no uniformity in the management of the Government undertakings. The Hindustan Machine Tool Factory, for example, is run by a gentleman who was a diplomat once upon a time. He was in our Foreign vice. The Integral Coach Factory is run by a person who is a specialist in finance. The Hindustan Antibiotics is run by a doctors: well and good. There is another factory, the Hindustan Aircraft, which is run by a civilian. Even such a technical factory as the Bharat Electronics is run by an India Civil Service gentleman. I had been to most of these factories. A more surprising thing was that in a very specialised factory like the Sindri Factory, a gentleman had been appointed who had spent his lifetime on the railways. I do not know what the railway experience gives him to make him the fittest choice. When he is superannuated from the railways, he is taken up here. There are certain defects like that, which we can very well avoid.

We can certainly evolve a cadre of industrial managers, it is very good to have it. We can also have a system of cost accounting with much better efficiency than what we have today. Our cost structure has not been good; our estimates have not been all right. Much of the estimates were boosted up. Originally they were all right, but later on they were boosted up only because of the non-co-operative attitude of the private sector. I have no doubt about that. We can certainly evolve a cadre of engineer-

ing specialists. We can do a lot more for the workers. We can associate the workers with the management of these undertakings. If such criticisms are levelled up against the public sector, one can understand. The hon. Mover of the Resolution has used very guarded words; he has camouflaged the whole Resolution and has argued in a very clever way without a single reference to any good point on this side and without a single reference to the defects on the other side which, it is the desire of the public organisations, to combat.

I submit, therefore, that the House should not pay any serious consideration to this Resolution. The House must understand the spirit in which this Resolution is moved and should not allow the private interests in this country to dominate over the public interests or play, as Mr. Kamath prompts me to say, ducks and drakes.

**Mr. Deputy-Speaker:** I must be guided by the House. The hon. Minister will require about 40 minutes and the Mover of the resolution will require 20 minutes, because much has been said and he has to reply. That means that an hour is required and perhaps we may have to spare five minutes for Mr. Gurupadaswamy. Then according to the schedule if we want to rise at 5-30, I must call upon the hon. Minister now. But, if the House is prepared to sit longer....

**Several Hon. Members:** No, no.

**Mr. Deputy-Speaker:** The hon. Minister will now reply.

**Shri C. D. Deshmukh:** Mr. Deputy-Speaker, my task has been made very much easier by some of the speeches that we have heard this afternoon from both sides of the House. It is only formally necessary for me to say that I rise to oppose the Resolution.

So far as the wording and scope of the Resolution go, I think it suffers from the defect which we know in Sanskrit as Athivyapthi. It means "to cover too much".

**Shri A. M. Thomas (Ernakulam):** It is like the reliefs asked for in the plaint. There is also the omnibus clause "such other reliefs as are deemed fit to be granted".

**Shri C. D. Deshmukh:** Secondly, I think it suffers from a constitutional defect. It asks the Government to appoint a committee which, however, is to submit its report not to the Government, but to Parliament. That is a procedure which to my knowledge does not obtain any-



where else. If Parliament appoints a committee, then Parliament will order that the report be submitted to it. If the Government appoints a committee, the report should be submitted to the Government and the Government should bring it forward before Parliament.

Apart from these formal, though serious, defects, I do not really see what purpose is to be served by a Resolution of this kind. In saying this, I for one am not inclined to attach any motives to the hon. Mover of the Resolution. That resources should not be wasted and that they should be put to the best possible use must be common ground among all of us, whether they are Members on this side of the House or on the other side. But, my quarrel with the hon. Member is that he does not recognise that resources could be wasted or utilised to the disadvantage of the community to a much more serious extent in the private sector than what is being done today or attempted today in the incipient public sector. It is arising out of this reflection that I once made a statement, in regard to which questions were asked, that in my opinion it would be better if the performance of the private sector also was investigated by a committee or a commission. It was not in a spirit of fault-finding that I said this. I said that it was necessary that we should get at the truth in this matter in order to satisfy ourselves as to what is the most profitable use of the resources at the disposal of the country.

It is quite true that here in Parliament, our attention has to be concentrated on a narrower issue. That issue is that of accountability to Parliament. I submit when one is on the eve of formulating an ambitious second Five Year Plan, one ought to consider national resources as a whole and not take an unbalanced view of this matter. Now, it should not have been necessary for me to say this to a House which, not very long ago, dealt with the whole system of the organisation and management of joint-stock enterprises. In passing that piece of legislation, the House had occasion to consider in how many diverse multifarious ways the resources of the community could be wasted or mishandled through the private sector. I do not wish to enter into that aspect, especially as sufficient has been said by other Members. I do not think we should confuse the issue by taking a one-sided view one way or the other. One should focus one's attention on ways of ensuring that our na-

tional resources are put to the best advantage possible.

I do, however, feel tempted to say one or two things and that is in reinforcement of what has been said by other hon. Members, namely, that many of these enterprises which we took over were originally started in the private sector. Instances have been given. The Nepa Mills and the Visakhapatnam Ship-building yard. Many private enterprises are today operating in conjunction with the enterprises in the public sector. The Always Fertiliser Plant is working in conjunction with the Sindri Factory. Coming back to the narrower issue of accountability, it is easy to concede that Parliament must satisfy itself that the moneys which it is finding after such great labour and is voting for the various projects are put to the best possible use. It was with that in my mind that I referred to a committee to go into this question in the course my budget speech.

I said there:

"This very tempo of rising expenditure during the next five years would open up many possibilities of extravagance and waste and it is necessary to keep a still closer watch over such expenditure to ensure that the tax-payer gets the maximum benefit out of the planned outlay."

I shall not weary the House by reading that part of the speech over again, but I had it in my mind that through a machinery, not identical with the one suggested, but somewhat similar, we should organise a thorough investigation, including inspection, in the field of the important projects in hand both at the Centre and in the States with the approval of the National Development Council through specially selected teams. I also said that those teams would be composed of officials as well as non-officials, specially selected for each group of related investigations and may be, I added, be assisted by outside experts.

Now, so far as methodology goes, I think this is a better way of dealing with the matter, even if one wanted to have an investigation conducted, rather than to appoint one all-embracing commission which would spend years perhaps in going through all sorts of public enterprises and I am convinced, Sir, that we shall get better results and, what is more, we shall be able to act more expeditiously if we follow this sectional method which has been adumbrated in my speech.

[Shri C. D. Deshmukh]

Now, the point that hon. Members might take, or the Mover might take would be that this seems to refer to projects to be taken in hand, or projects which are already in hand, but they would not touch the enterprises which have already been established, and, therefore, at a later stage it will be for me to refer, however briefly, to the verdicts that have been passed from time to time on the enterprises which have already been started. But I referred to what I said in my speech, because many of the multi-purpose projects to which a reference has been made in the resolution are in hand and I take it that if any teams of investigation are appointed, it will be their business to go into the uncompleted portions of those projects as well as necessarily what has already been completed. I think, on reflection, whatever else the hon. Mover agrees to, he will concede that the multi-purpose projects at any rate ought to be taken out of the scope of any enquiry of this kind and there are very many reasons for this. They do not lend themselves to an omnibus enquiry. They are very much worth for experts to go into and since the House has already granted the demands of my colleague, the Irrigation and Power Minister, I take it that it has accepted the suggestions that he has made. I believe he drew attention to the almost continuous enquiries that he has ordered into the workings of these multi-purpose projects.

There is one thing that one ought to remember in regard to these projects and that is the total dimensions of finance involved are something which could never be matched in the private sector. Taking Bhakra-Nangal—I do not know what the latest estimate is—it is Rs. 165 crores; in the case of the Damodar Valley the latest estimate is Rs. 90 crores; in the case of Hirakud also it is a little under Rs. 90 crores. These are vast sums which could not possibly be matched by any single enterprise that the private sector might be undertaking. In any case, these are necessarily projects that the public sector must take charge of. There is no possibility of considering any other alternative, except of course, to give contracts for these works to the private sector and although I am not in a position to give any details, I dare say that an investigation will show that the experience of other countries has been that wherever contracts for such works or comparable works have been given, the

cost of those works has been very much higher—cost per acre or unit of power generated, whatever it may be. There may be a few exceptions, as for instance in Canada in the case of power, where circumstances are very favourable.

In this connection, I may also dispose of a point which two hon. Members made, the Mover as well as Shri Chatterjee and that was shortfall in planned expenditure, as pointing to some very serious defect in the formulation and the implementation of these projects in contrast with what is done in the private sector. Now, it seems to me, that we are not comparing two comparable things at all. So far as I know, the private sector does not start with a planned economy of that kind; in any case, if they start it, they are responsible only to their shareholders or at a later stage to those who are responsible for thinking out a particular project, whereas a plan is a national effort where necessarily the goals that one has to set have to be almost advisedly and deliberately ambitious in order that the country may be persuaded to put out its best effort in implementing the plan. Therefore, there is bound to be a difference between the purpose of a national plan or a large public sector and the completion of individual projects in the private sector. Therefore, I do not think that shortfalls although they should be investigated are any reason for instituting enquiries. Certainly, enquiries would be needed as to why the shortfalls are occurring; whether it is because the country has not been able to raise the resources, or it is because of some administrative failure at one of the scores of points where administration is called for. All that enquiry is very necessary. But it does not point to any malfeasance or misfeasance and therefore I think the House should not pay too much attention to this particular point of shortfall in the implementation of the plan. Now that is as regards the multi-purpose projects.

In regard to the other projects—and these are mostly industrial enterprises—there are certain general considerations which must be borne in mind. Many of them have been mentioned by Shri Tripathi, who has to my mind made a very valuable contribution to the consideration of this subject. One must go a little deeply into the question of monopoly, this blessed word "competition" or the blessed phrase "the law of supply and demand". Now, all these things are not applicable in the same way to public enterprises as they are to private enter-

prise which as many hon. Members have pointed out is out to make the kind of profit that it is allowed to make by any social or economic system that may be prevailing for the time being. Indeed, till lately it was taken as axiomatic that all private enterprises ought to be allowed to make as much profit as competition or the laws of demand and supply would enable it to make. Now, one can look back the corridors of recent economic history and find out how disadvantageous the working of this system has been or could be for the community. My mind goes back to the days of 1948 when controls were taken off food and cloth, and lo! the law of competition began to operate and the law of demand and supply began to operate and prices of cloth went up by 70 per cent inside one month or two months. In the public sector, it is not given to us to produce goods and to sell them with this kind of freedom.

Some people, taking some doctrinaire view, have gone to the length of holding that all public concerns must be run for the bare utilities of the public, that is to say, charge only the minimum charge as for instance, in the case of the railways, and if they are to be used for drawing the economic surplus from the community, then, it must be regarded as near taxation and should come before the House before price fixation is made. I am very glad that that extreme form of theory has not found many adherents yet in this country. Hon. Members opposite will be knowing that in many countries, not working under the western forms of democracy, the profits made by the State enterprises are a very important element in the financing of the economic development of those countries. Suggestions to that effect have been made by some economists here in the course of their consideration of the Draft Outline of the Second Five Year Plan. I do not suppose that Government has very definite views on the matter. Tentatively, we are trying to work out many forms of State enterprises of this kind, State-trading, and manufacturing we have already begun. But even if it was possible to run them so as to make very large profits, I doubt whether, at the moment the country would be prepared, and the House would be prepared to let the Government make this sort of profit which would compare with the profits that are made in the private sector. As compared to the private sector, the public sector is at a very serious disadvantage, so far as reserve are concerned, at

least. To the enterprises which are departmentally run, there is no way of creating or accumulating internal reserves whereas under the systems that have been adopted, systems of taxation, systems of pricing, price controls and so on, we make a point almost of enabling the private sector not only to make profit but also to accumulate a very fat reserve to enable them to expand and get richer. As I said, enterprises in the public sector are not so far given permission or the green signal to follow that course of action.

The private sector can always depend on protection. If the charge is that in the public sector, government enterprises may achieve a position of monopoly, in the private sector, the industry as a whole is enabled to achieve something like a monopoly as against foreign production. Who pays for it? The consumer. The consumer has to pay in the shape of higher import duties.

**Shri Sarangadhar Das:** (Dhenkanal West Cuttack): You have the sugar industry.

**Shri C. D. Deshmukh:** I was going to say that. You have the sugar industry. In any other country, sugar is manufactured much cheaper. I do not know for how many years the consumer in India has paid the price for manufacturing sugar here.

**Shri Sarangadhar Das:** Quarter of a century.

**Shri C. D. Deshmukh:** I do not say that it is necessarily wrong. Though it will be subjected to conditions and the conditions are getting stricter,—there is examination and review by the Tariff Commission—the private sector or even the Government sector, if it is necessary, should have a degree of protection of that particular form, that is to say, higher import duty. The point of my remarks is that it is no good drawing inferences from over-simplified situations in regard to the characteristics of the private sector as opposed to the public sector and that one should remember the basic advantages and the basic disadvantages of both.

I shall round that off by adding only one observation and that is, we should decide what should go into the public sector and what should go in the private sector, not by reference to relative economics of the thing so much as on the basis of some philosophy. That philosophy is contained generally in our single figures in crores. If one takes the view, a broad view, of all these, I think,

[Shri C. D. Deshmukh]  
 choice of a socialist pattern of economy for the country. I have no doubt that in a few days time, the Government will place before Parliament its revised formulation of industrial policy. After that is decided, then our way would be clear as to what should be started in the public sector and what should be left in the private sector. From that moment, at any rate, there should be no under currents of attempts to prove that one is right and one is wrong. One should, therefore, discuss all these issues by only reference to one criterion and that is, are national resources being put to the best advantage possible.

In the course of the debate, some hon. Members said—I think the Mover—that there are shareholders in the private sector to watch over the fortunes of private enterprise, leading one to infer thereby that there was nothing compared to that in the public sector. I, Sir, regard the Houses of Parliament as the shareholders in this matter.

Some Hon. Members: Without dividend.

Shri C. D. Deshmukh: Their dividend, I am sure, lay in the satisfaction that they get in the development of the country. But what I mean to say—and I think that is a compliment which I must pay—is that I know of no shareholders or a body of shareholders who would take so much interest in the enterprises belonging to them as do the Houses of Parliament. That is illustrated by this very debate. Therefore, I go on to argue that one need not be nervous on account of the absence of shareholders in regard to public enterprises. I go to say further that so far as actual investigation is concerned, I do not think any one can accuse Parliament of negligence or apathy in this matter. The very fact that the Mover referred several times to the views of the Estimates Committee shows that a great deal of investigation has already taken place. In deed, at one time, it appeared to me that he was basing all his case on the reports of investigation which had already been made. If that is so, there would be no room for any further investigation. If further investigation is to be made, it should be prescribed by that Committee which has already made the preliminary investigation. There is nothing to stop the Estimates Committee which, I think, in its thirteenth, fourteenth, fifteenth and the sixteenth reports, has examined one after an-

other all enterprises of the Government and make suggestions. In regard to the recommendations made in the thirteenth and fourteenth reports, I think most of them have been accepted, and I believe statements have been laid before the House. Some one complained that we have not yet taken a decision on the recommendations of the Estimates Committee on the sixteenth report. The sixteenth report contains very fundamental suggestions in regard to the organisation of public enterprises. And we have been collecting the views, we means the Finance Ministry, of all the Ministries concerned, and there are many Ministries which are concerned in this matter. They have been collated and I do hope that before the House adjourns or is prorogued, that is to say before the termination of this session, we shall be able to place before the House our conclusions with regard to the recommendations made by the Estimates Committee. So, the fact that there has been a certain amount of, to my mind, inevitable delay in considering these very important recommendations is no argument for starting a further series of almost aimless investigations.

5 P.M.

That leaves only the question of some of the specific points made in regard to some of these Government enterprises. Details have been given in regard to Sindri. There was some reference to Chittaranjan. I am grateful to hon. Members who point out that we start and we attempt to be model employers although but even that intention is not always present so far as the private sector is concerned.

Take the case of Chittaranjan. Much of the expenditure which was incurred and which is included in capital expenditure was on housing, and yet anyone who has been to Chittaranjan is struck by the plenitude of accommodation and the excellence of the accommodation that is available for workers in what was I believe just a part of the jungles in that State.

Then I would also urge that we should have some kind of perspective in dealing with these different enterprises. The total capital involved in these varies very considerably. There is Sindri which is about 25 or 27 crores. There is Chittaranjan which again, I believe—I am not quite sure of my figures—is about 14 or 15 crores and then there are smaller units like the cable factory and the penicillin factory and so on with capital in

single figures in crores. If one takes the view, a broad view, of all these, I think, one is bound to come to the conclusion that Government has not done so badly, that Government has been put on its mettle and on its best behaviour by the very systematic and painstaking investigation that has been made from time to time by both the Committees of the House, the Public Accounts Committee as well as the Estimates Committee.

In regard to the details of the working, reference has been made to the good results attained by Sindri, the telephone factory, the anti-biotics factory etc. Reference has also been made by Shri Gandhi to the better showing of Chittaranjan as a producer of locomotives, and I have no doubt that as we get time to adjust and to correct our errors which we are very ready to admit, we shall be able to prove that public money has been well invested, apart from the philosophy of the matter, and is not being squandered, as one hon. Member seems to believe, in these public enterprises.

I shall not go into the matter of relative corruption and wastage and extravagance and so on, because one is inclined to make statements which are too general and too sweeping and I deprecate that tendency. One swallow does not make a summer, and that will hold on both sides. I can give instances of daily allowances of Rs. 200 a day in the private sector. I have seen the paper.

**Shri V. P. Nayar:** They go on holidays.

**Shri C. D. Deshmukh:** With their families. Travelling allowance is for themselves with the family and daily allowances Rs. 200. Then, I hardly know of any businessman who owns a car for himself or who lives in his own house. There are palaces available for them, whether it is Delhi or Bombay or Calcutta or wherever it is. I believe all their entertainment is at the cost of the company. If truth has to be told, these matters also must be told. I had occasion to point out during the discussion, I am sorry I am taking time; of the company law that whereas managing agents were taking 10 to 12½ per cent on the gross profits, the cost of management of Sindri was below one per cent. I did not give the exact figure, but I believe it was 0·6 but I thought one per cent. looked more respectable, allowed a little room for expansion. The House will ask: why is it then that the income-tax department or any other department allows these things to go on. My answer is it is almost im-

possible to check all these small things and in the context of outlays of Rs. 5, 10 or 15 crores, it is impossible for any income-tax officer to go into these matters T.A.s. and expenditure on entertainment, but we are trying to do our best. But I have no doubt that the people who run the private sector are allowing themselves for these expenses far vaster sums than would be conceived of by any public servant, no matter what grade he may be belonging to.

That leads me to this question of who is managing our concerns. In principle we have accepted the necessity of constituting a cadre of industrial service or managerial service, whatever it is. I think it was announced, or it may be announced one of these days.

**Shri A. M. Thomas:** It was announced at the time of the Production Ministry Demands.

**Shri C. D. Deshmukh:** I seem to remember it was announced. The difficulty is getting about the bodies. By constituting a cadre you do not get the persons. Where do we get the persons. We either get the persons from those who have had some kind of experience and who may be relied upon to absorb new experience quickly against their large administrative background, or we can compete with the private sector in getting their bright people. There we have to encounter a difficulty. Where as we can post our officers on their existing pay or with a small increase in pay, if we ask any of their bright people, they mention their own price, and it is almost always impossible to pay that price—Rs. 4,000 or Rs. 6,000, allowances, house allowance, motor car allowance, free medical aid, whatever it may be. It is not always possible for us to get the right kind of people. Therefore, the only alternative that is left to us is to recruit and train our own staff. That is not a matter that can be done in one or two or three years. It is a matter which will take at least ten years before we can get and train our own men on whom we can rely to run industrial services. But, as I say, we have accepted the principle, and we shall be taking steps to implement that particular principle.

I think I have dealt with most of the arguments on the strength of which the Mover sought to support his resolution, and I repeat, I feel that it is entirely unnecessary and that there is a vast deal of material for us to consider and digest which has been thrown up by the labours

[Shri C. D. Deshmukh]

of the Public Accounts Committee and the Estimates Committee, and it is open to those Committees to go further into these matters in the light of any replies that Government may give, and when we have completed that process we shall find that there is hardly anything that needs investigation of this comprehensive kind in regard to public enterprises.

**Shri Sarangadhar Das:** May I ask a question? The Minister quoted, with regard to the enterprises in the private sector, the Mover of the Resolution that there are shareholders there to control while there are no shareholders in the enterprises in the public sector. I should like to know if the Minister has any knowledge about those shareholders in private companies in the private sector controlling companies' affairs?

Or is there manipulation to make them ineffective?

**Shri C. D. Deshmukh:** I think the answer will be found in the record of the debates on the company law.

**Shri N. C. Chatterjee:** Also in the Company Law Committee's report.

**Shri G. D. Somani (Nagaur-Pali):** Four hon. Members have strongly supported the resolution, and therefore I need not say anything by way of reply to the points that they have made in the course of their observations. As regards my hon. friend Shri K. P. Tripathi, he was also not strongly opposed to the resolution, and therefore at the very outset, I would like to say that I find myself in agreement with most of the points that he has made, and as such I would not like to say anything in reply to the observations made by him.

Two hon. Members who are in opposite camps, have so violently and strongly reacted to this resolution, and therefore I would like to devote a large part of my reply to the observations made by them.

So far as the exhaustive review by the Finance Minister is concerned, neither the time at my disposal nor the nature of the exhaustive review that he has made requires any detailed observations from me.

At the outset, I would like to make it perfectly clear that neither the purpose of the resolution nor its wording would in any way indicate any opposition to the expansion of the public sector. I plead that it is due to my very agreement in principle on the expansion of

the public sector that I have tried to move this resolution to ensure a proper enquiry into the shortcomings and defects in the past working so that we may take the necessary remedial measures for the future. If it were a question of opposing the expansion of the public sector by way of making this enquiry and holding this examination, then that purpose would not have been served by the appointment of this committee, because the resolution only says that the committee, after going into the working of all these undertakings, should suggest such measures as will lead to their improved working. Therefore, I do not think that the very idea of suggesting measures for the improvement of the public sector could in any way give room for the slightest inference on the part of my hon. friends to say that because the public sector is expanding, therefore, those of us who are connected with the private sector are getting nervous over it, and that it is with a view to getting the public sector condemned and thereby restricting its scope, that this resolution has been moved. I want to make it clear that I welcome the expansion of the public sector, and that the only purpose and the objective which I had in view in moving this resolution was to get an expert committee appointed to go into the entire field of working of the various projects, so that they could lay their fingers on the reasons and the circumstances under which the shortcomings were found and suggest measures whereby in the future working of our public undertakings, such irregularities or defects or deficiencies or drawbacks would not recur.

Much was made of the fact that I had nothing very good to say about the public sector. But the very nature of the resolution is such that I had to point to certain defects and drawbacks, in order to make out a case for future action by which these irregularities or drawbacks could be removed. I am second to none, and especially not second to my hon. friend Shri V. P. Nayar, in paying my tribute to the achievements of the public sector, and their holding out a very glorious and prosperous future for the public sector. We are really proud of the fine work that is being done by our Government officials, and nothing was farther from my mind than to cast any general aspersion on the efficiency or integrity of the public services as a whole.

But the point that I did make at the time I moved the resolution, and that I want to reiterate now, is that on the basis of the findings of the Estimates Committee and on the basis of the opinions expressed in the country from time to time, it is quite clear that all is not well with the public sector. If my hon. friends who have opposed the resolution are of the opinion that everything in fine and everything is going on well, I think they will be disillusioned because this policy of complacency or this policy of indifference to the defects and drawbacks is going to react adversely on the public sector, and thereby they are not going to serve the cause which they are advocating, but they will only be inflicting a heavy damage to the very cause which they are trying to espouse.

I now come to the specific points made by my hon. friend Shri Feroze Gandhi. I had no intention to copy the sarcastic manner in which he has made his whole speech. But it was really a wonderful suggestion to say that because certain contractors or certain members of the private sector had indulged in bribing Government officials, therefore the private sector as a whole is to be blamed for all these irregularities or lapses that have been found. I have yet to learn of a philosophy which will be based on this namely that because somebody offered something to a particular individual, and the latter accepted that something as illegal gratification, therefore the giver alone is to be blamed for it.

**Pandit K. C. Sharma:** Equally guilty is the abettor.

**Shri G. D. Somani:** I am glad that at least my hon. friend Pandit Shri K. C. Sharma says that both of them are guilty. My point is that in my experience in the business sector, I have come across many instances where the people in the private sector have simply due to sheer necessity of getting something done, had to offer something by way of illegal gratification or bribes or rewards. They did so, not because they wanted to do so, but owing to the sheer weight of circumstances, they were forced to do so, because unless they did so, their work would not be done, their bills would not be passed, their work would not be certified and so on. So, it was due to the sheer weight of circumstances, that they had to do so. Therefore, it is no use my hon. friend Shri Feroze Gandhi saying that because the private sector or the

contractors did collaborate or did indulge in these things with the government officials, therefore, the private sector as a whole stands condemned. That is a very curious logic. I do not know how far the hon. Member has been able to succeed in making out a logical case by talking in the manner in which he did.

**Shri Feroze Gandhi:** Each and every court case is there.

**Shri G. D. Somani:** Coming to the question of the Sindri factory, to which my hon. friend devoted a large portion of his speech, I am, of course, not in a position to give any detailed facts and figures as he has been able to present before the House. Whatever I had said was based on the reports of the Estimates Committee, and other publications in regard to the working of the Sindri factory. I do not deny that the firm is doing well, and has achieved its target of production. But what I had pointed out was in regard to the manner in which the entire project was executed, and the price at which the concern is selling its product.

My hon. friend had made much of the price that I have indicated. He called it rubbish, and what not. But I think my hon. friend is forgetting the whole history of the prices which this factory has been charging. In fact, I myself had corrected my figure, in the course of my observations on the Demands for grants of the Production Ministry, and said that the price had been reduced from Rs. 315 to Rs. 270. But that does not mean that the factory was not charging Rs. 315 a few months back. The price charged was even more than Rs. 315, and it was later on reduced gradually.

**Shri C. D. Deshmukh:** What the hon. Member said was that they could have charged Rs. 270, had it not been for the necessity of assisting another factory which was producing at a much higher cost.

**Shri V. P. Nayyar:** And which factory belonged to the private sector.

**Shri G. D. Somani:** I am not aware of any such scheme whereby Government would come to the rescue of a private factory and in order to help it they will charge a price which would be detrimental to the economy as a whole, or which will be prohibitive from the cultivators' point of view. After all, the private industrialists have suffered terribly in the past...

**Shri A. M. Thomas:** I am sorry that such a comparison should have been made with the fertiliser factory at

[Shri A. M. Thomas]

Alwaye. Of course, I oppose the resolution. But we must have some consideration of the circumstances under which that company works. Actually, it is because of those circumstances that Government are now having an expansion plan, and they are going to contribute a substantial amount. It is not fair to make a comparison with the fertiliser factory at Alwaye. I am sorry the Finance Minister also has fallen a victim to that comparison.

**Mr. Deputy-Speaker:** Explanations and counter-explanations may become endless.

**An Hon. Member:** Facts are facts.

**Shri G. D. Somani:** So far as the existence of the private sector was concerned, it was absolutely not relevant for our purpose. What is more relevant, and which Shri Feroze Gandhi conveniently ignored to reply, is the Report of the Fertiliser Production Committee of the Ministry of Production itself. That Report categorically states that if any new fertiliser factory is established today in Rajasthan and some other places also, it would be able to sell fertilisers at a cost of Rs. 175 per ton and would still be able to make a profit. I have nothing to grumble against Sindri and those who are in charge of it. They are doing magnificently well.

**Shri Feroze Gandhi:** He has changed his mind.

**Shri G. D. Somani:** My point is that the fact that something was planned on a wrong basis is borne out by the Government Committee itself. If today, in spite of the increase in the cost of manufacture, a new factory could produce fertiliser at Rs. 175 per ton, here is something which makes it absolutely clear that there is something wrong with the whole plan of the Sindri factory, which my hon. friend omitted to mention.

**Shri Feroze Gandhi:** Certainly not.

**Shri G. D. Somani:** Because if the planning had been on sound lines, the Sindri factory today would have been selling its fertiliser at Rs. 170, not at Rs. 270. As to what amount of saving this would have meant to the cultivators can be judged best by facts and figures.

So my point is that while I have nothing to say about the present management of the Sindri factory, still the fact remains that our projects in the public sector are sometimes planned on

a basis which from the point of view of permanent cost to the consumer places a heavy burden on the community. That was the point which I really wanted to make about Sindri, and that was the point which my hon. friend Shri Feroze Gandhi completely ignored.

Now, let me take the question of allowances. This question has been referred to again and again by Shri Feroze Gandhi, and the hon. Finance Minister also made a certain reference to this question of allowances. Neither in my Resolution nor in the course of my speech have I complained in the least about any of the allowances that are being granted by the Government to the officials. Therefore, there was no need to point out to me, that those in the public sector who are managing the concerns are drawing this and that. That is beside the point. My complaint was not against the emoluments that are being paid to the officials. They are competent officials. They are technicians who have got to be paid satisfactorily, and there was absolutely no relevance in pointing it out again and again—the comparative figures of emoluments in the private and the public sectors. My complaint was not regarding that. That is a separate point.

Regarding the balance sheets, Shri Feroze Gandhi gave a challenge. I quoted extracts from the proceedings of the Estimates Committee where they have said that these balance-sheets do not give a good picture and do not disclose any information so far as the working of public undertakings are concerned. I know that the information that is contained in the balance-sheet about the Sindri factory is all right; I never quoted the balance-sheet of the Sindri factory as being incomplete. What is the use of distorting something by referring to something to which I did not refer? My point was only that the Estimates Committee had said—and many hon. Members have also said the same from time to time—that so far as the presentation of accounts and balance-sheets was concerned, the necessary particulars regarding these State undertakings were not available yearly, at the proper time, as against what was being done by industrial units in the private sector. The fact that the hon. Member pointed out to the balance-sheet of the Sindri factory does not in the least mean that the same information is available about each and every industrial unit in the public sector. If the hon.



Member is in a position to dispute this, I am prepared to sit with him tomorrow and exchange views on the nature of the information which is available about the working of our various industrial units in the public sector.

**Shri Feroze Gandhi:** I accept it.

**Shri G. D. Soman:** I maintain that even today detailed balance-sheets and accounts on business principles are not available about the various industrial, commercial and other concerns of the Government. Therefore, the suggestion, that was based on one of the remarks of the Estimates Committee was that Government should henceforth make arrangements to make such balance-sheets and accounts available regularly so that the House and others also who are interested in the working of these undertakings might get proper information at the proper time, scrutinise them and offer their suggestions.

Shri V. P. Nayar was very indignant about the misdeeds of the private sector. Nobody is defending those misdeeds, and I am second to none in condemning whatever malpractices or misdeeds have been committed by the private sector. But one fact has got to be recognised. It is due to certain of these malpractices and misdeeds that the private sector has now been subjected to all these company and income-tax laws to such an extent that there is almost a kind of regimentation under which the private sector functions. It was due to the malpractices of a section of the private sector that all this legislation has come, the like of which we have not got anywhere else in the world. The 600 and odd sections of the Companies Act, the formalities as regards meetings and all the other things are there. So Shri V. P. Nayar's statement that the private sector was being left severely alone, in spite of these malpractices, is not correct. These are being dealt with, as they ought to be.

Therefore, my point is that so far as these drawbacks in the public sector are concerned, sufficient attention is not being given in order to ensure that remedial measure are taken.

Then something was said about cement, that cement prices had not been reduced. The hon. Member perhaps is not aware that Government are now importing cement at a price which is 75 per cent more than the cost of manufacture charged by the local units at present. My hon. friend Shri

Feroze Gandhi, compared Tatas' price to the imported price. Here is a clear picture, when we are paying to the foreign countries 75 per cent more than the price that is being paid by us to consumers, to the indigenous cement industry. So this charge of excessive price charged by the cement industry falls to the ground. As a matter of fact, the Tariff Commission had gone into the whole question of pricing only sometime ago and it was on the basis of the recommendations of that body in regard to price, which price was again reduced by the Government, that the industry is being paid. Therefore, it is hardly justifiable to say that the cement industry has not been charging a fair price.

**Shri V. P. Nayar:** Why is there black-market?

**Shri G. D. Soman:** I would like to say only a few words about what the hon. Finance Minister said. I welcome what he has already said in his Budget speech about the need for taking proper care and setting up of investigation teams. But my point in moving this Resolution, as he himself anticipated, was that so far as these investigation teams were concerned, they were for the future undertakings. So far as the past is concerned, we have to learn from the experience we have gained as a result of the working of the various industrial concerns. Therefore, it is necessary to have a co-ordinated picture of all the drawbacks and deficiencies and then to take the necessary remedial measures.

Mention has also been made about monopoly, and protection. I realise that protection is given. But it is given only for a limited period and then it is to be withdrawn. So far as monopoly is concerned, it is going to remain a permanent feature. As such, the comparison is not in order.

So far as the utilisation of national resources in the proper manner is concerned, I have already said that I have not gone into the question of the scope and functions of the private and public sectors. It is for the Planning Commission and for this House to lay down principles as to how the private and public sectors will function, and in what capacity. Therefore, I have absolutely nothing to say against the remarks of the Finance Minister about utilising our national

[Shri G. D. Somani]

resources in a manner which will be best conducive to the interests of the country. I am absolutely in agreement with him there. So far as the scope and functioning of the public and private sectors are concerned, it was not the purpose of my Resolution, nor is it the purpose of my observations just now, to demand any sort of demarcation. That is absolutely a separate issue. So far as the business people in general are concerned, I will only say this. On the last occasion, I did make an offer to the hon. Finance Minister when the Insurance Bill was being discussed. Therefore, I have not shirked an enquiry into the private sector. I did make a pointed offer to the Finance Minister to which, of course, he did not choose to reply, that an impartial committee should go into the misdeeds and the positive contribution to the insurance industry before this charge was substantiated. Therefore, there is no use of saying that I have not said that an enquiry should be made into the private sector. I still maintain and submit that the private sector is not afraid of any sort of enquiry or investigation into the working of any of its activities. We welcome any step that the Government may take to set up an investigation or enquiry about the working of any section of the various industries in the private sector and I have no doubt that the result of such an enquiry will do credit to the performance of the private sector. Of course, it is always easy to exaggerate the shortcomings and misdeeds of small sections of the community. The positive achievements and the positive performance of the sector are ignored. If any impartial enquiry is held, I have absolutely no doubt that the private sector will come out with credit.

I have nothing more to say since the resolution has been opposed.

**Mr. Deputy-Speaker:** There is one amendment in the name of Shri Sodhia. I will put the amendment to vote.

The questions is:

That for the original Resolution, the following be substituted:

"The House is of opinion that a Committee consisting of independent persons having requisite knowledge and experience, including

some industrialists and members of Parliament be appointed to examine the important aspects of all industrial and commercial undertakings of the Central and State Governments, whether organised on Departmental lines, or otherwise as public corporations or public or private companies with instructions to submit their report to Parliament.

The terms of reference of the Committee shall be as follows:—

(1) to examine the planning and development policy and the targets fixed and realised in each of them and to recommend appropriate basis for future policy;

(2) to examine the capital cost of each of them and to find out whether the expenditure has been according to estimates and whether such capital costs are reasonable;

(3) to examine the cost structure and operational efficiency thereof and to recommend how they are likely to show profits;

(4) to examine the pricing policy adopted and to ascertain the propriety thereof;

(5) to examine their accounting methods and to suggest improvements therein and to find out whether they receive any favourable treatment *vis-a-vis* the private sector; and

(6) to examine any other relevant matters in this connection.

The Committee should submit their report within six months."

*The motion was negatived.*

**Mr. Deputy Speaker:** Now I shall put the main Resolution.

The question is:

"This House is of opinion that a Committee be appointed by the Government consisting of independent persons having the requisite knowledge and experience, including some industrialists and businessmen, to examine the important aspects of the industrial and commercial undertakings and multi-purpose projects of the Central and

State Governments, whether organised on Departmental lines, or as public corporations, or as public or private limited companies with instructions to submit their findings and recommendations to Parliament. The terms of reference of the Committee shall be as follows:—

(1) to examine the planning, development policy and targets fixed and realised in the case of each of them, and to recommend appropriate basis for future policy in respect of these matters;

(2) to find out whether the capital cost of each of them is commensurate with output and direct benefit bestowed upon the community;

(3) to examine the capital cost of each of them and find out if the expenditure has been according to estimates and whether such capital costs are reasonable, especially as compared to capital cost of comparable units in the private sector;

(4) to examine the cost structure of each of them, and also the efficiency of operation of each of them, and report whether any of them are likely to show profits or losses after providing fully for all expenses and for basic and extra (not initial) depreciation at rates prescribed in the Indian Income-tax Act, 1922;

(5) to examine the pricing policy of each of them and ascertain its propriety;

(6) to examine their accounting methods to report whether they are on business lines and give a correct picture of their position whether they are written in a way that enables critical examination of the

financial results, whether cost accounts are properly maintained, and whether the report and accounts are given due publicity;

(7) to find out whether any of them receive favourable treatment in the matter of allocation of raw materials, steel, cement and other articles in short supply, in allotment of railway wagons in Government purchases, and in other matters, which can be reasonably construed as amounting to discrimination in their favour and against concerns in the private sector competing for the commodities, services or orders; and

(8) to examine and report on any other matter relevant to the above, which the Committee think fit to examine."

*The Resolution was negatived.*

#### RESOLUTION RE NATIONALISATION OF BANKS

**Shri M. S. Gurupadaswamy (Mysore):**  
I beg to move:

"This House is of opinion that Government should take steps to nationalise the banks in the country."

Sir, . . . .

**Mr. Deputy-Speaker:** The hon. Member might continue his speech on the next day.

5.33 P.M.

*The Lok Sabha then adjourned till Half Past Ten of the Clock on Monday, the 16th April, 1956.*