

MOTION RE: REPORT OF STATE TRADING CORPORATION OF INDIA (PRIVATE) LTD.

Shri Bimal Ghose (Barrackpore):
Sir, I beg to move:

"That the First Annual Report of the State Trading Corporation of India (Private) Limited laid on the Table of the House on the 21st November, 1957, be taken into consideration."

My purpose in seeking to raise the discussion is two-fold: (1) to obtain from the Government some clarification of their intentions in regard to the scope of activities of the S.T.C. and (2) to undertake an examination and review of the working of the S.T.C. for the period covered by this report

In regard to the first point, it is unfortunate that before or at the time the S.T.C. was established no discussion took place in Parliament, nor did Government make any specific announcement of their intentions. You may be aware that the Government had appointed two Committees on State Trading; one in 1949 and another in 1952. The first Committee had recommended that State trading might be undertaken in certain commodities such as foodgrains, fertilisers, steel and coal, the import of West African cotton and export of certain handloom cottage and small industry products.

The 1952 Committee was appointed to review the recommendations of the 1949 Committee. Certain amount of time had lapsed. Government had taken no action on the report of that Committee. It reported that State trading should not be engaged in. The time was not opportune as conditions have changed except in regard to the export of handloom cloth and certain cottage and small industry products.

Matters lay dormant after that until a private Member's Resolution was moved in this House by Shri Gopalan urging State trading in certain export commodities. Though that Resolution

was rejected, the then Commerce Minister intervened to observe:

"We propose to examine and consider whether it is necessary to set up a State trading organisation in order, firstly to facilitate the development of trade with countries where trade is in Government hands and secondly, to assist Government in solving difficulties and problems for which private trading channels are found to be inadequate"

Nothing happened thereafter until May 1956 when the State Trading Corporation was itself established. Its objectives, as stated in the Memorandum of Association are:

"To organise and effect exports from and imports into India of all such goods and commodities as the company may from time to time determine and the purchase, sale and transport of and general trade in such goods and commodities in India or anywhere else in the world and to do all such other things as are incidental or conducive to the attainment of the above objective"

Though this objective is all embracing and very wide, an impression has been going out that the S.T.C. should engage itself only the promotional activities and its functions should be very narrow. In theory there is no reason why State trading should be less advantageous economically than private trading. In practice it may or may not be so.

But it is interesting to observe that not only communist countries but many capitalist countries such as Argentina, Britain and even America have engaged in State trading on a large or small scale. Both promotion of economic development and Government revenues from out of the profits of the State trading organisation were

[Shri Bimal Ghose]

the objectives of the Argentina Trade Promotion Institute, which is Argentina's State trading organisation.

In recent years, Sir, two major factors have imparted an impetus to the growth of State trading. One is the spread of socialism and the other is the foreign exchange difficulties experienced by many countries.

Sir, I should like to have from the Government today some clear enunciation of their intentions with regard to the activities of the State Trading Corporation. I hope the hon. Minister will not, following the former Commerce Minister, say something to this effect, namely, as did at the former Commerce Minister meeting of the Export Advisory Council sometime in May, 1956, that "to define the orbit of this Corporation would be tantamount to defeating the main purpose for which the organisation was brought into being"; nor, I think, would he give us a vague answer like the one which is incorporated in the Directors' Report, namely, that "in choosing the commodities and in determining its business methods, your Corporation has sought to be guided largely by considerations of public policy and public interest", which merely mean nothing. I should like to know from the hon. Minister whether his intention is merely that it should have a promotional objective, export promotion, or whether his intention is, in addition, to carry on trade with communist countries or where trade is in the hands of monopolistic cartels, or whether it should be further expanded and also undertake trade for the purpose of, let us say, profit.

Now, before I come to the second point, there is one matter to which I should like to draw your attention, as it appears to me to be anomalous. Once we have a State Trading Organisation, one would have expected that all State trading activities of the Government should come under the purview of that Organisation. One wonders, therefore, why we have

separate departments or separate organisations such as the Steel Control or the Small Industries Corporation, which also engage in trading activities. If the answer is that different Ministries are in charge of these departments, then that would not be an adequate and satisfying answer; or, if the explanation is that the work, let us say, of Steel Control is very complicated, that would also be not very adequate or satisfactory, because then it would be an assumption that the S.T.C. is not in a position to take up complicated business.

Coming to the activities of the State Trading Corporation, before I undertake an examination of the financial results there are certain points that I should like to bring to your notice. Firstly, although the Corporation has done some useful work in developing markets for certain new items such as shoes, woollen fabrics, it has not succeeded in expanding the export trade of the country at all. If export promotion was its main objective then, judged by that standard, its success has been nil or negative. In 1956-57, for whatever reason, our exports were less than in 1955-56, although for two or three years before that exports had been expanding, and 1956-57 covers about 10½ months of the working of the State Trading Corporation.

Secondly, Sir, I should like to draw your attention to one item, namely, cement, which has been the subject of a lot of criticism. I am not at the moment referring to the subject of the commission earned; I am only referring to this point, namely, the prices fixed by the Corporation. The price is very much higher than what would have been justified by the amount paid to the cement industry and the expenses incurred. But the explanation was that cement had to be imported, and with a view to have a pool price the prices levied were very much higher. But my point is this, that when it was found out that imports would be very much less than

was anticipated, why had not the Government then reduced the prices by about Rs. 12 or Rs. 13 but had made the consumer pay the higher price?

I heard the Commerce Minister say somewhere that even if the prices were reduced, it would have only helped the blackmarketeers because they would have increased their profit. But that, Sir, is not quite the true picture, because if you examine what is the distribution made of the cement produced you will find that the bulk of it is allocated to public and semi-public institutions and only a small portion is allocated to dealers for selling in the market. So far as the amount allocated to public or semi-public institutions is concerned, there should be no question of profiteering. Then arises the question, if there is profiteering, if there is blackmarketing, if it is true—as it is true, Sir—that you can buy any amount of cement in the market if you are prepared to pay a price, how does it come about, how does this cement come to the blackmarket? If there is any leakage, the leakage occurs in regard to supplies made available to public and semi-public institutions, and Government should try to do something about that. Therefore, there was no justification for making the consumer pay this high price and earn a surplus of Rs. 5.01 crores, which is the measure of the high prices that the consumers were made to pay.

Shri Ranga (Tenali): Measure of the cost of State Trading.

Shri Bimal Ghose: That is in addition to the commission that State trading earned to the extent of Rs. 80 lakhs, which also came from the price the consumer had to pay.

The next question arises, what is the Government's intention with regard to this fund, which the S.T.C. is holding on behalf of Government, this fund of Rs. 5.01 crores. There has been a demand that this amount should be made available to the industry. But Government should realise

that this is the fund which has been built up by charging a higher price to many Government, public and semi-public institutions, and the money has come out of the tax-payer's funds, from the money that the tax-payers have paid. Therefore, if this is to be made available, certainly it should not be by way of grant.

Thirdly, there is the question of the commission which the S.T.C. had charged. The S.T.C. had done nothing about this business. The S.T.C. has no distributing organisation. The distributing organisation was that of the private traders, particularly C.M.I. of A.C.C., and yet 1½ per cent. commission for agency services was charged which brought in a revenue of Rs. 69 lakhs. That is exorbitant. A ½ per cent. commission would have given Rs. 13 lakhs to Rs. 14 lakhs and should have been considered sufficient.

Then I come to the question of ores. I should like to have first one explanation. Although our total exports have been increasing . . .

Mr. Deputy-Speaker: Simply for my information, may I know how long the hon. Member is likely to take?

Shri Bimal Ghose: I will take about 30 to 35 minutes.

Mr. Deputy-Speaker: If I allow the hon. Member to take 36 minutes, then 35 minutes will have to be given to the hon. Minister also. There would be only 50 minutes left for other hon. Members.

Shri Bimal Ghose: I will try to finish in another 15 minutes. I think I have only taken less than 18 minutes, about 12 to 13 minutes.

I was referring to ores. The first point on which I would like to have clarification is this. Although our exports of iron ores during the period from June, 1966 to July, 1967 had been of the order of about Rs. 11 crores and of manganese about Rs. 23 crores, I

[Shri Bimal Ghose]

and that the STC sales are only about Rs 2.3 crores and Rs 1.8 crores respectively. The monopoly in iron ore trading was taken over by the STC in July, 1956 40 per cent of the manganese ore trade is also in the hands of the STC. Then, why is it that only a very small proportion is accounted for by STC sales when the exports are very much larger? Does the STC sell its quotas to private traders? I do not think that is so. Then, what is the explanation, I should like to know.

Secondly, the private traders claim that if the trade were in their hands they would have done as well. Of course, that is a matter to which one cannot give any satisfactory answer. But, this is true, namely, the STC has not found out any new markets. In reply to a question yesterday, the hon. Minister said that no new markets had been found out in regard to iron ores. That is what he said in reply to a question yesterday—I believe it was Question No 1244. No new markets have been found out except in Europe and America. But Europe and America were the traditional markets. If a new market has been found out, it is only in regard to Italy—about 75,000 tons. That is what they may claim.

The question is that exports have been increased to Japan. But, so far as new markets are concerned, I do not think that any new markets have been found out except in Italy in regard to iron ores, and nothing in regard to manganese.

It has also to be remembered that the STC enjoys special facilities in regard to transport and shipping which were not available to the private sector. Also, the period 1956-57, the period covered by the STC's working, was a seller's market. All these were in favour of the STC, but, as I said, it is difficult to say if private traders would have done better. We only hoped that the STC would have done still better. But there had been certain charges levelled against

the STC in connection with manganese ore export and I would like the hon. Minister to give us some satisfactory explanation in regard to these charges.

These charges are, firstly, that the STC has sold mostly high grade ores for which no special effort or organisation was necessary although the usual market practice in former times had been to sell a certain percentage of medium and low grade ores along with high grade ores. Secondly, the STC had accepted terms which had exposed shippers to the risk of rejection of goods at any time. Thirdly, the STC has not developed new markets in manganese ores. Fourthly, the STC has not always covered its commitments and had thereby suffered losses.

I want to say a word about soda ash. There have been two criticisms. One is that the STC had imported when internal production could meet the demand. Secondly, that the STC had released its stocks when there was difficulty so far as the internal producers were concerned in selling their own product. I do not think there is any justification in regard to the first charge. But I believe that there is some justification in regard to the second charge, because I find that while their stocks have been increasing at a very rapid rate the STC stocks have been more or less stable. I can quite realise—it was a good idea—that the STC should import light soda ash with a view to maintain prices stable. But if we allow private traders to function and we also want them to expand their production to meet internal demand, certainly the private sector should be given the first right to sell their product in the market and the STC should release their stocks only when there is a shortfall experienced. It is found that although there is a difference in the figures given by the private sector from those given by the Government, their stocks have been increasing. In September, for example,

the stocks as revealed by the Government statistics, were about 9,000 tons or a little over 9,000 tons, whereas the figure given by the two main manufacturers is a little more than 18,000 tons, although in January their stocks were about 4,000 tons or so.

The next point I want to bring to your notice is about business associates. I want to make two observations. It appears that the STC is utilising these business associates to do all the work and just earn commission. Complaints have been made that there are certain lines in which the STC has done nothing—I had raised this point here in regard to the import of medicines for which payments have to be made in rupees and a commission had to be paid to the STC although nothing was done by the STC.

The second point is an important and serious point and that is, this practice will drive the small man out of business. This is assisting only the bigger men. For, the STC in taking the business associates will certainly lay down certain qualifications which will be impossible to be fulfilled by the smaller men. Here, I shall cite a case which is contained in a letter, which I received only yesterday. It refers to the imports of caustic soda and its distribution through agents by the STC. It says:

"The distribution is as under: 37½ per cent through Imperial Chemical Industries, 37½ per cent through Tata Chemicals, Ltd., 15 per cent—Indian Chemical Merchants' Association, Calcutta, and 10 per cent—Chemical and Alkali Distributors, Ltd."

And the comment is:

"You will notice from this that 75 per cent of distribution is done through two giants, one of which is the ICI—a foreign concern. Will you please demand that Calcutta and Bombay Association and Dist. Ltd., be given a large share?"

Incidentally, this letter also refers to another topic which I may mention for the hon. Minister's consideration. The reference is to titanium dioxide, a product in which my friend Shri V. P. Nayar takes a lot of interest. It is said here that the titanium dioxide is sold in Bombay market at Rs. 3 per lb and in Calcutta market at Rs. 3-8-0 per lb, although official company's selling price is Re 1:37 naye paise. "Will you please therefore demand that the STC should take over this distribution and move on the lines of caustic soda?"

Before I come to trading accounts, I should like to say a word about the management personnel which is a very important matter for such an institution like the STC because the success of the STC will depend upon the competence of its management personnel. Unfortunately, there has been public criticism and this criticism is two-fold. It is said that a high percentage of the STC officers are retired officials. The question arises whether they were recruited in spite of their being retired officials because they were considered exceptionally competent to undertake this kind of business.

Secondly another criticism is that even more than a majority of officers in the STC happen to belong to one particular State. Is it because that special experience in or competence for this business is found only in one particular State, or is there any other explanation?

Finally, I come to the financial results of the Corporation. On the face of it, it would appear that the financial results obtained by the Corporation are impressive because not only Rs. 51 lakhs are paid by way of income-tax and Rs. 6 lakhs distributed by way of dividend but large appropriations are made to various reserve funds. I shall crave your indulgence for a little more examination of the financial results. If you take only the trading account, on a business of Rs. 10 crores, the profit earned is

[Shri Bimal Ghose.]

about Rs. 35 lakhs gross, which works out to about 3.5 per cent gross profit. The net profit would be a little over 2 per cent.

When you analyse the income, the total income is about Rs. 110 lakhs out of which Rs. 69 lakhs is accounted for by commission, Rs. 35 lakhs by the trading,—gross profits, not net profits—and Rs. 6 lakhs by way of interest and differences in exchange. Out of the sum of Rs. 69 lakhs, Rs. 68,32,000 or a little over is accounted for by earnings from cement. This is a huge sum and it has been earned by making the consumers pay, which was, I think, an immoral thing to do.

I said that so far as trading activities are concerned, 3.5 per cent is the gross profit and probably a little over 2 per cent. would be the net profit. There is one item which I did not see in the accounts. What is the interest paid on loans taken for the Corporation's activities? Did the Corporation need any loanable funds? If the Corporation needs loanable funds, I find on the liabilities side in one place, a loan from the Government and the State Bank of an amount of Rs. 4.7 or Rs. 5 crores. The interest that is paid on trading account and bank charges is only about Rs. 1.90 lakhs. About Rs. 1.90 lakhs would be accounted for by borrowing about Rs. 30 lakhs only. If it is contended that the State Trading Corporation can carry on its business with a borrowed capital of Rs. 30 lakhs, it would be rather strange. If the borrowing is of the order of Rs. 5 crores, even if you pay 5 per cent interest, the interest charges would have come to Rs. 25 lakhs. An ordinary trader is charged 6 per cent. or 6½ per cent. If you were to take that into account, not only would there have been a loss on trading account, but the profits would have been very much less. On all showing, it has to be contended that so far as the financial results are

concerned, if this Corporation were a private company, the shareholders would have considered the results very much depressing and would have considered that it was indicative of inefficiency and probably also of mismanagement.

I am aware that Corporation is a public institution and this is only its first year of working and, therefore, we should not be very hard. Nor is it my intention to run down or belittle the achievements of the State Trading Corporation. As you may have realised, my sympathies are with the STC. I would like to see it expand its activities and prosper. But, powerful forces are against it, the whole might of the private sector. I will for your information quote two observations from two recent reports.

One is from the Export Promotion Committee where it is said:

"Barring stray exceptions, the replies received (by the Committee) clearly showed that our traders and manufacturers do not look upon the S.T.C. with any favour."

They went on to say that the Corporation should not be given monopoly rights to export a commodity unless traders individually or collectively are unable to promote its exports. The implication is that private monopolies with their enormous powers of exploiting the consumer may be tolerated but not Government monopolies which may be presumed to operate in the public interest.

The other observation is from a recent report of the industrial delegation which had gone abroad, which says:

"The encroachment of the State Trading Corporation upon private trade was looked upon with great apprehension and as a beginning to 'something much more serious'."

This was said while the report was dealing with deterrents to foreign investment in this country. I need hardly say that I do not share the sentiments expressed in these statements. I would only like to impress upon the hon. Minister that the State Trading Corporation will have to do very much better, and set up a much more efficient organisation if it is to fulfil the purpose which many of us want it to accomplish—and that certainly is not to function as a mere adjunct to and a servant of the private sector.

Mr. Deputy-Speaker: Motion moved:

"That the first Annual Report of the State Trading Corporation of India (Private) Limited laid on the Table of the House on the 21st November, 1957, be taken into consideration"

This is before the House for consideration. We have already spent 35 minutes.

Shri Bimal Ghose: Thirty minutes

Mr. Deputy-Speaker: Thirty-five minutes. We have to rise at 6 o'clock.

Shri Bimal Ghose: Shri Datar finished at 4.07.

Mr. Deputy-Speaker: Even then, the hon. Member would appreciate that we have to rise at 6 o'clock.

An. Hon. Member: Why not at 6.30?

Mr. Deputy-Speaker: There is a function in the Central Hall where the President is unveiling a portrait and we would like to be there. All hon. Members would like to be there in time. We have to disperse at 6 o'clock. There are one hour and twenty-five minutes. May I know how long the hon. Minister would require for a reply?

The Minister of Commerce and Industry (Shri Morarji Desai): Not less than half an hour.

Mr. Deputy-Speaker: There are fifty-five minutes. I have got twelve names. There must be many rising in their seats who would like me to call them. About two dozen hon.

Members would like to participate. Can I have some solution from hon. Members here how to proceed?

Some Hon. Members: Five minutes.

Some Hon. Members: Ten minutes

Shri A. C. Guha (Barasat): Mr. Deputy-Speaker, my hon. friend Shri Bimal Ghose has practically covered all the points. I shall try to take up some of the residual points.

I should refer to the price charged by the State Trading Corporation for cement. Shri Bimal Ghose referred to the commission which, I agree with him, should not have been charged at least at that rate. About Rs. 69 lakhs that is credited to the State Trading Corporation was practically for no specific service rendered because the State Trading Corporation has no machinery of its own for distribution of cement. About the price fixed the original idea was to import about 5 or 6 lakh tons of cement. They could import only 2½ lakh tons. They fixed the price on the basis of the loss to be incurred on the import estimated previously. They could not import more. Yet they charged the higher price.

This brings me to the fundamental question. Whenever the State enters into trade or commercial transactions, what is the protection to the public against any rate charged by the State enterprise? As long as it is in the hands of private enterprise, there is some competition. The State also can intervene and fix a fair price. But, when a commercial transaction goes into the hands of the State—and we are committed to a socialist pattern of society and more and more the public sector will extend its operation in industrial and commercial activities.—in such a case, what is the protection of the consumer against anything done by the State Trading Corporation or any organisation of a similar nature? It is not quite enough that a certain service has been socialised. That is no protection to the consumers. Here is a book on Over-

[Shri A. C. Guha]

head Costs by an eminent economist, Prof. Lewis of the Manchester University. He has stated: that it is incompatible with democracy that a small board should be given power over immense resources, over the lives of hundreds of thousands of workers and the satisfaction of millions of consumers without further controls over their action

Here is just the case: a small corporation, conducted by a board and some managing director or something like that. They have fixed the price of cement, and the consumer has to pay that price. It is an indirect way of imposing an excise duty. I would suggest that that is the privilege only of this House to put an excise duty direct or indirect. By fixing a higher price and making a profit of Rs. 5 crores, the State Trading Corporation has put a sort of indirect excise duty on the sale of cement. I think thereby the State Trading Corporation has transgressed the limits of fair business, and also transgressed the limits of its authority

I may here refer to the Fiscal Commission's Report of which the Speaker of this House was an important Member. They suggested in page 222:

"It now remains for us to indicate the commercial and financial policy, the Government or semi-Government industrial undertakings should follow. The structure as well the conditions of work should be such as to ensure that community knows the cost of what they are doing, the community is satisfied with this cost, that it is equitably distributed and that the decision of the public authority is taken democratically."

So, this report has suggested that there should be some consumers' council attached to each State industry or State commercial enterprise, and there should also be a tribunal just as in the case of the railways there is the Railway Rates Tribunal

to which any individual consumer or the consumers' council can refer any case of higher prices being charged.

It is not good enough that a certain enterprise is conducted by the State. That gives no guarantee to the consumer of a fair deal. So, I suggest the Government may consider the setting up of a consumer council for each one of the public enterprises and also rates tribunals to which such cases may be referred so that the tribunals may fix the price or the rate at which the thing is supplied.

The Fiscal Commission has given a long note on this subject and has suggested that the decision of the rates tribunal should be more or less final. As in the case of the railway, it is suggested there should be a rates tribunal here also I think it is a suggestion which may be considered by the Commerce and Industry Ministry and also by the Government as such.

Then I come to the other activities of the Corporation. I think one new line that the Corporation opened is the export of shoes to USSR. I hope the rumours of complaints that we have been hearing about this transaction are not correct, but I would ask the hon. Minister to take the House into confidence and say if it is a fact that the USSR has refused to take a considerable consignment of shoes supplied to them because of bad quality or bad assortment. If that is the case, I think the hon. Minister should make an enquiry why the shoes were supplied to a new party, and proper care was not taken in the supply of the shoes. I hope it will not do permanent damage to the future trade in that line with the USSR.

We have been hearing about the chartering of ships by the State Trading Corporation for the export of their articles. In some cases there has not been any condition for the return cargo, and so she has to be paid a higher rate. But the more important, the more serious charge is

that in chartering ships, the State Trading Corporation has not consulted the indigenous shipping concerns, and that their interests have been ignored in this respect. Then also in the case of selecting stevedores, particularly in the Calcutta port, I think they have been accused of favouring one particular party and ignoring the claims of the other stevedores. I do not know whether this is also true or not.

Then I shall refer to the soda ash business to which Shri Ghose also referred. Here the serious charge is that they have not taken into consideration the productive capacity of the indigenous industry, and that thereby the trading operations of the Corporation have prejudicially affected the production capacity of the indigenous industry. That should not have been done.

Finally, if the State Trading Corporation is to operate, naturally it will have to extend its operation, but in the process it should be seen that the first victim may not be the poorer section of the private industrialists and businessmen. Their first onslaught should be on the bigger ones, but as far as we have been able to get information from this report, it seems that some of their activities have affected the poorer sections of the private sector and have not affected so much the richer sections. That should be taken care of so that the operations of this Corporation or any State enterprise do not affect, at least in the initial stages, the poorer section of the private sector. Its first victim should be the richer and the bigger ones.

I do not know whether it was proper to set aside Rs. 20 lakhs for the building fund. Out of Rs. 1 crore of subscribed capital, I think Rs. 20 lakhs should not have been set aside for the building fund. There has been a sort of craze for constructing new houses and palatial buildings. That also should be considered. I do not think it was quite proper to

set aside Rs. 20 lakhs for the building fund.

Shri M. E. Masani (Ranchi—East): I believe my hon. friend Shri Ghose has performed a public service in raising a discussion on this very important report of the State Trading Corporation, and much of the ground has been usefully covered by him and Shri Guha.

In the very short time that is available this afternoon I would like to ask the House to consider to what extent this experiment in State trading has justified itself, and I would like to start with the shifting objectives that have marked the progress of this Corporation.

When the Corporation was first established, it was announced that trade with the Iron-curtain countries was the reason for its establishment, the idea being that since a State monopoly prevailed at the other end, there should be one at this end also.

Shri Bimal Ghose: Who said that?

Shri M. E. Masani: That was very widely stated to be the purpose. That, unfortunately, is not a well-based reason as Shri Ghose points out, because many countries in the world have not set up state trading corporations, and they do a great deal more of business with the Soviet Union than we do. I can show the example of the United Kingdom where private traders and private businessmen carry on a great deal of trade successfully with the Iron Curtain countries.

The next reason given was that the State Trading Corporation would develop new trade and new exports in order to get this country the foreign exchange it needed. An assurance was given to the trade that no encroachments would be made on existing business but that new business would be developed. The report that we have here shows that the only item of new business is an item of 6,400 tons of chrome ore of which only 1,526 tons were actually exported. That seems to be the only new

[Shri M. R. Masani]

business that did not exist before which the State Trading Corporation has found, and when the report says that, "only a limited measure of success has been achieved," I think we will have to say that that is somewhat of an overstatement.

Later on, the ground was shifted to say that the State Trading Corporation would increase or "maximise" existing trade. Here, as Shri Ghose has pointed out, the only additional market that has been found is Italy in the case of 750 tons of iron ore—not a very great achievement.

Most of the activities of the State Trading Corporation, when we examine its record, are to divert private trade into its own channels. In other words, it is diversionary trade, diverting trade from private pockets to State channels or State pockets.

There is the story of the Arab and the camel. The camel put its nose into the tent of the Arab, and gently nudged the Arab. The Arab felt a little kindly towards the camel and invited it to come into the tent. In a very short time, with the same gentle process of pushing with its nose, the Arab found himself outside the tent, and the camel was occupying the whole of it! That seems to be, up to now, the process in which the State Trading Corporation has been engaged, and I am sorry to say that it is carrying that process out not through fair competition, to which there will be no objection, but by unfair competition, by a privileged and discriminatory position which has come to it because it forms part of the executive channels of this Government. There are many ways in which the State Trading Corporation is a privileged body. First of all, it has credit facilities from the State Bank of the order of Rs. 5 crores, guaranteed by the Government of India. It has a loan from the Government of India of Rs. 3.70 crores. By reason of this, it is able to give facilities and credits which a private business cannot do. There is also an absence of

trading risks in consequence of this situation. The Chairman of the State Trading Corporation is able to influence the grant or the refusal of grant of export and import licences. The State Trading Corporation is thus in the privileged position of making sure of its profit and then issuing licences or not issuing licences where profit would not materialise. This may be very good for the State Trading Corporation. But is it good for the consumer? And is it in the long run good for the import and export trade of this country? This is a question which we might well consider.

Lastly, the State Trading Corporation enjoys priorities on the railway system and at the docks. I was sorry to hear a Minister of Government some time ago say that that was only natural because Government should have priority. Government, as the representative of the people, of the sovereign people, has the right to priority over private interests. But I respectfully suggest that when Government enters trade or business, it must come down to the level of businessmen, must observe the standards of a businessman, and expect no privileges which a normal self-respecting citizen should not expect. That the State should give itself priority on its own railways is in my view an unfair practice, and the sooner it is stopped the better it will be for the experiment we are making in a mixed economy where we want to find out whether State institutions do better or whether private institutions do better. We cannot find this out if unfair advantage is given to one party as against another.

In these privileged conditions, it would be surprising if profits were not made. Almost anyone can make a profit under these loaded conditions. The surprise is that the profit is so small in spite of this privileged position. Even including the windfall arising out of cement transactions, to which I shall come in a moment, the

net profit is only one of Rs. 32.63 lakhs, which by business standards, is a very poor show.

Shri Bimal Ghose made a reference both to cement and to manganese ore. I would only take a few minutes to supplement what he has said. He has pointed out that the services rendered by the State Trading Corporation in the field of cement have yet to be revealed to the public. We know that the producers had their own sales organisations. Paragraph 7 of the Directors' Report which we have before us tries to explain what the Government of India did. But if I may say so, it is a fiction. The fact is that the sales organisations existed for the sale of cement. The State Trading Corporation interposed itself as an intermediary between the producer and their own sales organisations. Another intermediary or middleman was added in the chain that binds the producer and the consumer. We are very keen on eliminating middlemen whether on the land or elsewhere, and we support co-operatives in the hope that the consumer can come nearer the producer. But here, we find that the State Trading Corporation is a parasitic middleman interposing itself between the producer and his own sales agents, and for this service it gets a commission or service fee from the industry. This service fee costs a lot of money, and that money is an extra burden on the shoulders of the consumer. Shri Bimal Ghose has already made this point. I only want to underline it because it seems to me not very conscionable that the State should take money or commission or profit for not rendering any real service. I hope the Minister will take us into his confidence and tell us concretely and detail what new services the State Trading Corporation has rendered to the consumer of cement which was not available from the existing industry and its own sales organisations.

I am reminded of an old jingle about the House of Lords in Britain, which ran: 'The House of Lords does

nothing, but does it exceedingly well.' The State Trading Corporation also does nothing, but it does exceedingly well for itself.

Now, turning to manganese ore, there is a great deal that could be said. I have only got five minutes in which to conclude. . .

Mr. Deputy-Speaker: One minute more to conclude.

Shri M. R. Masani: I think I have a little more time, because I saw the clock. If however there is only one minute to conclude, then manganese ore must go by the board, and I must come to my conclusions.

Shri Jaipal Singh (Ranchi West-Reserved-Sch. Tribes): The hon Member may continue.

Shri M. R. Masani: I am a law-abiding citizen, and I bow to the decision of the Chair.

If I had gone into the question of manganese ore, I think I would have been able to show the story of what can only be called bungling. Shri Bimal Ghose made certain statements about the inability to blend low grade ores with high grade ores. One could have told of incidents where ships had to be turned back because the ore the State Trading Corporation had contracted to sell was not there. But time does not permit this. So I shall have to leave that to another occasion.

The conclusion to which I have come as a result of the study of the State Trading Corporation's Report is that it presents a rather sad story. I do not say that individual officers are to blame. I am sure they are doing their job under difficult conditions and doing it to the best of their capacity. But the question is whether the field of trade is a reasonable and an appropriate field for the State to enter. I, for one, cannot conceive of any field in industry and business less adapted, less suitable, for State intervention than that of trade, whether export, import or domestic.

[Shri M. R. Masani]

The lesson of this report, this very disappointing report, is that even with the best will in the world it is not possible for the State to make a good job of something which it is not made or meant to undertake. I have no objection to State trading, provided there is a fair field and no favour, provided the State Trading Corporation enters into the field in fair and equal competition with those who are there or those who wish to enter it. But unfortunately, in this case, the State Trading Corporation tends to be a privileged monopoly, and if any case of monopoly capitalism is visible to the naked eye, I suggest that the State Trading Corporation is a case of State finance monopoly capitalism of the worst kind, because it loads the dice against those with whom it competes.

Now, I would appeal to the Hon'ble Minister, for whom we have all got the greatest esteem, to reconsider this whole experiment. This was undertaken before he took on this particular portfolio. I would like him to consider whether this experiment has justified itself, and what the conclusions which flow from this record are. If he will undertake that in the next twelve months the State Trading Corporation will behave like a normal trading organisation, will not arrogate to itself police powers to put pressure on others and to bring intimidation to bear, then I think the picture will be even clearer.

As an immediate step, I would suggest that this Report calls for an independent investigation at the hands of some body which has business experience and knowledge to consider, by business standards, whether this is a record of success or of failure.

Shri Paralekar (Thana): Two major issues arise out of the report which is under consideration. One of the issues is whether the corporation has fulfilled the object for which it was set up, and the other is how it

has functioned during the period under report.

Within the short time at my disposal, I would like to deal with both these issues briefly. In respect of the first issue, I wish to submit that the corporation has failed miserably to fulfil the objective for which it was set up. The objective of the corporation as set forth in its Memorandum is:

"to organise and effect exports from and imports into India of all such goods and commodities as the company may from time to time determine.. ."

So, the question before us is whether this corporation has fulfilled this object and discharged the responsibility which was thrown upon it. I shall cite some instances to prove how it has miserably failed. If you compare the volume of total trade of our country, both exports and imports, with the volume of trade carried on by this corporation, you will realise its dismal failure. The total value of our trade, both exports and imports, is to the tune of Rs. 1300 crores per year. The value of imports in 1955 was Rs. 649 crores. I have chosen the year 1955 because that was the year of normal imports. The value of exports in 1957 was Rs. 637 crores. Now, what is the value of the trade carried on by the corporation? In calculating this figure, we shall have to deduct the value of the trade which this corporation has carried on with those countries which constitute the socialist market, because the corporation has no other alternative but to trade with those countries at the State level. After deducting this figure, the total foreign trade which this Corporation carried on during the year constitutes a very negligible fraction of the total volume of trade of our country.

17 hrs.

I will cite another proof of its failure. Take the case of commodities which we export. The principal com-

modities have been listed in the Report of the Reserve Bank, to which I have no time to refer. But they are jute, tea, cotton manufactures and other articles. The export of jute, tea and cotton manufactures constitutes 50 per cent of our total export trade. The Corporation has not taken over trade in any of the principal commodities which we export to foreign countries.

I will adduce a third proof of its failure—and the most important of all. The Corporation has failed to take over the trade of foreign agencies which are entrenched in our country and are in a dominating position. The export of tea, export of jute, export of textile manufactures are all in the hands of foreign agencies—barring textiles. The tobacco trade is in the hands of ILTO, in the case of oilseeds, it is Volkart Brothers, in the case of cotton, it is Ralli Brothers.

It is not necessary for me to argue at length to show how harmful they are to our national interests. The enormous profits which they make are not available to the country for national reconstruction. They are in such a dominating position that they dictate prices, and the primary producers in our country are at the mercy of these dominating monopolists. The cut-throat competition which they carry on results in a situation where the small businessman in our country cannot carry on the foreign trade. The place which these monopolistic foreign agencies occupy is so dominating that it was necessary for the State Trading Corporation to have taken over the trade carried on by them.

The conclusions which I would like to draw from the failures of the State Trading Corporation are quite different from those which the representative of the Forum of Free Enterprise has arrived at. The conclusion which emerges from the failure of the Corporation is that it is necessary for Government to strengthen it, develop it and extend its

fields of operation. It is necessary for the Corporation to take over the trade in all the principal commodities which we export and import. It is necessary for the Corporation to take over the entire trade of the foreign agencies and to eliminate those agencies from our national trade. It is also necessary for the Corporation to take over the trade of Indian monopolists who also occupy a dominating position. Lastly it must help the small businessman to develop foreign trade in the course of its operation.

These measures, I submit, are dictated by our national interest. It is very difficult to give exact figures of profits which foreign trade earns. It is a well known fact that accounts are manipulated, the more monopolist a businessman is, the more efficient he is in manipulation of accounts. Setting that question apart, it may be guessed—and it may not be far from the truth—that the profits range from a minimum of 40 to 50 per cent.

So if the measures which I have suggested are adopted by Government, it will not be necessary for the Finance Minister to come out with proposals for bleeding the common man by levying higher taxes. It will be possible for Government to find adequate funds to execute the Second Five Year Plan, and it will also enable Government to eliminate cut-throat competition and speculation in foreign trade of the country.

It is no wonder that the Corporation has failed to discharge its responsibility, because it has been a sickly child from its very birth. It seems that it was an unwanted child. It started with a capital of Rs 5 lakhs. It was increased to Rs 10 lakhs. Now its capital is Rs 1 crore. How could we expect a State Trading Corporation with so small capital at its disposal to take over foreign trade in such a way that the country will benefit?

I will not refer at length to the last question. It is true that the functioning of this Corporation has not

[Shri Parulekar].

entirely been satisfactory. Many defects have been shown. It is no wonder that it is inefficient and there are many shortcomings in its functioning, because if you look at the list of directors, you will find that the board is packed up with bureaucrats. The bureaucrats may be good bureaucrats....

Shri V. P. Nayar (Quilon): Relatives.

Shri Parulekar: ...but they are poor businessmen. They do not know anything about business. Unless the State Trading Corporation is in the hands of people who are patriotic enough, who will place national interests above their own selfish interests, it will not be able to eliminate the shortcomings and inefficiency with which it is charged.

I am not surprised that the representatives of the private sector in this House are opposed to the State Trading Corporation. They want to utilise the defects and shortcomings of the Corporation for abolishing it. That is no surprise because the Corporation clashes with the interests of the private sector which are selfish and anti-national.

Shri Dasappa (Bangalore): I have been listening very carefully to the speeches of my hon. friends opposite. It looks to me that all the speakers have missed the most important aspect of this Corporation—I am sorry to say so. It is well known that India has launched on a very big developmental Plan and we need foreign exchange. Even apart from the requirement of foreign exchange, we must have a better balance of trade, if we have got to find resources for our Plan, which means that we have got to export much more than we need to import. This is a very big undertaking and I would ask my hon. friends how best this result could be achieved and this consummation brought about except through one central organisation which not only does trading by itself but also keeps

a watch over the extensive imports and exports that India needs.

Therefore, I feel that the State Trading Corporation has come into existence none too soon. I really wish it had come at least four or five years earlier.

One of the arrangements that we find here is what is known as 'link arrangement'. There, the question of currency also comes in. We need a lot of foreign exchange. We need sterling and dollar. We have got to see that when people who are inclined to have our goods exported from India pay us in rupees, we will be able to get them to pay for our imports in foreign currencies. I believe that is the link arrangement to which the Corporation refers to. I beg to submit that it is impossible for any individual to bring about the result in as efficient a way as the State Trading Corporation can.

I would just explain. I am sorry that the time is so short, it is rather unfair to the House that we have got only two hours for this.

Mr. Deputy-Speaker: This much is also gone.

Shri Dasappa: Now, if we want to purchase our goods, say, in West Germany, we would like certain parties there to advance us moneys for payment for the goods to be imported here, the machinery and plant, in foreign exchange. They would not do so unless we assure them of certain exports which they require for those countries from India. It is in this particular aspect that this link arrangement of the State Trading Corporation comes to help us remarkably well. And, I am glad that the State Trading Corporation is thinking of this. It may be that they want tea, they want manganese ore or iron ore, coffee, shoes, leather, hides and skins and things like that. If they want those articles we would ask them to pay in foreign exchange for the plant and machinery required here and we could ask them to pay

us in rupees here. In that way there can be a more or less barter arrangement and that can be done well only through the State Trading Corporation.

I would like the State Trading Corporation to adopt certain austerity methods so far as the consumer goods in India are concerned. That is a bigger question of policy which cannot be determined by the Corporation itself. I would like this country to deny itself of some of the consumer goods which it can well do without. Take coffee, for instance. I see that the State Trading Corporation has exported only a paltry 775 tons. I would like them to export 10,000 tons if possible. It does not matter if we deny ourselves of coffee. So much of foreign exchange we will earn. Likewise, with regard to so many other things, I wish the State Trading Corporation is able really to promote these exports from this angle of view.

I would like to say a word about the personnel of the Directorate. It is extraordinary how there is a certain element of agreement between the opposite side and this side. When I looked over the Directorate, I found that this Parliament which puts so much funds—all the money in fact—is nowhere represented on this Directorate. The technique of it has been so evolved by the Government of India that on no Corporation do you find the representatives of the people of this country who voted all the grants. I feel that this is a totally wrong attitude to take up and it is very necessary that on every one of these Corporations some representatives, maybe 2, maybe 3, are there to watch the interests of the people at large, both the consumers and the producers.

We find that they have made such huge profits, probably nearly Rs. 6 crores or Rs. 5 crores on cement. I would like to ask the hon. Minister how is it that they have not imported the whole quantity which they wanted to import. They do not say how much they wanted to import. They simply

state that all the quantity which they hoped to import or which they wanted to import could not be imported. I would like to know when they discovered that they could not import the whole quantity. As soon as they discovered that they could not import the whole of the quantity, they should have, certainly, brought down the pool price and not kept on to the old price in the hope that they would be able to import more. I would like to know exactly when the State Trading Corporation discovered that it was not possible to import the larger amount. They do not say what they are going to do with these crores of rupees. After all it is the consumers who pay. It is said that most of the cement has gone to the public sector in which case it is the Government, and, indirectly, the taxpayer that has got to pay. I feel that this is a very objectionable case and I would be very grateful to the hon. Minister if he would enlighten us on this point.

I would only in the end plead that with regard to the Corporation it is very desirable that the Parliament is represented on the Board of Directors.

Shri Mahanty (Dhenkanal): Mr. Deputy-Speaker, the State Trading Corporation was set up in May 1956 with an authorised share capital of Rs. 1 crore. It has been fully paid up. In the meantime, during the first year of its work, it has declared a virgin dividend of 6½ per cent. Therefore, it can be rightly claimed by Government as a successful commercial venture, as far as it goes.

But, I would like to submit to this House that this profit which has accrued to the State Trading Corporation may not be fictitious but is illusory. It has accrued to the State at the cost of administrative equity, normal business practice and the interest of the consumers.

The debate on this issue cannot be reduced to an issue between the private sector and the public sector. I would like to know, does socialism

[Shri Mahanty].

mean fleecing the consumers and that too recklessly?

I am coming to cement. A perusal of the report will show that the bulk of the profits, more than Rs. 5 crores, is on account of cement. Now, this House may be well aware that there is a "cement gap" in this country. Indigenous production is not enough to meet the requirements of the country. Therefore, we have to import cement from foreign countries. We were importing cement from foreign countries at a price which was higher than what was obtaining for the indigenous cement. Therefore the government fixed a pool price. I can well appreciate it. But, I will give you figures to show to what extent the cement price has gone up after the State Trading Corporation came into existence.

In July 1956, the State Trading Corporation undertook the distribution of cement in this country. In 1956, before the State Trading Corporation came to lay its hands on the cement, the price of cement per ton was Rs 84.4—in the month of June 1956. It included f.o.r. destination plus excise duty at the rate of Rs. 5 per ton. But, can you imagine that in the month of June 1957 the price had gone up to Rs. 117.8? This is how the State Trading Corporation has been able to declare a profit.

I cannot go into the detailed analysis of the price structure since the time at my disposal is short. I have got all the details with me. The price has gone up by 40 per cent. I would ask a straight question to the hon. Minister. Does he equate socialism with Stateism? But Socialism cannot be Stateism and the State cannot be equated with a pasture ground for superannuated officers. We cannot replace private capitalists by non-commercial and inefficient bureaucrats. It is high time the country had known how these profits have accrued to the State Trading Corporation on account of cement.

I will now come to the ores. The House knows that iron ore is a State monopoly. Therefore, the Rs. 20 lakhs or Rs. 25 lakhs profit, which has accrued on account of export of iron ore, I do not take that into account, because we cannot compare it with the result of the private operators. There is nothing to compare. I am setting it aside. I am coming to the manganese ore.

Shri Bimal Ghose: It is export; you have to sell the product (Interruptions).

Mr. Deputy-Speaker: The time is flying

Shri Mahanty: I cannot afford to lose time on account of interruptions. I come to manganese ore exports. In the export of this ore, the STC has made a profit of Rs. 10.44 lakhs. The hon. Minister can rightly point out and say: what is there to talk about? We have made a profit on that account.

But, I would like to tell the hon. Minister that this profit has accrued at the cost of normal business practice and administrative equity. On the 10th of this month, I put a question. I asked for the price ruling in the Indian market so far as high grade manganese ore and low grade manganese ore were concerned and the price at which the contract was entered into with the foreign buyers. The hon. Minister, Shri Kanungo, replied:

"I have given the prices; they ranged between Rs 450 to Rs. 120 per ton; and the prices during the period the contracts were entered into ranged between 55 and 29 dollars working out at Rs. 4.53 per dollar."

If you will kindly calculate, you will find that while the price of high grade manganese ore was ruling in the Indian market at the rate of Rs. 450, the STC entered into contract with foreign buyers for less than Rs. 250 per ton. It works out to about Rs. 249.15. Here is your answer; you cannot escape from it.

Therefore, I would like to ask: is this business practice? Is it socialism? Had the private exporters exported this amount of ore to the foreign countries, they would have made fifty per cent more than what the STC had got from the foreign buyers.

There is another serious thing. I am no great admirer of private sector. The hon. Minister knows it too well. But when you accept that there should be a private sector and you allow that private sector to operate, it is certainly dishonest to elbow out that private sector. It is perfectly open to you to change your Industrial Policy Resolution. You say that there will be no private sector and I will be the first man to support it.

But when you make a hullabaloo about the private sector, may be for your own political ends, for raising your own election funds—it is only fit and proper that you should allow that private sector to operate within the prescribed limits.

Mr. Deputy-Speaker: I should not be blamed to that extent

Shri Mahanty: No, Sir. I am sorry. One minute has passed. The private sector was permitted in 1956-57 to export 25 per cent of the available quota. For 1957-58, the Government Press note which was published in relation to the manganese ore export stated that the private sector will be allowed "adequate" quota. The STC was left to define what that "adequate" quota meant. During the year ending 30th June, 1957, the total movement of manganese ore to Vishakapatnam and Bombay was 6.85 lakh tons. Assuming that the private sector was allowed its export quota, it has been calculated to be of the order of 4.85 lakh tons. But the report states that the STC has exported four lakh tons and that too sustaining a loss in certain individual shipments. That has been admitted by this report and the hon. Minister a little while ago waived his hand, probably in despair, and had said that no loss had been incurred. But here is the report which states that loss had been incurred in certain shipments.

Therefore, it is no question of private sector or public sector. It is a question of normal business efficiency. The last point that I would like to urge before the House is in relation to cement. A loss of Rs. 48 lakhs had been incurred on account of imported cement but the total profit that has accrued is a little over five crores of rupees. Why should this pool price operate at the cost of the consumer? If the Government is for socialism, I would like the Government to operate this pool price on a no-profit-no-loss basis. Why should the Government, for the benefit of a Corporation, manned by superannuated officials—I have got every respect for them none-the-less—fleece the consumers to the tune of five crores of rupees? This cannot be socialism; this is pure and simple statism. It is much worse than capitalism.

Therefore, I would like the STC to function more effectively and to go into the sectors of private export or import trade. Nobody can take any exception to that. But it should be noted that it could not be at the cost of the normal business practice and administrative equity. Above all, it should not be at the cost of the consumers at large.

Mr. Deputy-Speaker: I am sorry I have nothing more to offer to other hon. Members except my apologies. The hon. Minister.

The Minister of Commerce and Industry (Shri Morarji Desai): Mr. Deputy-Speaker, I am glad that this debate has taken place on the working of the STC. I would have been happy if more time had been allotted because Government would like to have as much light thrown on its working as possible. We have never claimed as others claim that we do not make mistakes or that there is no scope for improvement. Especially in a matter like this which is a new venture, we have got to take stock from time to time and draw from the experience of many other people who may know the working of such an

[Shri Morarji Desai]

organisation. It is, therefore, that I should have certainly welcomed a longer discussion if it had been possible

In the criticism made, there has been a little contradiction. There is one criticism which says that the STC has not done enough; it has miserably failed because it has not taken up all the foreign trade

Shri Punnoose (Ambalapuzha): Important sectors

Shri Morarji Desai: When important sectors are taken up all sectors are taken up (Interruptions)

Mr. Deputy-Speaker: Mr Parulekar says that the camel is still out and the Arab is getting the whole tent Mr Masani says that the camel has ousted the man

Shri Morarji Desai: Between the two lies the truth. These two contradictions have really cancelled each other. But the intention with which this Corporation was started was very clear. It was not the intention, as my hon friend, Shri Parulekar, said to replace all the existing trading and business channels. That was not the intention of the STC. That may be in accordance with his philosophy. But that is not the philosophy of this Government and, therefore, it is not possible for me to do what he wants me to do.

The purpose of the STC has been trade promotion, bulk handling, link transactions, developing trade with new trading partners and also assisting existing trade and business agencies in expanding the trade. It was not with the only intention that we had to deal with countries who deal on a State level that the State Trading Corporation was started. But that was also one of the functions of the State Trading Corporation. Though my hon friend Shri Masani said that there are countries where private individuals and business men deal with those countries where there is State trading only—that is true—he talks of advanced countries where large Corporations are also working, and

he forgets that in this country our businessmen have not yet developed that faculty of dealing with these people. And, we saw that as they found it difficult to carry on their transactions, either to make good their terms or even to get the money—that is what we found in some cases—it was necessary that the State should work this as a State Corporation, which helps us in doing this business and which also gives confidence to the other people.

I know my hon friend, Shri Masani, if he can help it would see that this Corporation disappears, though he had not the courage to say that. He said, let it go on but let it go on in a different way.

Shri M E Masani: I asked for an investigation to consider whether it should be wound up or not.

Shri Morarji Desai: I am prepared to take the help of my hon friend if he can assist me in carrying out this investigation.

Shri M E Masani: My services are always at your disposal.

Shri Morarji Desai: There is nothing to be hidden in this affair. Anybody can come in and see whatever he wants to see. As a matter of fact, we do think of having an Advisory Committee where we can have the several interests represented who can help us, who can also scrutinise and who can also, if necessary, censor us. Therefore, that agency can be set up.

Shri Bimal Ghose: Are we to understand that the main purpose of the Corporation is promotional and profit-earning, if any, is only incidental?

Shri Morarji Desai: Yes, Sir. Without profit-earning such a Corporation can never work. It may be that this Corporation may not earn anything, it may even lose in making several transactions, which may be necessary for the interests of the country. Therefore, profit-earning is not the only motive of the State Trading Corporation, or is no motive what-

soever, if I may say so. Therefore, it is not the intention, not as my hon. friend there says, that State Trading Corporation should earn in such a manner as to take up everything so that no taxation may be necessary for the consumers. That may be done in some countries.

Shri Punnoose: Was it not intended to augment the revenues of the State?

Shri Morarji Desai: If incidentally it happens, that is certainly the intention, as it has incidentally happened in this case. But that is not the main purpose nor can it be the main purpose. If it comes it is welcome, if it does not come we are not sorry, we do not depend upon it; that is the meaning. But when there is some income coming from cement there is a lot of protest about it. That income has gone to the State; it has not gone to the Corporation, but it has gone to the finances of the State.

Shri Bimal Ghose: That is profiteering.

Shri Morarji Desai: That is not profiteering as I will soon explain: It may appear to be profiteering. I do not say there is no justification for that criticism. That is not what I am saying. But there is some justification also for levying the high rates that were levied, and that is what I want to point out.

I have no quarrel with the criticism made. It is possible that if we had known from the very beginning that we will not be able to import cement to the extent to which we wanted to import perhaps the prices would have been lower. But the price which has been fixed is not at all for taking large profits, it was to meet the difference between the losses. Therefore, we had to fix an equalisation price and on account of that we had to levy a higher price. Then higher excise duty was levied and that also went on adding to the price. But later on when the excise duty was increased we absorbed it in the price, we have not added that on to the price. The railway freight also

increased, that also has been absorbed in the price.

About six months ago, I think, we realised that we will not be able to import all the cement that we wanted to import and then we found that there will be more profits realised. Then we did declare that this was happening. We did not say that it was not coming. The fact was not hidden. We also stated that we were not going to lower it, because if we lowered it, at that time there was black-marketing going up because of scarcity of cement and the black-marketing would have increased in extent.

Shri M. R. Masani: Has it come down now?

Shri Morarji Desai: It has gone down now. There is very little black-marketing in it, except in the minds of some people who always think of black-marketing in whatever they see. I do not say it has disappeared (*Interruption*). If you say that the consumers had been penalised, it was not a question of penalising the consumers. The bulk of it has been taken up by Government. Therefore, it is not any private individual who has been penalised. Even that has gone from the Government.

And, supposing the additional excise duty has been levied, there would have been no criticism, and that may be the likely result as a result of all this. I am not going to say this will be lowered, but if it is the intention of hon. Members that excise duty should be levied, then it will be levied.

An Hon. Member: That is properly to be done.

Shri Morarji Desai: It will be properly done. Certainly we shall do it. Why should we not do it? I am not, therefore, going to say that we are going to lower the price.

But how is that going to help the consumer in any way? I do not understand. As a matter of fact, keeping the prices like this would have

[Shri Morarji Desai]

been more beneficial from the point of view even of consumers, because at some stage it would have been possible also to lessen the price. But once excise duties are levied that will not be possible, because the prices will go up further. That is all that will happen. All this is certainly under consideration.

A question was asked how these Rs. 5 crores are going to be utilised. These Rs. 5 crores will be utilised as all the funds of Government are utilised for public purposes. If money is taken from the public and it is utilised for public purposes, I do not see how any immorality can come into it. All taxation then should be immoral. This may be considered as a sort of taxation, if it has come like that. It was not levied as taxation. But any money that comes to Government certainly comes from the people; it does not come from anywhere else. It cannot come from anywhere else. Therefore, if it has come like that, it is all right. We are thinking of utilising these Rs. 5 crores, if possible, towards having national roadways, so that it is properly utilised and everybody will get benefit out of it. It may be a windfall but the windfall can be utilised also for purposes for which money, would not have been forthcoming on account of the budgetary position of the country as it is. Therefore, this will be a good purpose, as far as I can know.

Shri Bimal Ghose: Prices should not be used for that purpose, that is the job of taxation and not price.

Shri Morarji Desai: I quite agree, and I said that the criticism is justified to some extent. But when this price was raised there was no intention of profiteering in it. It has become a windfall at the end.

An. Hon. Member: Accident.

Shri Morarji Desai: But if the accident has taken place, should we now undo the accident? It is not possible. No accident can be undone. What we can do now is to make the

best use of it and, if your Government makes the best use of it, I think you ought to be happy about it and not sorry about it.

The criticism was mainly about the price of cement and also about the commission charged, and that no service has been given. I can't say that the service given has been extraordinary. I can't certainly say that. But it is not right to say that no service has been given. Service has been given by rationalising distribution because otherwise that would not have been done. It has saved transport. We have also enabled these people to give it in their areas in a proper manner. Several services in that sense have been given which may not be valued in money, you may also consider them as a commission which is levied, because Government has got to equalise the prices and has got to take several steps. For that this commission has been taken. If it is considered in very high, we will certainly consider whether it should be lowered. That will certainly be considered.

Shri M. R. Masani: Are the services rendered worth Rs. 12.50 per ton of cement?

Shri Morarji Desai: I shall certainly work it out and see. We do not want to take any exorbitant commission. We should profit by the experience and the criticism and we will not be open to this criticism in the future. And when my hon. friend has said that now that I have taken charge of this, I will certainly do something different from what was done in the past, I am not prepared to accept the criticism involved in this matter of the past practice, because I do not think that I am doing better than what was done in the past. But certainly, as one gathers experience and one finds any defects, one removes them. It is not due to me. If I remove the defects it is only due to the experience gained and the wisdom given by the hon. friends also. Therefore, I will

give more credit to them rather than take it myself.

Then the question was raised about the staff engaged in this Corporation. There also, criticism was made without knowing all the facts. It was argued that many retired officers have been taken as if the bulk of the office is staffed by retired officers.

Shri Bimal Ghose: What is the percentage of officers?

Shri Morarji Desai: If my hon. friend can cultivate a sense of patience on some occasions, I shall be very thankful.

Shri Bimal Ghose: What is the total number of the staff?

Shri Morarji Desai: I am coming to it, and I am giving the figure for all the people. If my hon. friend thinks that we do not think about it at all, he should know that God has given us some sense also. Therefore, if only they do not show impatience and do not show themselves up, it would be much better.

The number of officers is 105. Out of that, re-employed officers are 15. Out of the staff which numbers 547, there are 39. They are on deputation.

Shri Panigrahi (Puri): What about top officers?

Shri Morarji Desai: Out of 105, there are 15 who are re-employed. There are also businessmen employed in the work of this corporation. But I do not see why fault is being found with regard to retired officers. Business houses have employed retired officers on a premium.

An Hon. Member: For other reasons.

Shri Morarji Desai: Not for other reasons.

Shri Bimal Ghose: That is for evading income-tax.

Shri Surendranath Dwivedy (Kendrapara): It is highly objectionable.

Mr. Deputy-Speaker: Well, if I ask the Minister to sit down, will the Members be happy?

Shri Nath Pai (Rajapur): We are very patient.

Shri Morarji Desai: How can anybody change his nature? Therefore, this can go on. I have no quarrel about it. It saves me a lot of trouble.

Mr. Deputy-Speaker: Their time is free.

Shri Morarji Desai: If my hon. friends only want to lose time, it is their time. It is no loss to me. Therefore, I am not worried that way.

It is not that retired officers are in demand by business houses for some reasons which my hon. friends suspect. There may be some cases in which that may have been so, but, by and large, it is because the retired officers have great worth; they have gathered great experience which is essential to the business houses. We also find the same thing. Therefore, we also re-employ retired officers, because we are short of experienced people, and we find that we should not give up their services. But, because also of unemployment and various other reasons, we want to have new blood coming in for that. We have got people who retire and go out. But that does not mean that they are not useful. They are more useful even when they retire than even when they were in service. If we employ them it is good. If we employ such officers for want of young experienced men, in this Corporation I do not think any harm is done.

Shri V. P. Nayar: Are they more required in such bodies than in their own departments, with all their experience?

Shri Mahanty: May I put one question?

Mr. Deputy-Speaker: If there is time, I may allow one or two questions.

Shri V. F. Nayar: By stopping, he is inviting interruptions.

Shri Morarji Desai: I do not mind. Now, take the question of soda ash. It was said that in soda ash we have interfered unnecessarily. We have not interfered for the sake of interference, and the argument that the local or Indian manufacture has gone down as a result of what we have done is also wrong. No production has gone down in this manner. As a matter of fact, the production in this country is less than what we require. It is therefore that we have got to import soda ash and if we had not imported soda ash, and if the State Trading Corporation did not do it, then, what was happening was that prices were always put up between them and so the imported soda ash brought a larger price, and the local manufactures also got a larger price. It was in order that prices may not go up that the State Trading Corporation took up this work and imported soda ash to the required quantity. We are not importing more than what is required, and we do not want to see that the local manufacturers suffer. As a matter of fact, we want that Indian manufacturers increase their production to such an extent that there is no necessity of importing any soda ash. It is therefore that we want to help them; in doing so, we do not want to see that they get more profits than they are entitled to because of the scarcity of the material.

The importance of this line can be seen from the fact that during the Suez trouble we were able to keep down the prices even at some loss, and we did not raise the price at that time. Therefore, our manufacturers also could not raise the prices. That is their grouse to some extent. But I have assured them that if they find that their stocks have accumulated to such an extent that they are afraid

of production, I am prepared to take over their stocks and distribute them in the country. They need not be afraid that their stocks will go out of distribution. That is what I have told them, and there is absolutely no intention of harming them. There is certainly the intention to have a control on them which is also one of the functions of the State Trading Corporation. The State Trading Corporation wants to see that as far as possible no profiteering is done in trade and business, so that the People may profit. And if the State Trading Corporation gets larger profits, it is the whole country which profits and not a single individual. It is the function of this hon. House, and this hon. House has to compliment Government on that and not to find fault with it. I cannot understand why there should be any apologetic attitude in this matter.

I was surprised when my hon. friend Shri A. C. Guha wanted to raise an objection about it. He was doing the same thing a year ago, and now he wants to teach me something else. As a matter of fact, it was with his consent that this came up.

Shri A. C. Guha: I said that instead of the department having the authority to raise the prices, that should have been done by this House. That is the only grouse.

Shri Morarji Desai: This is not what he said when he was in a different position, but these things happen. He is perhaps able to see a different light, and I will certainly profit by that light too.

Then comes the question of iron ore and manganese ore, which also is another matter about which criticism has been made. It was said that we have not increased the business in this at all. I do not think that the criticism is justified.

It was also alleged that we have not been able to bring more prices for iron ore, and as a matter of fact, we have brought less—that is what was argued—as a result of the monopoly which Government has taken in iron ore export. In the first place, I hope my hon. friends know that the monopoly came only in this July and not earlier than that. The whole year, the monopoly was not there. Only for a part of the year, the monopoly was there.

The prices quoted by my hon. friend were not the prices which were obtained by all exporters. It is possible that those of the reporters who have dealt with this before, one or two, may have got very high prices, prices higher than we have got now. But, the bulk of the exporters were getting far less prices on account of cut throat competition amongst them. After the State Trading Corporation is dealing with this, we are able to bring in, on the whole, higher prices. We were getting formerly from Japan 74 to 76 shillings per ton. We have now made contracts with them for 84, 85 shillings per ton for 7.2 million tons of iron ore. Therefore, it will be seen that the prices have risen and not decreased.

It is said that we are not making larger business. This contract with Japan would not have been possible if it had been left to private business, because nobody could assure this sort of supply to other countries. We are also making such contracts with other countries. It is said, you have not done much immediately. This Corporation is in existence for a year or a little more. Is there any business concern in this country which has made an equivalent profit in the first year?

Shri Nimal Ghose: On the sale of the order of Rs. 10 crores. If it had not been on that sale, I would not have said anything. If it had no sales, I would not have said anything.

Shri Mararji Desai: When you establish a business, first you have got to have contracts, you have got to make experiments, you have got to lose, you have got to do so many things. Therefore, considering all this, I do not think that the State Trading Corporation has done badly. I won't say that it has done very well. Nobody can say that he has done very well, because there is always scope of improvement every time. Therefore, I am not claiming any credit in this matter. But, to run down an organisation even when it has done some good work would offer no encouragement to a venture of Government which, I think is the duty and business of all the hon. Members of this House, to whichever party they belong. They have all a share in Government. They have got to encourage them, not to run them down. Of course, proper criticism is also encouragement. I do not say that proper criticism should not be made. It is a matter of encouragement. Then, you help the Corporation in doing its work better. I am not, in any way grudging criticism. I would welcome criticism. But, the criticism should be well informed and not misinformed. Nor should it come out of prejudice either on account of a different philosophy or on account of personalities.

In the matter of manganese ore also, it is true that we are dealing with half the quota. Eight lakh tons are dealt with by private traders and 8 lakh tons by the State Trading Corporation. But, there too, whatever contract is made by the State Trading Corporation, it is done with the help of the private people because we do not produce any manganese ore ourselves. It is done by private traders and we make contracts with other countries. This is also done in order to see that we expand our business. For this also, several steps are being taken and I am quite sure that we will be able to expand our business in foreign countries in the near future.

[Shri Morarji Desai]

But, competition in manganese ore is increasing everywhere. Different countries also are coming into the picture. Therefore, I cannot say that we will always be able to increase our exports of manganese ore. Yet, because the State Trading Corporation, is able to give them other things in return for the contracts with them, we are able to do better business in the matter of manganese ore also. Even from that point of view, I think that the State Trading Corporation is doing a good turn to the people who are in this trade and business.

But, when this is said, I cannot claim that nobody has been inconvenienced or no harm has been done to anybody. I cannot say that. When the State Trading Corporation came into existence, it was bound to create some suspicion in some places and it was bound also to replace some agency in some things. But, we are trying to see that we do not replace anybody, but we add to the existing agencies and we also help the existing agencies in improving their prospects, and profits; not profits in one transaction, but by increasing their trade. Because, profiteering is not good in any case. Large profits, if they come out of larger transactions, are certainly good for anybody and for the country. That is what we are trying to do.

In the matter of ores, in all countries, generally, the trade is done either by the States by State Corporations or by large private corporations and not by smaller people. Smaller people can never deal efficiently in this matter. They go on giving their business to bigger people and deal through them. They themselves do not make transactions with other countries. Otherwise, they cannot go ahead. Therefore, the State Trading Corporation, in this matter also, is supplying an agency to the traders, exporters and mine-owners in this country. As a matter of fact, I think this hon.

House also is of the opinion that mining should be done more and more by Government, by the State rather than by private agencies. Therefore, if that is to be done in the future, it will be necessary that the State Trading Corporation will have to deal with this more and more. But, it is not in order to come in the way of anybody. It is an order that they are helped, the country is helped and on the whole, trade is advanced.

There was a question about the transaction of shoes, which was raised here, which we sold to Russia. It is true that in the first consignment the goods supplied were not good. We found that out immediately and we sent the person concerned there and the matter was set right. Compensation was given and the result was that we are getting more and more orders now. Trade is expanding in that direction. Therefore, we have also profited by a mistake that was made.

An Hon. Member: You welcome it. (Interruption).

Shri Morarji Desai: I did not follow what was said.

Mr. Deputy-Speaker: You need not worry about that.

Shri Morarji Desai: I can....

Mr. Deputy-Speaker: Perhaps that was not meant for his ears.

Shri Morarji Desai: So, this trade is increasing because we have established our credit and we have also established a system whereby such mistakes do not take place in the future so that our trade becomes better. This is also a thing which has happened because of the State Trading Corporation. I do not think any private agency would have been able to deal with this.

In the same way, other items also. We are trying to have more trade with other countries. As we are now beginning to do this and as we are just now making arrangements about various things, I do not think it will be proper for me to give out details. Otherwise, business may fail. Therefore, it is not necessary that I must speak more about it. I think it will be possible to give a better account next year. That is all that I can say on this occasion.

Shri Panigrahi: May I ask one question, Sir?

Mr. Deputy-Speaker: There is a good promise made. What more is there?

MESSAGES FROM RAJYA SABHA

Secretary: Sir, I have to report the following messages received from the Secretary of Rajya Sabha:—

(i) 'In accordance with the provisions of sub-rule (6) of rule 162 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to return herewith the Union Duties of Excise (Distribution) Bill, 1957, which was passed by the Lok Sabha at its sitting held on the 13th December, 1957 and transmitted to the Rajya Sabha for its recommendations on the same day and to state that the Rajya Sabha at its sitting held on the 19th December, 1957, recommended that the following amendment be made in the said Bill:—

That at page 1, in the long title, the following be added at the end, namely:—

"in pursuance of the principles of distribution formulated and the recommendations made by the Finance Commission in its report, dated the 30th day of September, 1957".

(ii) I am directed to inform the Lok Sabha that the Estate Duty and Tax on Railway Passenger Fares (Distribution) Bill, 1957, which was passed by the Lok Sabha at its sitting held on the 13th December, 1957, has been passed by the Rajya Sabha at its sitting held on the 19th December, 1957, with the following amendment:—

Long Title

That at page 1, in the long title, the following be added at the end, namely:—

"in pursuance of the principles of distribution formulated and the recommendations made by the Finance Commission in its report dated the 30th day of September, 1957."

I am, therefore, to return herewith the said Bill in accordance with the provisions of rule 126 of the Rules of Procedure and Conduct of Business in the Rajya Sabha with the request that the concurrence of the Lok Sabha to the said amendment be communicated to this House.'

UNION DUTIES OF EXCISE (DISTRIBUTION) BILL

LAI D ON THE TABLE, AS PASSED BY
RAJYA SABHA

Sir, I lay on the Table of the House the Union Duties of Excise (Distribution) Bill, 1957 which has been returned by Rajya Sabha with the recommendation.

ESTATE DUTY AND TAX ON RAILWAY PASSENGER FARES (DISTRIBUTION) BILL

LAI D ON THE TABLE, AS PASSED BY
RAJYA SABHA

Sir, I also lay on the Table of the House the Estate Duty and Tax on Railway Passenger Fares (Distribution) Bill, 1957 which has been returned by Rajya Sabha with an amendment.