have made a suggestion that taking into consideration all questions of economics and also the morality behind it, the ceiling can be 400 per cent of the 1939 value; that will be a reasonable compensation for the inflated prices of all the other articles and also of land, and the landlord could very easily be satisfied with that. At the same time, this menace, as far as the land problem and the building problem are concerned, in the capital can be put an end to by this ceiling on land prices.

Shri Datar: This question was raised before the Joint Committee also, and this is what they have stated in their report:

> "The Committee considered the question of including vacant land within the scope of the definition of premises with a view to giving relief to *amildars*. The Committee feel that the question of giving such relief to *amildars* should be separately considered ."

On account of this, what has been done is that the Act of 1956 which will ordinarily lapse in February, 1959, will continue for one year in order to enable Government to consider the whole question and to see what can be done in this respect. Yesterday also, in his reply the hon. Home Minister made a reference to this point. Under these circumstances, what my hon. friend wants will be duly considered, and such action as is necessary taken.

Mr. Chairman: The question is:

> "That the Bill, as amended, be passed"

The motion was adopted.

15.03 hrs.

INDIAN TARIFF (AMENDMENT) BILL

The Minister of Industry (Shri Manubhai Shah): I beg to move:

> "That the Bill further to amend the Indian Tariff Act, 1934, be taken into consideration.".

As the House will appreciate, this Bill mainly seeks to amend the First Schedule to the Indian Tariff Act, 1934, in order to give effect to Government's decisions on certain recommendations of the commission. Hon. Members will have observed from the Statement of Objects and Reasons that the Bill seeks to continue protection beyond the 31st December, 1958, in the case of soda ash, calcium carbide, caustic soda, sericulture, aluminium, antimony, engineers' steel files and electric motor industries, and to discontinue protection with effect from 1st January, 1959, in the case of cocoa powder and chocolate, bichromates, bleaching paste and bleaching powder and artificial silk fabrics and cotton and artificial silk mixed fabrics as also steel rasps.

As the House, in several debates on the Indian Tariff (Amendment) Bills in the past, has always liked that Government should review the work of the Tariff Commission, whenever such Bills come up before the House, I would like to take the opportunity to briefly review the work of the Tariff Commission in the past.

Copies of the Tariff Commission's report on all these industries and of Government's resolutions on those reports have already been laid on the Table of the House, and notes on each of these industries have been circulated for the information of the hon. Members.

As the House is aware, early in 1940, Government announced that industries promoted with their encouragement during war-time might

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feel assured that if they were conducted on sound business lines, they would, by such measures as Government might devise, be protected against unfair competition from outside On the basis of this assurance, 43 industries were established during the war, and they applied for protection towards the end of the war The Government, therefore, decided to constitute an interim tariff board to examine the claims of these industries for protection, pending the formulation of our long-term policy An interim board was, therefore, constituted for a period not exceeding two years, by a resolution in November, 1945 Government subsequently reconstituted the interim tariff board for a further period of three years from 3rd November 1947 The term of office of the interim tariff board was further extended up to the date of setting up of a permanent tariff commission as recommended by the Fiscal Commission

By the time the Tariff Commission was constituted in 1952, the First Five Year Plan, as the House is aware, had already been launched, giving a direction and a purpose to the industrial development of the country By and large, the industrial policy of Government is governed by the policy statement of 1948 and the subsequent statement of 1956

Another significant development that has to be taken note of is the adverse balance of payments position in recent years and the consequent need to regulate imports through quantitative restrictions These restrictions have resulted in giving domestic industries effective protection by way of sheltered markets and, therefore, protection through tariff assumes a somewhat lesser significance in these days It should not, however, be forgotten that as long as the primary use of quantitative restrictions is limited to correct adverse balance of payments domestic industries are likely to remain under constant threat of insecurity unless adequately safeguarded through protective duties also

There are, of course, certain categories of industries which can be developed during the early stages of their establishment only through the balanced mechanism of import control. And the GATT organisation has accepted this in principle in regard to the underdeveloped countries The recent resolution of the General Agreement on Trade and Tariffs is also proof of this However, it is generally recognised that regulation through import quotas cannot be a desirable form of protection as a long-term policy and is not in the long-term interests of any national economy Therefore, all these measures have got to be under periodical review by the Tariff Commission We have been able to establish and justify in the past our case for imposition of quantitative restrictions in favour of several indigenous industries by stressing the fact that the Tariff Commission gives careful thought and sympathetic scrutiny to this aspect of protection and reviews the effect of import control on the behaviour of industries as well as on the welfare of the consumers

Reports of the Tariff Commission have brought to light all cases of irregular and insufficient nature of imports and their adverse effect on domestic production, quality and prices The assistance rendered by the commission in providing an objective analysis of the effects of import control administration in the cases of protected industries, therefore, cannot be over-emphasised, especially for the reason that import control is in the hands of the administrative wing of Government, and it is in consonance with the democratic principles so cherished by this House that a periodical review by an independent body like the Tariff Commission is eminently desirable and necessary.

As stated earlier, there were 43 industries enjoying protection when the commission was constituted in 1952. The commission has reviewed the cases of these industries, and protection to 23 industries has been discontinued on its recommendations. I am stressing this point only because there is a general impression that always there is a case for protection, whereas the protected industries are not enabled to stand on their own feet, and de-protection does not take place. But it is not so. While protection to 23 industries has been discontinued on the recommendation of the Tariff Commission, protection to 17 new industries has been granted since 1952, while in the case of six new industries which were referred to the Tariff Commission, it did not recommend any grant of protection. So, automatically, *ipso facto*, simply because an industry has been referred to the Tariff Commission, it does not mean that protection would be given, unless the commission is satisfied that protection is necessary, no protection is recommended by the Commission.

There are at present 37 industries enjoying protection, of which artificial silk fabrics, bichromates, and cocoa powder and chocolate are sought to be de-protected from 1st January, 1959 as is indicated in the Statement of Objects and Reasons. That brings down the number of protected industries to 34, of which protection to the match industry is only of academic interest.

It may be mentioned that the match industry is subject to excise duty like other well-established industries, and for the past several years, no imports of matches have taken place.

The important industries enjoying protection at present are aluminium, caustic soda, soda ash, dye-stuffs, grinding wheels, machine screws, ball bearings, copper and aluminium conductors, ACSR conductors, bicycles, cotton textile machinery, power and distribution transformers, calcium carbide, electric motors, automobiles and plywood and tea chest industries. All these industries have shown varying degrees of progress during the period 1952—1958. As a matter of fact, on the whole, all the protected industries have shown very considerable, accelerated, progress as far as production, quality and prices—that is, lowering down of the prices in the last several years—are concerned. The progress in the case of some of the industries has been really remarkable. The number of units for the manufacture of bicycles in the organised sector was 6 in 1952 with a total production of 1,97,000 cycles only. At present, there are more than 19 units in the organised sector and 45 in the small scale sector producing over a million bicycles in the current year, and may be much more, 1½ million, next year. The cycle industry is now well established in the country and is gradually developing an export market. I am glad to inform the House that recently a contract is under negotiation for exporting about 25 000 bicycles from India to the Middle East.

Another industry which has shown striking progress is the grinding wheel industry. In 1952, there was only one unit producing 386 tons. Now, there are 5 units with 1500 tons production in 1958. The ball bearing industry is another industry which has been able to increase its production from 6 48 lakh numbers in 1952 to 23 7 lakh numbers in 1958. There is only one unit in this industry. We are trying to get a few more established in the country.

Among the chemical industries, the production of soda ash has increased from 43,372 tons in 1952 to 73,000 tons during the last year. There are at present two units producing soda ash in the country. Plans for expansion of these two units are well in hand and two more units are to be established shortly, raising the total capacity of soda ash production to 2,30,000 tons per annum when the country is

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expected to be more or less self-sufficient in this very industry.

While all this is highly gratifying—and I have enumerated before the House in a short manner most of the industries which have gone ahead—it must be admitted that the progress in regard to a few industries is not sufficiently satisfactory. To cite one example, mention may be made of the dye-stuff industry. In the case of this industry, the Government's plan for the manufacture of intermediates did not progress as much as desired. But till the manufacture of intermediates is established on a large scale, it is difficult to achieve satisfactory progress in the manufacture of dye-stuffs. The House will be glad to know that now intermediates production has been almost finalised and we are covering the full range of about 86 intermediates productions in the country and within the next three years or so, with German collaboration, the industry will be well-established as far as intermediates production is concerned.

Another industry where the progress appears to be somewhat slow is the automobile industry. Though assembly of motor vehicles to a very limited extent was started even before the war, specific real phased programmes were actually approved only in 1954-55. Therefore, while judging the progress of this industry, it has to be borne in mind that prior to 1954-55, the industry was more or less a pure assembly thing and it was only then that the Government insisted on a phased programme to bring up the indigenous content as fast as possible. If this factor is taken into account, it will be seen that the progress is not so unsatisfactory as it appears. All the producers of automobiles who have now been rationalised to only 6, have established capacities for machining components, while casting and forgings also are now made in the country by some of the other manufacturers. Partly Government have also to share the blame for this delay in increasing the indigenous content which has taken place largely due to difficulties resulting from scarcity of foreign exchange. Till a few months back, we had not been able to release the necessary foreign exchange for tools, jigs and machinery for the automobile manufacturers for increasing the indigenous content. But now we have granted practically all their needs of foreign exchange for machinery, tools, and jigs and it is expected that by the end of 1959, in the case of two commercial vehicles and one car, 70—75 per cent of the components will be indigenously manufactured.

Shri V. P. Nayar (Quilon): Which is the car?

Shri Manubhai Shah: Hindustan.

By 1960-61, all the vehicles in the country will have reached 80 per cent indigenous content, that is, practically all the vehicles, commercial vehicles, jeeps and cars, because now we have already licensed the capital goods, jigs and machinery required by all these units.

Sir, protected industries are expected to charge prices in fair relationship to costs. This has been a subject which has been causing anxiety to the House several times. Criticism is often heard that protected industries are taking undue advantage of protection and increasing the prices. The Commission is keeping a close watch over the prices of protected industries and from the available information, it is clear that this criticism is not always based on facts. The Commission has also stressed in its reports that while prices invariably tend to increase under conditions of scarcity of supply, the price trouble does not always start at the level of the producer but at the level of the intermediate distributor, and is aggravated to an increasing extent at the levels of retail sellers. All these ultimately point to the fact that it is impossible to keep prices at fair levels unless

Government create a vast force of enforcement officials with police powers. This is neither good nor desirable. The important point to be understood in this connection is that under existing conditions of general short supply of most commodities, when fully competitive economic forces are not in active operation, it would not be proper to lay the entire blame for high prices always at the doors of the producers.

At present, there are four consumer goods industries in the protected group. They are sago, buttons (studs and cuff links made of plastics), calcium lactates and bicycles. In the case of bicycles, there is keen internal competition and cycles of different makes are available at reasonable prices to the consumer In the case of one popular brand, the price has come down from Rs. 161.50 in 1954 to Rs. 148 50 in 1958. We have not received any complaint to the effect that high prices are being charged for bicycles In the case of calcium lactate, the manufacturer has reduced the price from Rs 3 25 per lb in 1952 to Rs. 1 80 per lb in 1958—a very considerable reduction. The Commission has also not received any complaints in regard to the prices of buttons or sago

In regard to other industries, the complaints are mostly from buyers in small lots in the market Large-scale consumers have always been able to obtain their requirements from indigeuous sources at prices in fair relation to the costs arrived at by the Commission. In cases where the domestic production falls short of demand, market pirces have tended to go up only because of irregular and insufficient imports. Even so, those consumers who have been regularly obtaining their requirements from indigenous sources have not found difficulty in buying the products at reasonable prices. This has been revealed at the time of the Commission's public inquiries, particularly in the case of soda ash and caustic soda. It is, therefore, unfair to wholly shift the blame for high prices to the industry. Naturally, malpractices do take place at different stages in the industry and in the trade and it will be difficult to stop such practices completely as long as shortages continue to last. Therefore, the positive answer is increased production, and more and more increased production. Hence all our energies are bent towards this objective in spite of severe handicaps of foreign exchange.

There are instances where manufacturers jointly and in collusion have attempted to exploit the situation sometimes. The Commission and Government have also been laying emphasis on remedying the evils arising from faulty distribution organisations existing in certain industries. For instance, in the case of the soda ash industry, the Commission has drawn pointed attention to the marketing system of one of the manufacturers and has shown its weakness In response to complaints received from consuming industries, the Commission also undertook at the instance of Government, an investigation of the distribution system employed by the ball bearing industry which has just been completed Gradual reductions in the whole-sale prices of certain protected commodities have also been noticed I am glad to say that all these different healthy measures have led considerably to holding of the price line in several sectors, to which I will come presently, the important ones being sheet glass from Rs. 38 00 per 100 sq. ft. in 1952 to Rs. 29.00 in 1958, engineers' steel files (flat bastard—8") from Rs 21.00 per doz. in 1955 to Rs. 16 50 per doz. in 1958; caustic soda from Rs. 34.69 per cwt. in 1955 to Rs. 31 00 per cwt. in 1958; soda ash from Rs. 22.56 per cwt. in 1952 to Rs. 19.50 per cwt in 1958.

The prices of engineering goods such as electric motors, machine screws, cotton textile machinery, piston assembly etc. which were gradually going down have lately shown some

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increase, mainly as a result of rise in the prices of steel and other basic raw materials. I would, therefore, appeal to the industry, trade and the consumers to fully co-operate with Government in holding the price line because legal action and governmental control and action alone cannot produce the desired results, though Government have always been ready, and have taken several measures whenever necessary, to hold the price line, and control the prices.

As the House is aware, the Tariff Commission and the Government have been continuously taking many steps to hold the price line in different commodities, particularly the manufactured articles and consumer goods and with much great success. The rise in the wholesale price index of manufactured articles has not been more than 108.9 points in 1958 from 1952-53 as a base year 100 The index was:

in 1953	..	98·6
in 1954	..	100·4
in 1955	..	94·4
in 1956	..	104·9
in 1957	..	107·9

in spite of the world rise in prices and scarcity of foreign exchange.

This shows that the general overall efforts of the Government, the industry, trade and the consuming public has been meeting with a great amount of success and the rise of the wholesale price index of manufactured articles has been only 8 points in the last 6 years.

The Commission has in all its investigations, laid considerable emphasis on the maintenance of quality in the products of indigenous industries, and has supported the efforts of the Indian Standards Institution to finalise standard specifications wherever possible. In all appropriate cases the Commission has recommended the adoption by industries of the certification scheme approved by the I.S.I.

It is often said that protected industries make excessive profits. The Commission is regularly analysing the balance-sheets of protected industries and in its periodical reviews for continuance of protection also examines costs and prices to see whether any industry is making excessive profits. It is sometimes true that the balance-sheets of a few of the companies show relatively larger profits, but I may submit that the few companies where sometimes larger profits are shown are generally engaged in activities other than the production of the protected commodities.

For instance, the Delhi Cloth and General Mills which has various activities produces caustic soda which is under protection. It will be wrong to draw the conclusion that the caustic soda sector of that unit is making as good profits as the other sectors of this unit manufacturing other products merely by a scrutiny of the profit figure shown in its balance-sheet. Similarly, there are a number of other composite industries, as, for instance, Alkali & Chemicals and Rhotas Ltd, who have made good profits through their operations in a number of industries for which separate profits cannot be estimated Nor is it true that protected industries are earning excessive profits; profit rates have varied sharply within industries as between different units, depending on the efficiency of the unit. In the paper industry, for instance, Titaghur Paper Mills and Orient Paper Mills have made high profits because of their greater efficiency. In the sugar industry, Godavari Sugar and Walchandnagar Sugar have made larger profits than most others for the same reason.

In shipping, the Great Eastern Shipping Company has made larger profits. Certain of the tea companies have made larger profits than the others;

and when one considers the profits earned by any of the companies mentioned above, one would think that profits in these industries have been very high. This is not the correct position

Shri V. P. Nayar: They are all cases outside the Bill

Shri Manubhai Shah: I am generally touching upon the work of the Tariff Commission The House has always been touching on other various aspects of the work of the Tariff Commission and, therefore, I am taking this opportunity to lay before the House the facts as already revised by the Tariff Commission *(Interruption)*

This is not the correct position The average rate of profits has been much lower In the case of composite factories of the type I mentioned above, total profits cannot be ascribed to the protection enjoyed by any one of the products of the company

In such cases, the net realisation of the company from the particular product has to be carefully determined before one arrives at the conclusion that the company is making high profits on the protected commodities Secondly, in any industry where there are a large number of units, say like the plywood industry, where the quantum of protection is determined on the basis of a representative cost, it is bound to happen that the more efficient units will make larger profits than the marginal units

This is a fact which is sometimes overlooked in judging the overall profits of the entire orbit of different industries in which, I can say with confidence, the quantum of profits has been rather very low or at the reasonable level To take one or two units out of the whole orbit which has made a little more profit than others in a particular year and then to suggest that all the industries do likewise will not be a correct computation and assessment of facts

If uniformity is enforced there will be no incentive to develop efficiency through internal competition which alone can largely help to bring down cost prices. In every industry and particularly in industries where there are a larger number of units, our objective has been to ensure that the general level of profits is not at all high

From an examination of the balance-sheets of some major units which are primarily engaged in the manufacture of protected commodities, it is found that 7 companies failed to declare any dividend throughout the period 1952—56, 9 other companies failed to declare dividends up to 1954 but declared dividends in later years varying from 2 5 per cent to 10 per cent In the case of 10 other companies, the rate of dividends steadily increased from 3 to 8 per cent in 1952 to 6 to 20 per cent. in 1958 In the case of one company, the rate of dividends declined from 12 per cent. to 7½ per cent and in the case of another two companies from 5 per cent to nil Three companies showed fluctuating fortunes during the period.

A few general observations would be appropriate at this stage When we want massive industrial development at an accelerated pace for our economy, the House will agree that it is necessary to create confidence in the industry that its legitimate interests will be adequately safeguarded The confidence can be created only if an impartial body like the Tariff Commission examines its case for assistance Further, the protection granted to an industry on the recommendation of the Tariff Commission enhances its position in foreign countries especially when it finds it necessary to apply for foreign technical and financial collaboration. The development of industries like bicycles, grinding wheels, A.C.S.R. conductors, electrical motors, transformers, dyestuffs, aluminium and a score of other industries would not have been possible had it not been for

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the protection and developmental assistance granted to all these industries. It has often been found that when once protection is ensured to an industry, foreign manufacturers take it for granted that Government would do everything to help the industry and that if they wish to retain any interest in the vastly expanding market it can be sustained only by helping domestic industry to develop within the country.

At this stage, I may also make a reference to the General Agreement on Tariffs and Trade, popularly known as the G.A.T.T. When the General Agreement on Tariffs and Trade was first negotiated, industries which were protected or were likely to be protected were kept out of the articles for which concessions were negotiated. At that time, however, it was not possible for Government to envisage the entire range of developments that were likely to take place after independence, with the result that we granted various tariff concessions under the impression that the manufacture of the articles concerned would not be developed in the country for some considerable time. It is now gratifying to see and it is now being realised that in the interest of our national economy, we have to obtain releases from our obligations to G.A.T.T. in the case of quite a few commodities. In such cases, an examination by the Tariff Commission strengthens the Government's hands to get early releases from such obligations. On the recommendation of the Commission, we have already obtained releases in the case of adaptor bearings and dyestuffs. The Commission is now examining the claim of the zinc and lead industry to protection which are also at present allowed free of duty and are bound under the G.A.T.T. These are some of the few general observations which I wanted to make in order to acquaint the House with the general work of the Tariff Commission.

Another aspect that requires special mention is the problem of newly established industries. In most cases when a new industry is under establishment, it will not be able to cater to the entire domestic demand. At times it starts with very low levels of output which may not meet even 20 per cent. of the domestic demand. In such cases, unless a fair relationship is established between domestic prices and imported prices, consumers will be put to great hardship. When balancing the several considerations in this regard, tariffs can play a significant role, and mention may be made of cases like caustic soda, soda ash, titanium dioxide, calcium carbide etc. where the Tariff Commission's determination of fair selling prices and the protective duties recommended by it have helped generally to stabilise the internal prices of these products This much I have said about prices in view of the fact that in these commodities the holding of the price line is very vitally essential to the national economy.

Sometimes, it is also said that the protection given to industries did not often result in the benefits to the consumer and that the facts and figures maintained by Commission on the progress and performance of protected industries is not such as to ensure their compliance with ethical standards of conduct and business propriety. While it is true that the Commission has been given powers to call for statistical data and information from all....

Shri V. P. Nayar: Sir, I want to raise a point. It is very interesting to hear the hon. Minister whose knowledge in the various industries is also very well-known But our difficulty is this. Only two hours have been allotted and he has already taken half an hour and he will take another half an hour. He has covered such a wide ground that it becomes absolutely essential that we should also give a reply.

Shri Manubhai Shah: I will not take more than ten minutes It so happens that every time a complaint is received from the hon Members that the working of the several aspects have not been mentioned before the House and it attracts adverse attention. (*Interruptions*)

I shall now deal with industries proposed to be deprotected from the 1st January, 1959 As the House is fully aware, I would not take more time of the House in dealing with Cocoa Powder, chocolate industry, bichromates industry, bleaching powder and bleaching paste industries and steel rasps industry, with which the House is fully familiar I now turn to the artificial silk fabrics and cotton and artificial silk mixed fabrics industry This industry was granted protection for the first time in 1934 as part of the scheme of protection to the artificial silk fabrics industry It is now sought to be deprotected against which several protests have been heard in the country In 1947, there were only 1 500 power looms registered with the Textile Commissioner for the manufacture of art silk fabrics At present, there are about 44 000 power looms Thus within a decade this industry has grown from 1 500 to 45,000 power looms The volume of indigenous production has increased from 174 14 million yards in 1947 to 279 million yards in 1957 The industry is making every effort to improve the quality of art silk fabrics and increase the range of production Since the 1st January, 1957 the imports of artificial fabrics have been banned but special imports are allowed to exporters of fabrics under the export promotion scheme Such imports also enable the industry to know the trend of production, designs and styles in vogue in other countries Our exports have been steady in the neighbourhood of 3 5 million yards Government have taken steps to promote exports of art silk fabrics by grant of drawback of duty on imported yarn, refund of excise duty and grant of import licences for yarn against corresponding exports

Mr. Chairman: I want to make one observation The point that has been raised is a good point Generally in the amending Bills, we do not normally allow the hon Members to go over the whole field of taxes or other measures If the hon Minister in his opening speech covers all the field of commerce and taxation and tariff policy, then other hon Members can also claim to touch upon those points So, if the hon Minister confines his remarks to the material points in the amending Bill, I think he would be able to finish soon

Shri Manubhai Shah. Now, only a few pages are there I took more time this time particularly because of the observations that were made (*Interruptions*)

Mr Chairman: I was not speaking about this particular speech of the hon Minister I have only stated that we generally do not allow Members to tread over all the grounds in an amending Bill but confine their remarks to the particular amendment or amendments

Shri Nath Pai (Rajapur) Sir, he wants to make an all-embracing speech So, we would be grateful and we would be obliged—it is a very vital speech—that we should be granted extension of time so that those who want to participate can do justice to the points which the hon Member is referring to

Shri Manubhai Shah: As a matter of fact, two hours is a very short time but every time only two hours are granted

Shri V. P. Nayar: You do not bring the Bill early enough and it is being pushed in like this (*Interruptions*)

Shri Manubhai Shah: I shall conclude by urging upon this House at

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this stage that the industries which are sought to be deprotected have been carefully considered. The Tariff Commission has asked for protection of certain industries and the Government have accepted them. All the results are embodied in this Bill and I would be grateful to the House for its favourable consideration.

Mr. Chairman: Motion move:

"That the Bill further to amend the Indian Tariff Act, 1934, be taken into consideration."

Shri V. P. Nayar: Sir, before I speak, may I enquire one point from you? It has happened on many occasions that the Tariff Bill was under discussion and I have been told that I can take fifteen minutes. Subsequently, there was no Member to speak. The hon. Minister has covered a very wide field and I request you to give me more time. I shall confine within the Act and yet try to answer the points.

It was undoubtedly a very interesting speech and as I was listening to him I was reminded of a colloquial saying that soda water is so-called because it contains no soda. The hon. Minister's speech covered a very wide field but did not touch on the industries which are sought to be protected in this measure. I think he has probably left that to me We are not against tariff protection and in cases where indigenous production must be protected we are always for it But we suggest that in giving protection certain other vital aspects of the industry as to who controls the industry, who distributes the protected article, who takes advantage of the protection—these are vital factors which, we must consider The House which is called upon to extend protection for not one or two years but five years at one stretch should also be aware of the competence of the persons who undertake the enquiry and recommend to the Government that this protection has to be extended for five years. I have no grouse against any particular person of the Tariff Commission—whether member or secretary. I have also heard that the Secretary of the Tariff Commission is an extremely competent man although owing to the repetitions in these reports, there is something of a stereotype nature in most of them. But I want the House to consider these matters. Who has really gone and made enquiries? What are their qualifications to make an enquiry of the kind which they do? Take, for instance, this steel file industry—engineers' steel files Should not one engineer be associated with it If one does not know the difference between caustic soda and soda ash, would we not expect that one man who knew the chemistry of that should go and investigate. We find that the Tariff Commission has only four or five members

Shri Manubhai Shah: For the information of the hon Member, I may say that the whole of the Development Wing of the Government of India is at the disposal of the Tariff Commission and all its technical officers are associated with it as and when necessary.

Shri V. P. Nayar: In that case, it is absolutely unnecessary that these Members should go about from factory to factory? Is it only to claim travelling allowance? If that help is given by the Commerce Ministry, what is the use of their going from place to place? If he is a man who does not distinguish caustic soda from soda ash, I do not see the reason why he should go to the factory at Bangalore or at another place to see the factory unless it be that he wanted to get travelling allowance.... (*Interruptions.*) I am very much concerned about it because here is an answer to a question of mine.

Shri Jaipal Singh (Ranchi West—Reserved—Sch. Tribes): Sir, I have to raise a point of order. Is it fair to allege that anybody is going here and there merely for getting travelling allowance? .... (*Interruptions.*)

Shri V. P. Nayar: I did not allege; I am going to prove

Shri Jaipal Singh: You insinuate.

Shri V. P. Nayar: I do not make any wild allegation at any time. Unless a person knows the nature or the character of a particular industry for what purpose should he visit the unit of production unless it be for receiving travelling allowance?

Mr. Chairman:. Does that 'person' refer to a Member of the House?

Shri V. P. Nayar: No, certainly not.

Shri Jaipal Singh: It refers to me, to you and to himself also

Shri V. P. Nayar: I was referring to a member of the Tariff Commission

Shri Jaipal Singh: What about the Members of the Public Accounts Committee and the Estimates Committee and the other Committees?

Shri V. P. Nayar: That is different and I will show that If the hon Member who is usually patient is patient this time also, he will understand it

As the hon Minister gave out the details of the Tariff Commission's work, I want to place certain facts before the House. The Tariff Commission being such a specialised body, is it not necessary that the members of the Commission should have specialised knowledge? Secondly, what is the basis of paying the members of the Tariff Commission? In answer to an Unstarred Question No. 1404, dated 18-3-1958, it was stated that of the four members now present, Dr. S. K. Muranjan gets Rs. 2,250 minus the pension which he draws from somewhere, Shri J. N Dutta gets Rs. 2,250 —there are no comments against his name—another gentleman, Shri R. S. Bhatt gets Rs. 2,250 and I find from the marginal note that he receives only a pension of Rs. 400. In one case, the payment is made minus the pension and in the other case, it is clearly stated here that he is in receipt of a pension of Rs. 400 from the late Saurashtra Government. I do not know when he was appointed.

Shri Manubhai Shah: If such matters of detail are of interest to the hon. Member, I may say that he was a former servant of the Bhavnagar State and perhaps he might be drawing a pension, but his pay is already mentioned there.

Shri V. P. Nayar: According to me, such an old servant who gets Rs. 400 as pension would not have had a pay of more than Rs. 800 at the time of his retirement You are giving him Rs 2,250 here. The hon. Minister said that he is an old officer. That is precisely why I do not want him to be in the Tariff Commission; I want active young men like my very good friend, Shri Manubhai Shah (*Interruption*). And, as I submitted to the House the other day, the qualification of the Chairman as revealed by the biographical sketch in the *Times of India Directory* is that he has made a number of contributions to English and Tamil journals. On what subjects? Not calcium carbide, soda ash, engineers' steel file or caustic soda; his contributions were on classical poetry or music

Shri C. D. Pande (Naini Tal): He is versatile like you

Shri V. P. Nayar: I do not want him to be so

Mr. Chairman: I do not think it is right to go into personal matters here. When was he appointed?

Shri V. P. Nayar: This is according to information given in answer to a question here, and I am entitled to comment on that.

Mr. Chairman: Was the appointment a very recent one?

Shri V. P. Nayar: He has been given extension from period to period. He was first appointed in 1951 when he retired from the Imperial Bank as an officer.

Mr. Chairman: So I think the question as to whether his appointment was justified or not does not arise after such a long time.

Shri V. P. Nayar: His appointment was not for a specific term—and he is not within the term. His appointment has been extended from time to time. I think when the Tariff Commission has members like this, I am entitled to make this comment, the more so because these facts which I am now revealing have been placed before the House in answer to a question. I referred to the *Times of India Directory*—fortunately, we have a copy in the library

I want to know—because I will presently come to the methods of making an enquiry—whether there is a policy for the Tariff Commission I have got here the reports on various industries protection in respect of which is sought to be continued till the end of December, 1963 I find that there is no formula, no particular code of conduct in some industries For example, all the members of the Tariff Commission go and visit one unit, in some industries they go along with the Cost Accountant, in another set of industries no member of the Tariff Commission goes, no Cost Accountant goes, but only the Secretary goes. I have got all the details here—I do not speak without arming myself with all the details. I do not want to go into all the industries, but take this case of soda ash industry Only a technical director along with a cost accounts officer has visited the two units in soda ash—one is controlled by Tatas and the other by Dalmia Jain. In that case, the members do not go. It is surprising that even now we are told that the Cost Accountant's report, is a confidential document and it cannot be revealed to the House. Sir, what is the sense in asking us to extend protection for a period up to the end of 1963?

Shri Manubhai Shah: I would like to correct the wrong impression of the hon. Member We have already stated at the beginning of the last session that if any hon. Member or the Public Accounts Committee calls for any report of the Cost Accountant it will be made available.

Shri V. P. Nayar: I think it was *exactly at that time the hon. Minister* promised to me in the House that he will send them to me, but I have not so far received them

Shri Manubhai Shah: Unless he asks for it, how can I send it?

Shri V. P. Nayar: It must be made available to us Why don't you put it in print? This is an important document Take, for example, the aluminium industry. I can understand if Shri Manubhai Shah goes to the aluminium industry because he knows a good deal about it But what is the purpose if a director of investigation goes there with no cost accounts officer? Sir, I am not submitting anything outside this report Take the case of engineers steel files. The gentlemen who went there know little about engineers, much less about steel and nothing about files Yet they go because the head office is in Bombay and the units are in Calcutta, Bangalore and other places. Therefore, what I ask is, what other inference would be possible? That is a very simple question I ask.

Then, take the case of calcium carbide industry. This is an industry in which I have also been taking some interest and I know the problems of this industry. Here Shri Muranjan goes. Shri Dutta visits the Birla Jute Manufacturing Company at Calcutta all the way from Bombay and somebody else goes to Kerala. So you find that there is no particular rule laid down, and members of the Tariff Commission choose at random the factories which they visit You will be surprised to know—it is rather amazing—that in order to assess the exact position of the sericulture industry—it is not so very highly technical how the cocoons grow, what is the role of the mulberry tree etc — three members went all the way to Jammu and Kashmir At what time? At the best possible time to visit Kashmir—May

An Hon. Member: Good show

Shri V. P. Nayar: They do not stop there Another member goes all the way to Mysore and the report says that he visited the entire Mysore State—a big State—in two days He reaches on the 5th and leaves on the 7th

Sir, I am not against the Tariff Commission reports as such, but there must be something, some standard which should be laid down whereby a man who does not know about a particular industry should not go and, secondly, a Cost Accountant is also associated A Cost Accountant must invariably be associated and he should visit these places With all the skills and tools available with the Commerce Ministry's Development Wing—I know they present a very bewildering variety—I think those people who go without understanding the problems of the industry should not be asked to sign the report, otherwise it would only mean that it is signing on dotted lines—in fact, that happends to be so.

The hon Minister then puts the blame on others He says that the Tariff Commission has found out that the increase in cost of production is not due to producers I do not want to take much time of the House, but I would like to quote here about the case to which he referred although he did not disclose the name. The Tariff Commission's report gives an interesting story how the prices are manipulated. This is not the only case, if you will permit me, Sir, I can give other examples also. It is a long quotation, Sir, but the whole of it has to be read because the hon. Minister referred to one of the units in the production of soda ash not conducting itself properly in the matter of distribution This is what the Tariff Commission itself says·

> "There is another disquieting feature about the distribution system of Dhrangadhara Chemicals Its sole buyers namely, Dhrangadhra Trading Co., is a private limited company with six shareholders all of whom belong to the family of the managing agents "

I believe it is the concern of Dalmia Jain The managing agents' commission is 10 per cent. Apart from the managing agents' commission of 10 per cent. it is distributed through a sole distributing company—a fiction of a company Then, what principles are there? Let us see what the report says:

> "Though Dhrangadhara Chemicals has claimed that the trading company is rendering valuable services," (same persons rendering valuable services) "we are not convinced that the actual services rendered by it are commensurate with the remuneration paid to it "

Can anything be more disquieting, and this is the sort of industry to which we want to extend protection up to the end of 1963 The report then goes on to say·

> "As regards the distributors working under the 'sole buyers', it will be seen from the list given in Appendix VI, that there are three of them in Delhi, one controlling Punjab, Delhi and Himachal Pradesh, the second controlling Uttar Pradesh and part of Madhya Pradesh, and the third

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controlling part of Madhya Pradesh, parts of Bombay State and parts of Andhra Pradesh."

They seem to be building up a 'Central Government' here in the matter of distribution As we have a Central Government for governing the country, they want to govern the distribution through an apparatus kept in Delhi and two of the distributors, namely, Meenakshi Chemical Agencies and Anantram Lachhmandas Aggarwal, are distinct from each other only in name All the difference is, one company is known as Meenakshi Chemical Agencies and the other is known as Anantram Lachmandas Aggarwal. If you have these two names, nobody would think of any relationship between the two, but the Tariff Commission says there are different only in name, but not in composition

Mr. Chairman: The hon Member's time is up

Shri V. P. Nayar: I would like to know how many other Members would like to speak I do not at all want to go outside the industries listed here

Mr. Chairman: Any other Member willing to speak?—None

Shri V. P. Nayar. Then I must be given some more time I leave it there In this connection, we would only mention that in our report of 1955 we had referred to the distribution system of Dhrangadhra Co, and the report recommended that the company should take suitable measures to improve their trading and marketing organisation so as to remove the complaints regarding the unsatisfactory working of the distribution system Further, it said

"The company did not consider it necessary to make any substantial modification in its distribution system"

Then, I come to the most vital observation

"On the other hand, by a special Resolution, it has extended the period of contract with Dhrangadhra Trading Company for another five years"

They knew that the industry would be protected for five years How else will they have the check to extend it for another period of five years, when the Tariff Commission said that they must change the system. The report continues to say:

"Our above observations are intended to bring to light a tendency, visible in quite a few protected industries, "

Then hon Minister said that there is only one case, but the Tariff Commission says

" tendency, visible in quite a few protected industries, "

After all, we do not have hundreds of protected industries, and this Commission itself says:

" visible in quite a few protected industries, to concentrate economic influence and monetary earnings arising from supply and distribution in the hands of partnership firms or private limited companies the constituent members of which are related to or associated with managing agents"

Further,

"This tendency breeds considerable dissatisfaction in trading circles"

What is the position of soda ash? The report on soda ash,—of 45 per cent of the country's production of soda ash—

Mr. Chairman: In spite of the defects, the Commission has done a lot

Shri V. P. Nayar: Perhaps its members did not I am always eager to give credit where it is due. Even if it be to the devil, I do not deny it. So, the effect of this monopoly, of this interlocking of producers, managing agents and distributors is this. It has created a very serious situation which not merely affects certain important industries which require soda ash as a basic raw material, but hundreds of dhobies in this country Very few Members probably know that 45 per cent of the soda ash is consumed by dhobies To them, it is in evidence, that the price charged in retail is sometimes 60 to 70 per cent For the dhobies also it is a very, very essential raw material for washing purposes Therefore, through a system which the Government wants to protect for another five years, the largest number of consumers are hit below the belt and the hon Minister gets up and says that it has to be protected for five years Are we not entitled to ask what the Government propose to do?

Even apart from that, I submitted that the industries are protected in such a way that the existing monopolies are given more monopolies and new monoplies are created in the place of old ones

In the case of soda ash, a basic raw material about which the hon Minister knows better than I do, there are two units Tatas and Dalmia-Jain Whom do you expect the newcomers to be? One concern has been licensed for Birlas, and one again for Dalmia-Jain The third which will never come into being is to an agent in Bombay called Bhiwandiwala and that firm seems to have been given a licence for 72 000 tons which will certainly swell up the installed capacity to over a hundred-thousand tons more than what is estimated as the requirements of the country in 1960-61 by the Planning Commission If Bhiwandiwala also sets up a factory with about a capacity of 72 000 tons, what will be the position? The estimated demand in 1960-61, according to the hon Minister, is 240,000 tons This does not include the licensed capacity for Bhiwandiwala

Even apart from that, out of 80,000 tons which is the annual import of magadi ash and light ash, you find that even the State Trading Corporation imports some quantity This system is called canalisation The distribution is canalised through four people—one of them is Tatas; the second, the ICI, the third, Shahu Jain, and the fourth is, Chemical and Alkali Distributors Is this the way that we want to protect the industry? I am amazed at it

I say that looking at the units of production in caustic soda, which is not different from this, there are also the same firms I have some figures here Four units, together, control about 92,000 tons out of a total of 115,000 tons What is this? Yet, we are asked to continue protection We want industries to be protected, so that there will not be any unfair competition to the ruin of the industries in India Certainly, we are agreeable to it in principle and we have never grudged our support on that matter But we do not want monopolies to be created by extending the protection for such a long period

I want again to submit certain other aspects about this industry I shall presently come to calcium carbide Then I should like to take up sericulture and also aluminium There are certain common points which I would like to bring out, because it is difficult in view of the shortage of time at my disposal to read out extensively from the reports to convince the hon Minister that what he has preached to us today is not quite justified by facts

Take the case of calcium carbide industry Calcium carbide is an essential raw material for the production of various other chemicals The calcium carbide industry has a unit in Kerala It has a unit nearabout Calcutta It has also another unit in the extreme south—in Talaivuthu The only factory which is now working, I presume, is the Birla concern, and

[Shri V. P. Nayar]

every highly technical, chemical industry such as calcium carbide is owned by a jute manufacturing mill. Apart from this, I would like to mention one thing. The other day, I confronted the hon. Minister of Food and Agriculture with a specific question for which he gave an answer which confounds me now. In the last report of the Tariff Commission it was said that for an economic production of calcium carbide, a fertiliser known as calcium cynamide was necessary. I would ask the hon. Minister what is the result of the researches made in the Indian Institute of Agricultural Research or at any other place about the use of calcium cynamide as a fertiliser. The hon. Minister warned the peasants not to use it. He said it was dangerous to say that it should be used. It is said that our peasants have not acquired that standard of education regarding fertilisers and calcium cynamide. Now, I want to ask the other question of the hon. Minister who knows everything about it. If he wants to have the chemical industry, what exactly is the programme for the manufacture of polyvinyl chloride, vinyl acetate, acetylene, butanel, etc? Calcium carbide must necessarily be produced if we want to develop our plastic industry, and so what help do they give to the existing units? There is a unit in Kerala. The report of the Tariff Commission says that in relation to this unit and the unit at Calcutta, the locational advantage of a factory in Kerala is such that because of the cheapness of electricity alone, the production of the capacity of 10,000 tons unit in Kerala will have a clean profit of Rs. 8 lakhs, the production being through the use of electro-thermal heating of lime with a carbonaceous material. That is the process, and that process is not different in Calcutta from that of Kerala But Kerala's electricity is so cheap that we can have a saving of Rs. 8 lakhs on 10,000 tons of the material. But I understand that although this is a protected industry, and though they have given all assurances, even the mere request to have a bigger capital sanctioned has not been favourably considered. If the factory has to be installed, it can only be a public limited concern. The paid-up capital is Rs. 7½ lakhs. The Government have accepted a scheme which will cost Rs. 45 lakhs, and they asked for a capital sanction of Rs. 59 lakhs to Rs. 60 lakhs. Therefore, I want to submit that it is not enough to say that this industry is protected.

I have something more to say. Can I continue tomorrow?

Mr. Chairman: He can continue next time.

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16 hrs.

DISCUSSION RE. EMPLOYMENT OF RETIRED OFFICIALS IN PRIVATE COMPANIES

The Minister of Railways (Shri Jagjivan Ram): Mr Chairman, before the House proceeds with the discussion on this issue, as a sequel to questions and answers given in reply to Starred question No 405, I feel it would be better if I clarify the position in advance in regard to the ex-Chairman, so that the discussion may be based on a full knowledge of the facts

I would request the House to recall the statement made by my predecessor, Shri Lal Bahadur Shastri, on the 24th September, 1954, when he had announced some important changes in the constitution of the Railway Board, which were to take effect from 1st October, 1954.

This officer's tenure in the Railway Board was consequently not renewed after the 30th September, 1954 and he, therefore, relinquished the charge of the office of the Chairman of the Railway Board on that date which was nearly a year before he was due to superannuate. From 1st October, 1954 he proceeded on leave and thereafter was not connected with the working of the Railway Board or any railway