

12.37 hrs.

**INDIAN TARIFF (AMENDMENT)  
BILL—contd.**

Mr. Speaker: The House will now resume further consideration of the following motion moved by Shri Manubhai Shah on the 17th December, 1958, namely:

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

The time allotted for this Bill was two hours, out of which 57 minutes have already been taken. So we have got 1 hour and 3 minutes. Now we are nearing 12.40. So, we will conclude this at 1.40 or 1.45. Shri V. P. Nayar will continue his speech

Shri V. P. Nayar (Quilon): Yesterday, I was trying to explain how by the policy of tariff protection in our country certain monopoly houses have been either allowed to continue their stranglehold on particular fields or to form new monopolies. In describing several cases I also quoted from the Tariff Commission's Report Yesterday, as I was closing my speech, I was referring to calcium carbide industry. The hon. Minister told us that by this policy of protection all encouragement will be given to the various units which come under the "protected industry".

I want to give an instance of how in the matter of even protected industry a unit in Kerala has been chosen for studied discrimination. I have here a copy of a letter which is written to the managing agents of a concern which has a calcium carbide factory in the State of Kerala. The Tariff Commission Report, while dealing with this particular unit, that is, the Travancore Electro-Chemicals Industry, says:

"However, owing to financial difficulties the Company did not so long apply for import licence for plant and machinery. It is now reported that the Government of

Kerala is willing to extend financial assistance to the Company so as to enable it to proceed with the scheme."

This is the latest report of the Tariff Commission, made available to us on the 14th of November. After that, I have got a copy of a letter written to the managing agents by the Government, of course another Department, namely, the Controller of Capital Issues, which says:

"With reference to your letter No. .... dated the 1st September, 1958, on the above subject, I am directed to say that you may address this office again after obtaining the authority from the Ministry of Commerce and Industry that effective steps in respect of licence No. L/19(1) dated the 17th May, 1957, granted under the Industries (Development and Regulation) Act have been taken and that the said licence is in force."

What is this? I ask a simple question. The Tariff Commission after all accept that this particular factory has no finances. They also say that they had come to know that the Government of Kerala was giving some financial assistance. I made enquiries and found that the Government of Kerala are prepared to place about Rs. 15 lakhs at the disposal of this company considering the very important nature of the industry. On the one hand Government say that it is a protected industry—there is today only one unit which is actually in production and it is located at the most disadvantageous.

The Minister of Industry (Shri Manubhai Shah): Without meaning to interrupt the hon. Member, may I say that if the firm writes to us we will certainly look into it. So far they have taken no effective steps. We are certainly very keen ourselves to develop this industry in Kerala. But let them approach the Ministry.

Shri V. P. Nayar: The hon. Minister knows—I think he knows—that I appreciate his anxiety. Very often when

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we talk about it, I also know that. But I am submitting to the House a point, i.e., the Ministry in the one Branch takes one view and in the other Branch takes another view.

**Shri Manubhai Shah:** The Controller of Capital Issues is not under the Commerce Ministry. He is under the Finance Ministry. They may not have known. They may not have represented to us. As soon as the party represents to us, we will certainly look into it.

**Shri V. P. Nayar:** That is exactly the point. I do not mean under your Ministry. I mean another wing of the Government. The Controller of Capital Issues does not function under the State Government of Kerala. It functions under the Government of India.

Now, when the Government themselves say that—I understand that Rs 15 lakhs have been promised and Rs. 5 lakhs have already been placed at their disposal on certain conditions—and when the company is reported to have insufficient funds, when they apply for Government sanction for Rs 40 lakhs they are told, "You renew the licence." What has happened in the case of the licence given to Mr. Safrin? What has happened to the licence given to another unit in Alwaye? They are also pending. So, I submit that Government do not take an overall picture and between Department and Department and between Ministry and Ministry there is no understanding even in the case of protected industries.

The Planning Commission is another trouble. We read in the newspapers some days ago—I do not know which member of the Planning Commission chose to write a letter in that fashion to the Government of Kerala, but it was in the papers—that Kerala Government's investments in private companies there have been taken objection to, because of some technical rule.

Therefore, I say that when Government is prepared to say that this licence must be proceeded with, the

Controller of Capital Issues must have an understanding. The Planning Commission also must have an understanding about it. After all, when we manufacture calcium carbide it is not to be consumed in that State alone. It will necessarily have to be sent out—and sent out for some very important purposes also. Therefore what I wish to submit is that if the industry is protected, each department of the Government should not be allowed to function in its own way in respect of that particular industry.

I would also like to know from the hon. Minister as to what the programmes are because there are no indications of the utilisation of carbide in the Report. I know for certain that acetylene, for example, is a near monopoly for the British firm, although it functions under the title of Indian Oxygen and Acetylene Ltd. You know that a very important body in U.K., the Parliamentary Commission on Monopolies, has made very adverse comments on this particular firm, i.e., the original firm of Indian Oxygen and Acetylene Ltd in U.K. Such firms control this. I want to know as to how we are going to develop industries based on calcium carbide, for which the report gives no indication.

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

**Shri V. P. Nayar:** I am the only speaker.

**Mr. Speaker:** The other day the hon. Member took 25 minutes.

**Shri V. P. Nayar:** True.

**Mr. Speaker:** The time allotted is only two hours.

**Shri V. P. Nayar:** That is true also.

**Mr. Speaker:** He may tell me as to how much more time he wants.

**Shri V. P. Nayar:** I am prepared to speak for two hours.

Mr. Speaker: I will allow him three minutes.

Shri V. P. Nayar: I shall not go outside the Report also.

Mr. Speaker: All right. He may have five minutes more.

Shri V. P. Nayar: Yesterday when the Bill was being discussed and I was taking more time than is ordinarily given, I raised the point whether if other hon. Members were not speaking I would be entitled to more time. Then the hon. Chairman put it to the House and no hon. Member was prepared to speak.

Mr. Speaker: Let me know who are all the hon. Members who want to speak.

Shri Bimal Ghose (Barrackpore): I want to speak for ten minutes.

Shri Narayanankutty Menon (Mukandapuram): I want ten minutes.

Shri L. Achaw Singh (Inner Manipal): I want at least fifteen minutes.

Mr. Speaker: That makes 35 minutes.

Shri V. P. Nayar: The hon. Minister wanted only five minutes to reply.

Shri Achar (Mangalore): I also want ten minutes.

Shri V. P. Nayar: Then I have succeeded. If I was the only speaker then I would have had to cover various points also. Now that I have been able to persuade some other hon. Members to take part in the debate, I think I must close in five minutes.

This is the attitude which Government adopt. I want to show how in a particular industry one house which enjoys the protection in so many industries is not obeying even the instructions of the Government of India. That is no other than the firm of Tatas. Here is the report on the Electric Motor Industry.

Incidentally, I would ask the hon. Minister to lay on the Table at some time next Session a comprehensive statement showing the units in the industry which enjoy protection so that we could find out as to how many of them go to the Tatas, how many go to the Birlas and how many go to the Dalmia-Jain group. We would also like to have some idea of the new units licensed in these protected industries so that we could find out as to how the existing monopolies are being strengthened or weakened.

In the Tariff Commission's Report on Electric Motor Industry, there is a passage. We know steel retention prices have been revised times without number without any basis because the Tatas have to be helped. But what do they do in return? The Tariff Commission's original Report had suggested that and the present Report quotes it. This is what they say on page 8.

"Tata Iron and Steel Company Ltd., should re-examine the question of price of their electrical steel sheets and make them available to the electric motor industry at the lowest possible price."

If Government made a whisper about this and if they could make the Tatas behave well, it ought to have been taken as a thunderbolt. But what do they do? They openly flouted it. The Tariff Commission had to say this in the present Report. This is very interesting also. The Government, in order to help another industry which is a protected industry and to which we are extending protection for three years, even during the last Report asked the Tatas to reduce the price of their essential raw material. Now the present Report says:

"Tata Iron and Steel Co. Ltd., has informed us that it has been its policy to charge the electric motor industry the lowest possible price. Since the last tariff inquiry however, it had to revise the

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prices of electrical steel sheets on three occasions in view of rising costs and with a view to providing extra capital expenditure for augmenting production of dynamo grade sheets"

What is this? When the Government have asked the Tatas to reduce the price, Tatas reply, "We always reduce the prices but because you have asked us, we have increased the price three times." What is all this? They run I think, the largest number of industries which enjoy tariff protection. Therefore, I submit that the hon Minister should take a different view about giving protection to such industries in which units are run without any control being exercised or allowed to be exercised by Government.

With one more point I shall have finished. That is that the Government should once again examine the question whether the Tariff Commission, as it is composed today, will be able to meet the growing demands of our country. I submit in all seriousness that the hon Minister should not have any favour or any fear and should appoint persons whose services can be best utilised in the matter of making enquiries of the kind which we have here. It is no good however efficient they are that an ordinary economist or a gentleman who has been in Government service for 30 years and has retired should go to the Tariff Commission and then conduct an enquiry on various technical aspects. They are very very important commissions on which there must be competent people. A system can be evolved just as we functioned in the Delimitation Commission. We are not expert on States. We function as Associate members. The Tariff Commission must necessarily associate a known expert in the line of enquiry. Ordinary graduation, even if it is of Oxford, will be of no purpose, as I find here. They write about all things. So, I would request hon Minister to reconsider this and

let us know. We do not know what is the actual status of the Members of the Tariff Commission, how they are appointed, whether they are appointed through the UPSC etc. None of these things, we know. Once again, I urge upon the hon Minister to consider whether it is not time now, in the context of our country today, that we appoint more efficient people. The present members may be efficient, I do not deny that. When a technical man who is competent to go into technical matters is not available in the Commission, they could have a specialist nominated as an Associate Member of the Tariff Commission in the matter of such industries.

Shri Bimal Ghose: My hon friend Shri V P Nayar has referred to many specific points. So, I do not intend to refer to any specific point in the Reports. But I should like to bring out for your consideration certain general points that arise out of a perusal of the Tariff Commission's Enquiry reports. Before I do so, I should like to say a word about the observations of my hon friend Shri V P Nayar on the Tariff Commission Members. I do not think those observations are quite fair. I do think that the Tariff Commission as constituted is an impartial body. I think the procedure is that if they have not technical knowledge of any particular matter they take the advice of experts and even associate them sometimes. I believe in the case of the motor car industry they had an expert to advise them on that matter.

Having said that, I want to say generally about this policy of protection. You may remember, the original idea the original basis of protection was what was called the infant industry argument. The underlying idea was that after some time the industry will be able to compete, that is after a period, may be 10 or 20 years the industry would be in a position to compete with foreign products. The situation having changed, that

basis is now absolutely altered. Today, there is no question of any competition now or in the near distant future. As the hon. Minister himself had observed, this protective duty has from one point of view become irrelevant because, on account of our foreign exchange difficulties, we are not permitting imports. In that condition, the question arises as to whether we are seeing to it that our industries are conducting themselves in a manner that they would be able really to compete with foreign products. When you analyse or examine that question, you find certain points. One is that the Tariff Commission itself finds that the duty should be higher than what it recommends for imposition. The reason is that there is no danger of any competition from abroad, because imports are restricted. That means, it is a sheltered market.

But, what is even worse is, I find that in the case of some of these industries, their cost of production has been going up whereas the cost of production of comparable articles or similar articles abroad is going down. That requires examination. For example, if you take the price of caustic soda, the price of caustic soda, whether of Chinese origin or of U.K. origin has been going down in 1958 as compared to 1957. That is not so with our cost of caustic soda. The other point which is even more important is the disparity in the prices of our products and of imported products. Our ex-works price is Rs. 31.20 per cwt. whereas the C.I.F. price of imported caustic soda of Chinese origin is Rs. 16.54 only: almost 50 per cent.

**Shri Manubhai Shah:** I am not suggesting to interrupt. The hon. Member was not here yesterday when I gave certain facts in my statement.

**Shri Bimal Ghose:** I read the statement.

**Shri Manubhai Shah:** The price of caustic soda has gone down from Rs. 34.69 in 1955 to Rs. 31 per cwt. in 1958.

**Shri Bimal Ghose:** What was the price in 1957?

**Shri Manubhai Shah:** I do not have every year's price. The latest price is Rs. 31 per cwt. That shows our downward trend from Rs. 34.69.

**Shri Bimal Ghose:** I noted that point. I would like the hon. Minister to compare the percentage of price fall in regard to our product and the percentage of price fall in regard to imported products. That would give a true idea. It is not just as if our prices have gone down from Rs. 35 to Rs. 34 and their prices have gone down from Rs. 31 to Rs. 16 and that both have declined. The range of decline is very dissimilar in the case of the two countries. That requires examination. It is not merely in regard to caustic soda. Take calcium carbide. The C.I.F. price of calcium carbide of Chinese origin is Rs. 26. The price ex-works of indigenous product is Rs. 44.75. The Chinese price is after paying insurance and freight. Their internal cost of production is even lower. I am not saying that protection should not be given. That is not my point. Are we seeing to it that we shall be able in some distant future to produce or manufacture commodities at a price which would compare favourably with imported prices? That point requires examination. Why is it that our prices are going up? Is it due to the fact that the prices of raw materials are increasing? Is it due to inflation? Is it due to the fact that there is more profit or mismanagement or the cost of labour is increasing? Today, we have a sheltered market. I believe the hon. Minister of Industry should realise his responsibility. If that shelter is taken away, where do our industries stand? Does it mean that we shall be compelled to give protection from year to year? Otherwise, there will be the question of unemployment again. That question requires very serious examination. Take soda ash. Our price is Rs. 16.83; the price of Chinese soda ash C.I.F. is Rs. 8.30, nearly 50 per cent. I have looked through many of these reports. The

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imported prices are very much cheaper. I think the Government would do well to examine this question. For about five or ten years, the foreign exchange difficulties will continue. There is no probability—the hon. Minister may think otherwise—that we shall be able to liberalise imports. Because, the ground on which this protection is extended is that import restriction or quota restriction is a temporary expedient and may be taken away at any time. As the situation stands today, there is no fear of this import restriction being done away with during the Third Plan or even the Fourth Plan.

The other point is stabilisation of prices. That is a fair point. But, the way in which our industries are developing in this country requires examination. There are two or three points that I want to place before the hon. Minister for his consideration. One is the question of reduction of railway rates and shipping freights. Many Tariff Commission reports have suggested that railway rates and shipping freights should be reduced if we are to compete with foreign products. It is known that other countries, Japan or China give very liberal concessions in regard to their railway rates and shipping freights policy. It is necessary that we also, with a view to help our exports, do something in this matter. I should like to know what has been done. The actual fact is, although there has been a recommendation that the railway rates and shipping freights should be reduced, these rates and freights have always increased. They are increasing from year to year. What is actually happening is contrary to the recommendation of the Tariff Commission's report.

The last point is about power. There seems to be some anomaly in regard to our planning procedure. We have planned industries. But, we have not planned the necessary raw material or power that would be required to develop industries. The Tariff Commis-

sion enquiry in regard to the aluminium industry has pointed this out.

There is no power available; but if the industry is to develop power is necessary. So, what is the machinery with the Government whose duty it is to see that all things go on together, that they correspond to each other. Similarly with regard to coke. Whether it is the caustic soda or soda ash, there is a recommendation in the Tariff Commission reports that high class metallurgical coal should be made available. But as everybody knows metallurgical coal is not available; even the Railways cannot get them. How are these industries going to get them? What has the Government done about it? Otherwise these industries cannot develop. So there is something wrong with the planning machinery.

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We plan on the one hand the expansion of industries, but the other things do not keep pace. The hon. Minister may perhaps say that they are in the charge of some other Department, of perhaps the Minister of Mines, Steel and Fuel, but that does not solve the problem. I am sorry that so far as metallurgical coke is concerned no solution has yet been found and yet the Tariff Commission is basing its reports on the assumption that our production will increase by such and such figure. But that increase will be impossible unless we can also provide the fuel. These are the points which appear to me to be important and which arise out of a consideration of these reports, because it seems to be that planning is not being done consistently; rather it is being done haphazardly.

There is another point which I would like to suggest to the hon. Minister for conveying to the Tariff Commission. A section in each report should be devoted to a comparison of

how an industry since the last report has developed in regard to its competitive capacity with foreign product. In certain sections some figures are given, but there is no section devoted completely to this problem as to what is the competitive power of the industry since the last report was made. If we get that we will know how the industry is really developing and what is the possibility of that industry doing without protection after a certain period of time. As it is it seems to me that most of the industries will require protection for all times if these import restrictions do not continue. There is such a huge difference in the price of our indigenous product compared to imported product, particularly of Chinese origin.

**Shri Manubhai Shah:** The Chinese argument may not be overdone perhaps. We all know how the costings are done in different countries. We need not stress that point very much.

**Shri Bimal Ghose:** Let us say even for the sake of argument that the Chinese cost of production is the highest and that they are selling at a lower rate. Government should tell us whether they are prepared to subsidise our exports to the extent that may be necessary. It does not help our products just to say that the Chinese cost of production is not the right thing, or that they deflate their cost of production. That does not help our exports. This problem, I believe, has to be faced and solved. I hope the hon. Minister will take note of the points that I have made out.

**Shri L. Achaw Singh (Inner Manipur):** Sir, the present Bill seeks the continuance of protection to eight industries and deprotection to four industries. When we go through the reports of the Tariff Commission we find that there are a number of stereotyped answers to set questions, but there is no reference to the question of sweated labour, conditions of working in factories and the initiative and incentive required for more production. These reports have failed to

deal with the fundamental question of production.

The hon. Minister has referred in his opening speech to the way in which prices of manufactured articles have to be reduced. The only way, he said, to reduce the prices of our articles would be by more production, but the conditions for increasing production do not exist now. This question is being tried to be solved by the manufacturers and producers being given additional incentives in the way of tax concessions, grants, subsidies and protection to different industries. But this is not the way. We have to consider the human factor. If the actual producer is given initiative and enthusiasm, I am sure we can have more production of consumer goods as well as capital goods and then only can we reduce the prices of the manufactured items.

The Tariff Commission has been engaged in an examination of the necessity of protection to industries. There is no proper examination as to whether an industry has been functioning effectively or efficiently; there has been no proper examination as to whether the targets fixed for each industry have been actually fulfilled. In fact, we find that it is the profit motive that induces these people to produce. Unless there is profit, they would not produce. That is the mentality. In some cases there is a genuine case for restriction of dividends and a close scrutiny of the actual cost of the manufactured items. Since the war our industrialists have been accustomed to a high level of profits and there is a tendency also to add high overhead charges.

Next, Sir, I would like to come to the determination of the fair-selling price of the articles. It is a very big question and determination of fair selling prices involves many variable factors. In the present context of the economic situation of this country as well as of the world, there is always a risk of a Commission or a Board not

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coming to a correct decision. There is always the risk that their estimates of fair selling prices may go wrong by a wide margin. Then again with a few notable exceptions we find that there are very few industries which maintain adequate and satisfactory costing data and there are very few factories also which follow a scientific system of cost accounting. That is the difficulty. While working out the cost of production, we allow too many concessions as well as advantages. Sometimes we give tariff protection. That is with a view to giving protection or encouragement to a particular industry. When we give tariff protection, we should also look to the interests of the consumer, since there is always the chance of the claims of the consumer being neglected and the claims of the producer or the manufacturer outweighing the claims of the consumer.

I would like to deal with some industries for which protection is continued. Caustic soda and soda ash were first granted protection in 1955. In 1946 in the case of these basic commodities, the scheme of protection provided for the payment of a subsidy combined with an increase in the duty. One of the major difficulties of these industries is that they do not have salt deposits near the factories. In the case of other manufacturing concerns in Europe, U.K., and Germany, they have got enough deposits near the factories. So, high cost of production is one of the difficulties these industries are facing in our country. It is proposed that protection to these industries should be granted for another three years, but then the Tariff Commission has observed that the development and consolidation of these industries, especially the soda ash industry, is at a critical stage. It has also stated that the scheme of protection should continue till self-sufficiency is achieved; but then the performance of Tata Chemicals and Dharangadhara Chemicals had fallen short of the expectations at the time of the last report, i.e., in 1955, according to the Tariff Commission. I feel

that the gap between the current demand and annual production is still very wide. The current demand is 179,000 tons and the annual production is only 86,102 tons. So, the gap is still very wide, and it will be rather presumptuous to talk of achieving self-sufficiency by 1962. The position of the caustic soda industry is still the same, and it will be an uphill task to fulfil the target of 145,000 tons by 1961 if we consider the present annual rate of increase in production. It will be, therefore, advisable for the Government to put the utmost pressure on these industries to implement the recommendations made by the Tariff Commission regarding efficiency, cost of production and fulfilment of targets.

Now I would like to come to the aluminium industry. The Commission has not undertaken any elaborate examination of the production costs of this industry on the lines it generally does in the case of other industries when they demand protection. It was represented to the Commission that there had been changes in the structure of the industry. According to the commodity survey by the U.N. Commission on International Commodities, the industry has gained not only from the great expansion that has taken place in the aeroplane industry, but also from the displacement of heavier metals like tin and lead in foils, copper as a conductor, zinc in castings and various iron and steel alloys in sheet and structural shapes. Moreover, the consumption of aluminium in different countries has doubled in the last ten years, and many European countries as well as China have offered very low prices for aluminium. So, the change in the structure of the industry, as well as the international market situation is likely to affect materially the production costs. So, the Tariff Commission could not make a fair estimate of the future cost of production and they have promised that there would be another enquiry in 1960.

The difficulty is that the industry suffers from several handicaps, like



scarcity or the costliness of electric power, high cost of raw materials and stores etc. It has been pointed out that the manufacture of certain types of industrial sheets and strips of aluminium demand precision workmanship of a high order, and aluminium sheets and strips of thinner gauges cannot also be rolled in the existing mills. So, Government should soon consider the establishment of an additional capacity of rolling of four to five thousand tons per year. In that case, it will help produce the types of plates, sheets and strips now imported from abroad.

Now I would like to come to sericulture. It is one of the industries which employs a large number of workers. It employs 40 to 50 lakhs of workers in the whole country. The difficulty with the industry is that they do not have any large factories, most of them are on a small scale. It was granted protection in 1934 and during the last 25 years it has not been possible for the industry to grow properly. The main objects of granting protection before 25 years were that the industry should be able to withstand competition from raw silk imported from foreign countries, and that it should improve its quality to international standards and reduce its cost of production, but it is evident from the report that the last two objectives have not been fulfilled. So, it would be in the interests of the industry as well as of the country to make a great effort to achieve a substantial improvement in the position of the industry. Practical experience in some of the States shows that it will be very difficult to improve the position of the industry. In my own territory, Government has given some loans, but it has been possible to have only 2,800 lbs. of silk during the last year and the target for 1961 is 3,500 lbs. We must be more ambitious and we should make great efforts to increase the target as well.

Coming to the bichromates industry, this was a nascent or infant industry when it was given protection. Now it

has come of age, but then it has not fulfilled its obligations. The Government have given this industry various facilities including this protection, but then the report in paragraph 172 says:

"We are aware of the present situation in which the industry which sells all its products in the domestic market and earns a high margin of profit, has little or no inducement to develop the export market where the margin of profit is comparatively small. But we feel that the producers in an industry which has enjoyed protection over a decade and has the benefit of a sheltered market should take a much broader view of their role in the economy of the country."

It also goes on to say:

"We trust that the producers of the bichromates will be guided by their own enlightened interests and make every effort to develop export markets, thereby benefiting themselves as well as the national economy."

This is not at all a compliment to that industry. I do not know whether this appeal to their enlightened self-interest will have any effect on the industry. When all these facilities have been given to them, it is only proper for them to try and promote exports Government, in their recent trade agreements with China, Finland, Greece, Hungary, Norway and Sweden, have included bichromate as one of the items in which India can deal. So, this industry must make an effort, and Government should exert the utmost pressure on the industry to promote export markets. Otherwise, our expectations will not be fulfilled. Moreover, if they promote production, they would be able to have also a larger margin of profit, because thereby they would be able to have more production and reduce the cost of production.

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Lastly, I would only like to deal with cocoa powder and chocolate. This is a very small industry, so to say, because it employs only 210 workers. It was given protection in 1940, during the war period. Consumption of cocoa powder and chocolate is limited to a very small section of the population and it caters to the cultivated tastes of only a few. There is little prospect of this industry building up an export trade with the neighbouring countries. So, there is no meaning in continuing protection. There is also the question of the import of cocoa beans, which are the raw materials used in the production of cocoa powder and chocolate. As regards this import, Government should gradually restrict it; and Government should also encourage cultivation of cocoa in different parts of the country, so that our foreign exchange may be channelised to a more profitable use.

Shri Narayanankutty Menon: The more important features which are covered by this Bill have been discussed by my hon. friend Shri V. P. Nayar. I have been provoked to speak on this Bill only because of certain references made by the hon. Minister yesterday regarding the automobile industry, while moving the motion for consideration.

He quite rightly said yesterday that it has been the custom in this House that whenever amendments are brought forward to the Tariff Act, we review the progress of certain industries which enjoy protection under the Indian Tariff Act; and he has given a very fair account of the progress made by the various industries which enjoy protection under the Indian Tariff Act. Apart from the claims that he has made regarding the various industries, he has, as usual, made certain forecasts also; and the most important forecast that he has made or rather the optimistic expectation that he has is regarding the automobile industry.

My main point in speaking today is to point out that the claim that the hon. Minister has made regarding the automobile industry and the subtle optimism that he has that it will come up to the expected standards of production, that is, indigenous production, is a thing which cannot go unchallenged, because of certain happenings during the last two or three weeks, which this House very well knows.

Whenever the hon. Minister of Commerce and Industry used to come forward before this House with amendments to the Tariff Act, certain grounds used to be given for continuing protection to certain industries and also for granting new protection to new industries. And basically, this House has laid down the policy of Government, as far as tariff protection is concerned, and this House has approved the policy, the extent to which tariff protection is to be given, and also the time-limit for which it is to be given. Government used to be aware of the time-limit, and they used to come forward before this House either for continuing the tariff protection or discontinuing the tariff protection in the light of that time-limit.

But the most important fact is that on 5th December, 1958, the hon. Deputy Minister of Defence read out a statement regarding certain contracts which the Defence Ministry had entered into with certain firms in Japan and also in Germany. If I have understood the statement aright, that statement made by the hon. Deputy Defence Minister on behalf of the Government of India, is the most standing indictment of the tariff policy followed by the Commerce and Industry Ministry, especially regarding the automobile industry.

Apart from the fact that at least the needs of the Defence Ministry, a Ministry which is concerned with the defence of our country, should have top priority, as far as indigenous production and import of materials are

concerned, we find that that Ministry had to appear with tears in its eyes before this House saying that the industry which had been enjoying protection from our Government had betrayed the Defence Ministry, and at last it had to go to Japan and Germany with folded hands in order to find out certain most important materials as far as their requirements were concerned.

Apart from the statement made by the hon. Deputy Minister, every hon. Member of this House, and every citizen in India, knows very well that there is some sort of hanky-panky with the automobile production in this country. I have got personal experience. Even if for four years to come you like to have a small car in this country, and you have got the money to pay, yet it will be impossible for you, or for any one in this country, to get a car.

**Shri V. P. Nayar:** Unless black-market price is offered

**Shri Narayanaakutty Memon:** That car which has newly come into the market, and whose price has been declared by the dealers in this country has been the privilege of only a few. We here fail to understand what are the privileges needed by a few people in order to get the car. Experienced people say that the No. 1 priority and privilege is the capacity and readiness to pay the blackmarket price, as far as these small cars are concerned.

I do not think that the hon. Minister will stand up in this House to contradict me when I say that a large majority of these very small cars that have been sold in the open market have been sold at a premium price, a price which is otherwise called the blackmarket price. If the civilian population in this country cannot get a car for the scheduled price, if enough cars are not available in the Indian market today for the Indian consumer, if this particular industry which enjoys protection, in fact, more

protection than any other industry, cannot even supply the vital needs of the Defence Ministry, why should this particular industry continue to enjoy the protection that it is enjoying today?

The claim was made by the hon. Minister yesterday that by 1959, the automobile industry will be producing 70 to 75 per cent of the motor car parts in India. And he expects that by 1960-61, 80 per cent of the motor cars manufactured in this country will be manufactured in India. Apart from the hollowness of the claim, and apart from the fact that this 70 to 75 per cent includes the cushions of the motor car, and also the silk linings of the motor car, we in this House cannot believe today that the hon. Minister has got any justification to believe that by 1959, 70 to 75 per cent of the parts of the motor cars manufactured in this country will be indigenous parts, because he stands contradicted from another Ministry of the Government of India.

I may be permitted to read out two or three lines from the statement of the Deputy Defence Minister, which in itself is a sorrowful tell-tale story of the lack of co-ordination, lack of planning, and lack of understanding as far as the Commerce and Industry Ministry is concerned, in giving protection to the industry and also in planning for the requirements of the country. The Deputy Minister of Defence said

"In spite of 8 years' start, Hindustan Motors did not manufacture any appreciable part of Studebaker trucks till they went out of production of these trucks in 1957. Premier Automobiles, after 8 years, have not been able to achieve much more than 30 per cent indigenous production in the case of army trucks. After Hindustan Motors ceased production of Studebaker trucks, the army placed an experimental order for

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300 3-tonner Mercedes Benz trucks on TELCOS, who had recently started manufacture of diesel trucks in India in collaboration with Mercedes Benz of Germany, at a price of approximately Rs. 30,000 per vehicle, which was much lower than the prices charged by Hindustan Motors and Premier Automobiles. However, TELCOS put up their price by Rs. 8,000 in 1958, when the Army wanted to place an order for 1,000 3-tonner trucks, apparently to fall in line with the high prices charged by other manufacturers. In spite of protected negotiations, they would not reduce their price by more than Rs. 650".

When we look into the background of an industry, we find that the primary motive of giving tariff protection is to encourage the indigenous growth of the industry. At the same time, we have got every right to expect that the industry will behave in a way which will satisfy the requirements of the nation. Immediately after the statement of the Deputy Minister, Shri J. R. D. Tata of TELCOS came out with a contradiction. Now everyday in the Press there is a heated controversy going on as to who is speaking the truth and who is speaking the untruth. Even the Members of Parliament are at a loss to understand as to whether it is the Minister of Industry who spoke of the glorious achievements of this industry, who is speaking out the truth or it is Shri Tata who is speaking the truth or it is the Deputy Defence Minister who is speaking the truth. At least on this question, the Minister of Industry who made a claim in his opening speech in respect of this industry, should tell the House who is speaking the truth as far as the pricing of automobiles is concerned, because not only the Members of Parliament but every citizen of this country is interested to know as to who

after all is speaking the truth in this matter.

13.33 hrs.

[PANDIT THAKUR DAS BHARGAVA in the Chair]

We are at least interested to know whether Shri Tata is right or Shri Raghuramaiah or Shri Manubhai Shah is right, because confronted with these flabbergasting statements made by different people, we are at loss to understand what is the hanky-panky behind the automobile industry today.

Therefore, I appeal to the hon. Minister that some clear picture has to be given to Members as to who is at fault and what is going on behind this industry.

If you look into this industry and its behaviour, we find that it is the prodigal son of the industrial empire in India today who is consuming monstrous quantities of foreign exchange in the name of making this industry self-sufficient. But every one unit of this industry is behaving today in a most irresponsible manner, as disclosed by the Deputy Defence Minister. In the Premier Automobiles, which is expected to supply motor cars to the country and vital trucks to the Defence Ministry, there was a strike for 4 months and the bosses there, spending India's foreign exchange and enjoying protection and privileges, said —'if we do not have the workers back to work on our own terms, we will not manufacture' and the Government of India in the Commerce and Industry Ministry who are patronising this company, who are giving complete, unconditional support for the development of the industry, refused to raise little finger on what has been happening as far as this industry is concerned.

When these little industrial empires with very patriotic gentlemen at their

head cannot even give the Defence Ministry the vital requirements of the Ministry in the interests of the Indian nation, we fail to understand what patriotic type of people they are. In spite of all this, the hon. Minister comes before this House and says that partly it is because of some trouble due to Government not giving foreign exchange. It is a privileged few in the country today who have got such a position that they have got the authority to dictate their terms for manufacture of motor cars and who control the entire automobile industry as far as the Commerce and Industry Ministry is concerned. But how long can this nation tolerate this sort of business at their own terms, at the public exchequer's expense, being controlled by these people? How long can we wait and see that these people virtually dictate the policy with regard to the automobile industry in India?

It is very high time that this House had a probe into what has been happening for the last 8 years inside the automobile industry, the nature of the elaborate protection afforded to this industry and how this industry failed to come up to the expectations that Government themselves had entertained, and what is really wrong with the industry. Unless that is done, the Defence Ministry will have to go to Japan and ask the Japanese companies to manufacture some trucks for us because our own automobile industry, patronised by the Government of India, protected by the Government of India, is incapable of doing anything here! Because of the exposure of this quarrel between these two Ministries on this particular question of fact, what is really happening is that the entire tariff policy is being undermined. Protection is given to this industry and the Indian consumer is to pay a ransom regarding the price of the motor cars and all this has been done in the name of encouraging the growth of the indigenous industry. But now it can be done only if we get some assurance from the industry

that it will behave properly and every protection that is given, every pie that is being given by the Indian motor car consumer—who pays three to four times the price for a small car here compared to what it costs in neighbouring countries which other companies might be able to supply—can be given only if there is a definite assurance to the country that these people will develop the indigenous industry and make it cent per cent indigenous.

I assert and repeat that this industry, because of its past behaviour and misbehaviour, because of the lack of progress it has shown, because of the lack of responsibility it has shown to the needs of the Defence Ministry, does not enjoy the confidence of this Parliament and the people of India. There should be a thorough probe into whatever has been happening inside the industry. It is high time the Government came forward with a review of the policy of tariff protection and also the basic policy of giving the monopoly to two or three top industrial empires in the country, and took the industry into the public sector so that our Defence Minister will not have to go to Japan and Germany in order to beg for supply of the basic requirements of the Army like small trucks and small motor cars and jeeps at least in the future. This vital industry will be controlled by Government directly and this sort of unexplainable and sometimes shameful way of approaching the public through two different wings in the Government of India shall not be repeated.

It is also high time that the Commerce and Industry Ministry which now functions as a water-tight compartment, because Shri Manubhai Shah, told us some fifteen minutes ago that his Ministry has got nothing to do with a particular matter and it was the Finance Ministry which was concerned, stopped functioning in that manner.

Shri Manubhai Shah: I did not say that. I said the matter should have

[Sri Manabhai Shah]

been brought to our notice. If the Controller of Capital Issues had raised the point that he wanted the recommendation of the Ministry of Commerce and Industry, it was for the person who proposed that to come to us and we would certainly look into the question.

Sri Narayankutty Menon: I agree in that respect. But what answer has he to give as regards consultations between Ministries, as regards co-ordination between Ministries. This is a type of thing which affects the Defence Ministry certainly...

Sri Manabhai Shah: He is again mixing up. That was with respect to Sri V. P. Nayar's question regarding a 'calcium carbide' licence issued in Kerala State.

Sri Narayankutty Menon: I agree with him. But in this respect, I am saying that there is either lack of co-ordination or lack of understanding between these Ministries because we cannot exist in this House with the Defence Ministry experiencing these difficulties for the last 8 years. These people were not offering motor cars, jeeps and also trucks at a reasonable price and in utter dismay, utter helplessness after bargain after bargain, the Defence Ministry had to go to some other company in some other country for manufacture of motor vehicles. The statement says that the Defence Ministry has been experimenting with all this for the past 8 years at the cost of the Exchequer and they have failed to get trucks at reasonable prices and also in ample numbers. Is not that statement of the Defence Ministry an indictment on the Commerce and Industry Ministry that every year the Defence Ministry experienced this trouble and that the Commerce and Industry Ministry did not take steps to see that these people manufactured the required number of vehicles or the required type of vehicles at reasonable prices, to supply to the Defence

Ministry. Therefore, I submit that the Commerce and Industry Ministry in affording this protection to this industry has failed to see that this industry gave at least 50 per cent of the specifications, and 50 per cent of the expectations of this country.

In conclusion, I may make one point regarding the prices of automobiles also. The country has waited for 8 years. Many times many reputable companies from foreign countries have approached the Government of India saying that they will manufacture motor-cars which can be consumed by the public here at reasonable prices, and their prices come to about Rs. 4,000 a car. If you are fortunate to get one at the scheduled price—and for that there are only 40 or 50 people from among the 350 million people in India—that is at Rs. 10,500—, that is double the cost of the standard vehicle in any other country. How long is the Commerce and Industry Ministry going to protect these people to fleece the Indian people? I submit that this is a sort of fleecing the people of this country in the name of indigenous industry, in the name of expanding the automobile industry and it cannot go further.

The hon. Minister should see, as he said yesterday, that when protection is afforded to an industry, the pricing of the product depends upon the actual cost of manufacture. But he has not told us what is the percentage of profit that these automobile combines have taken today. It is high time to review the prices of motor cars.

Secondly, do not drive the Indian consumer to walk behind the automobile dealers offering premium after premium—black-market prices. There should be a machinery whereby the Commerce and Industry Ministry can take steps to get motor cars produced in these years according to priority and see that there should be no dearth of motor cars. In India the demand for

motor cars is not very high. If this industry had behaved properly, the Indian people would have got motor cars at reasonable prices. As for as the availability and supply is concerned, the hon. Minister should immediately look into the position.

I would appeal to the Government of India to have a review of the work done. The whole policy regarding the automobile industry should be reviewed.

Shri Achar: Mr. Chairman, Sir, the previous speaker and other speakers also have expressed great apprehension about the protection being granted to industries and monopolies growing up. In fact, the previous speaker mentioned the example of the motor car industry.

Shri Manubhai Shah: I may submit that last time I did not interfere. The present Bill, really speaking, does not deal with the automobile industry. There is shortage of time and if the hon. Member deals with the industries which are covered by the Bill, perhaps, more time could be utilised profitably.

Shri Achar: I will not take more than 5 minutes. I am not going into the details of any industry. I know the time is almost up. I was only mentioning this fact because the previous speakers seem to think that 8 years is a very very long period. In the industrial development of a country, especially situated as we were, is it reasonable to think that granting protection for 8 years is to be considered too long?

My only submission is that we should consider the most important aspect and that is that our industries should grow. I do not mean to say that the consumers should suffer for all time to come. Certainly, our products must also compete with foreign products, with regard to motor cars, aeroplanes or whatever it may be. But, at the same time, we have to consider this question, whether the

infant industries which are working at great disadvantage should be given protection or not.

Another argument that was laid stress on was that monopolies are developing and the Industries Ministry and Government are encouraging monopoly. I would ask, are we developing monopolies at all? On the other hand, in this country, we are encouraging both the sectors, the private sector as well as the public sector. If there are people coming forward and willing to run these industries, does the Government come in the way? Where is the question of monopoly at all? The private sector is allowed complete freedom. If there are people coming forward and are willing to start industries wherever possible, licences will be granted and encouragement will be given. At the same time, we also see that the public sector is coming up taking the bigger and vital industries. In view of these facts, I would like to submit that there is no question of monopolies at all coming up in this country. Maybe there are certain instances where some companies may be abusing their powers. I do not mean to say that these should not be examined or that high profits should be allowed. In their cases we have the Tariff Commission and they are going into...

Shri V. P. Nayar: How many units are there in the production of Soda Ash?

Shri Achar: I said at the outset that there is the Tariff Commission and that they will be going into it. If we enter into the details here it will take a very long time. It is a matter for the Tariff Commission to go into detail and report on the matter. We have also some reports of the Tariff Commission and I have gone through most of them. I find they have given adequate reasons for protection being granted.

At the same time I would like to submit one aspect of the question from the point of view of the con-

[Shri Achar]

summer. There can be no doubt that for all time to come we should not go on giving protection. That is the most important aspect. I also felt that the Tariff Commission have not considered this aspect of the question as deeply as they shou'd. They go to these factories, find out what exactly is the position of labour, what is the cost of production and all that. But they must also look into one more aspect of the question, that is, how the foreign people are able to produce these very products at a cheaper rate. They should have comparative study of the matter. If the industries are failing in their duty and are not satisfying the conditions, I feel, protection should not be granted.

For example, take the motor cars. How is it that our people in spite of 10 years of protection—I do not mean to say that 10 years is a very long period—are not able to compete with foreign companies? This is an aspect which the Tariff Commission should look into.

In my own State, for instance, there are people employed in the silk industry—and probably those people from Mysore may not be pleased with the remarks that I have to offer—and from 1934 they have been given protection. It is a very long period—nearly 25 years. Maybe there are conditions which necessitate that protection being given. But, at the same time I would like the Government as well as the Tariff Commission to look into this aspect of the question as to why in spite of 25 years of protection they are not able to stand on their own legs. This aspect of the question will have to be considered more than anything else.

I would submit that with the price question the quality question also comes in. I do not deny that. If it is a natural disadvantage which they cannot help and they can recover only after some years of protection,

then, protection should be granted. But, if they are not making the progress that they should, if there are difficulties which they should have got over by this time. I would submit that protection shou'd not be granted. It is only in the case of infant industries that they should be encouraged and given protection until they stand on their own legs, because of the difficulties and disadvantageous conditions here. Otherwise, if they are neglecting their duties, they ought not to be given protection.

**Shri Manubhai Shah:** Sir, I am very happy to see quite a large amount of informed criticism of the working of the protected industries. I am grateful to the House for this. My hon. friend, Shri V. P. Nayar, yesterday raised the question about the composition of the Tariff Commission. Even while I was moving the Bill for consideration, I tried to give the background for the consideration of the House regarding the entire policy and structure of the Tariff Commission and the policy of Government. Section 4 of the Act itself prescribes the manner and type of persons to be appointed to the Tariff Commission. I may only say that while reviewing the working of the Tariff Commission over a long period—it was the Tariff Board previously and since 1952 it is the Tariff Commission—I can extend, as I did last time, the grateful thanks of the people of this country of this Government and this House. It has really done a remarkable job. The industries which have been given protection, as my hon. friend just now rightly pointed out, have not been given indiscriminate protection. Out of the 43 industries which came up before and during the war and thereafter, as per the assurance from the Central Government that their claims to protection would be considered, 23 industries are today deprotected as a result of the recommendation of the



Tariff Commission. This, I think, is quite a large number to be deprotected by the thorough examination of all the aspects of the industries which the Tariff Commission has done. It is also not as if every industry that applies for protection is granted that. The Tariff Commission rejected outright the claims of six industries, out of the 23 which the Government forwarded for its recommendation, to any protection, after a thorough examination. I am only submitting these matters before the House to show how valuable a service the Tariff Commission renders and how they go into everything in an intense and detailed manner. Again the competence of the present members and the past members of the Tariff Commission has been of a very high order. The reports of the Commission have been—I have seen in the different countries—highly appreciated and even an international organisation like the GATT has admitted the claim of several Indian industries to protection only on the recommendation of the Tariff Commission of India. Therefore, it is a very high honour and privilege to have the working of a Tariff Commission, so well-constituted, to help the industrial development of this country.

My hon. friend Shri Ghose referred to the price reduction of the protected industries. It was a very important and pertinent point. So, yesterday, in reviewing in a very brief manner the working of the protected industries, I had already pointed out several items of which continuously there has been a reduction in prices. We can compare the prices in different countries in entirely different contexts. The base of industrial development in this country is very meagre. In spite of the fact that the people of the country and several times very great leaders of this country have commended the industrial development of this country, I have several times expressed my total dissatisfaction in the House at the total growth of the industrial production in the

country. It is an infant industry and the development is just taking place. Very massive and rapid industrial development of this country alone can fight the battle of poverty in which the Indian masses have been steeped for a thousand years. So, the entire gamut of the industrial production has to be viewed when the price structure has to be looked into. I therefore, plead with the hon. Members not to compare the prices, particularly with certain types of countries where we know the economies are based on quite different considerations. Apart from that we are prepared to consider the price structure and the industrial production of this country. Those hon. Members who are interested in this, if they go into this question, will find that a very detailed examination has taken place by the Tariff Commission with respect to the raw material, capital employed, labour, working load on the industry, distribution system, distributive channels on which expenditure is undertaken, fuel cost, transport cost, and so on. It is an overall examination and then ultimately protection is recommended in certain quantitative manner and in certain protective duties that may have to be imposed. When the shortage of foreign exchange exists, my hon. friend Shri Ghose last time also pointed out, whether it was necessary to continue the examination by the Tariff Commission. I have laid this aspect of the problem before the House in *extenso* and so, I do not want to retrace the ground. I can only say that an examination by the Tariff Commission is necessary not only because we have got the mechanism of import control or quantitative restriction. The Tariff Commission is an economic instrument, it is a fiscal instrument, an instrument in the hands of the Indian people in order to watch and judge the progress and the health of the Indian industry.

Last time, I had said that this was not merely an examination of one local problem or a particular type of

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protection that is to be given. The Tariff Commission, when it grants or refuses protection to any industry, goes into the entire health of that particular industry and the general industrial development of the country. We get all the economic indicators from that examination as to how the Indian economy, particularly in the industrial field is marching from time to time. Therefore, the function of the Tariff Commission is much larger and if I may say so, very important from the national point of view.

The question was raised by one hon. Member about the automobile industry and the prices of automobile vehicles. I do not want to cover all the ground he has mentioned. We are confident that, in the case of two commercial vehicles and one car, by the end of 1959, they will reach almost 70-75 per cent indigenous content. That is based on a phased programme and not on optimism or any type of guess work. I had already mentioned one of the cars as Hindusthan when Shri Nayar asked me about it. Willys Jeep and the Mercedes-Benz are the other two. I have not said as was the impression of one of the Hon'ble Members, that all cars and vehicles will reach this figure by end of 1959. I have said two commercial vehicles and one passenger car are expected to reach 70-75 per cent of indigenous content by the end of 1959.

**Shri V. P. Nayar:** Has this been taken into account when the foreign exchange allocations were made to the various automobile manufacturing firms? Was the percentage of indigenous production also taken into account?

**Shri Manubhai Shah:** This again is not a question very relevant here. I have dealt with foreign exchange allocations several times and on several counts. I would only say this. As far as present indications are concerned, 60 per cent of the Hindusthan

already contains indigenous parts. I have also laid on the Table of the House recent figures reached by every manufacturer by April, 1958. Really speaking, we shared a little blame with the industry because in the last two years they came up to the Government several times for release of foreign exchange for the minimum necessary capital goods, jigs, fixtures, tools and equipment. It was not possible for us to release that much amount. We have now tried to do that and we have released the necessary foreign exchange for all these automobile manufacturers and therefore a statement was made by me here yesterday that by 1960-61, by the end of the Second Plan period, we hope, whether it was passenger cars or trucks or jeep that they would reach round-about 80 per cent indigenous content.

Therefore, Sir, I merely made this statement on the basis of factual calculations and what we have licensed for capital goods.

14 hrs

**Shri Narayanankutty Menon:** Sir, we believe the hon. Minister, but may we know what answer he has to give to the statement made by the hon. Deputy Defence Minister condemning this industry and its progress?

**Shri Manubhai Shah:** Sir, I am not going into any of those controversies at all, those are two different issues. I am only referring to the statement which I made, and I am saying that by 1959 the indigenous content of two commercial vehicles and one passenger car will be as we have estimated. That is what we have estimated on account of the various factors which I narrated before the House.

Now, coming to the question of price which the hon. Members raised, last time also I said that price is necessarily a function of the volume of production if you talk in economic

terms. And, because of the great demand, on foreign exchange, the handicap on the foreign exchange front and also because motorisation in this country has not developed—because along with the growth of economy alone motorisation can go forward, therefore, it is all on account of the underdeveloped conditions of the country as a whole—that various industries, including the automobile industry, on the price front are suffering from a handicap

**Shri Narayanankutty Menon:** Sir, I would like to seek your advice on one thing. Whenever a Minister replies to a debate on any Bill he is supposed to speak on behalf of the Government of India. The Minister now says that he is responsible to answer only on behalf of his Ministry.

**Shri Manubhai Shah:** I am speaking on behalf of the Government of India. I never said that I am speaking on behalf of my Ministry.

**Shri Narayanankutty Menon:** What have you to say to this House about the statement made by the Deputy Defence Minister?

**Shri Manubhai Shah:** That is not a question relevant to today's discussion at all. The Deputy Defence Minister has given the entire reasons why the Government of India sanctioned the capacity with the Defence Department for a truck and for a tractor. Therefore, that has nothing to do with either the present Bill or the tariff policy of the Government of India. As far as the tariff policy is concerned, I have made the position of Government clear regarding the automobiles. I speak on behalf of no Ministry, even though the hon. Member was addressing as if one Ministry is interested one way or the other. That is not the case.

**Shri Narayanankutty Menon:** Are we to believe like that?

**Shri Manubhai Shah:** I have given the answer that the Government of

India have gone into all these aspects and are of the view that two commercial vehicles and one passenger car will reach this content and by 1960-61 we hope that practically all the vehicles would have reached 80 per cent.

**Shri Achar:** On this price question, Sir, the point I raised was, does the Tariff Commission go into the question as to why there is a difference in the production and prices of articles from outside. I have read in the report that they sell at the imported price. I am not asking whether they have considered that question. But, do they go into the question why foreign countries are able to produce it at a lower price and what are the circumstances here which make the prices higher?

**Shri Manubhai Shah:** As far as analysis of cost in our own country is concerned, it is a very very detailed analysis. It is rather very difficult for the Tariff Commission of India to look into the price structure and cost structure of foreign countries. As a matter of fact, even to get the c.k.d. price or the ex-factory price of different commodities there is almost impossible. Therefore, we go into the economic norms. We take into consideration the quantities produced, the man-hours put in the volume of production in a particular unit, the overheads, etc. All these broad economic comparisons are entered into and gone into by the Tariff Commission. It is not possible to do a thorough examination of the cost structure of different units in different countries.

**Shri Bimal Ghose:** That was not the question.

**Shri Achar:** Does it mean that even if an industry is inefficient we will go on giving protection?

**Shri Manubhai Shah:** Sir, I have already stated that out of 43 industries the very fact that 23 were recommended after some years of protection to be de-protected shows that in many industries it is possible to

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come to an economic viability. In many industries it is not possible because of the structure of the industry. The heavier the industry, the more massive the industry, the more basic the industry, the more time it takes to reach a particular volume of production and see that the cost of production really matches with its counterpart in foreign countries.

About the alkali industry, Sir, it is not that only one or two houses have got any monopoly of this production. As my hon. friends know, in the Soda Ash industry there are about four units functioning and the fifth is coming into operation. There is therefore quite a large field of competition. My hon. friend was asking whether at the rate of the present production we shall be able to reach the national self-sufficiency or not. I would invite the attention of hon. Members to one thing. Sir, sometimes my difficulty is that those who are very much interested in speaking are not present in the House either when I explain the Bill or when I reply. That is why sometimes these misunderstandings they created. In this particular caustic soda industry.....

Shri V. P. Nayar: In caustic soda industry there are 14 units and not 4 units.

Shri Manubhai Shah: ....as I said yesterday, we expect to reach by 1960 a production of 2,46,000 tons of soda ash against an anticipated demand of 2,39,000 tons. Therefore, we have licensed sufficient capacity in a large number of units. There is no monopoly to any one house. It is being distributed throughout the country in the form of a regional development. In the case of caustic soda we are assuming that there might be a need of 1,48,000 tons whereas we would have perhaps covered roughly more than 1,60,000 tons of total production capacity by the end of Second Plan. Therefore, I should like to assure the House that in respect of alkali industry

we have been very much wide awaken. In all grades of caustic soda and soda ash like the rayon type, the mercury—amalgam type, the heavy soda ash and the light soda ash and other normal types we are going to increase as much as possible.

Sir, I would not take any more time of the House. I have covered all the points that the hon. Members have raised. I should like to assure them that Government does not want to grant protection for a single day more than an industry deserves or is necessary.

Shri V. P. Nayar: The hon. Minister said that there is no monopoly in the alkali industry. According to the Tariff Commission's report, Sir, if you make a calculation, out of the 18 units which are producing caustic soda, chemical and otherwise, against a capacity of 14,000 tons three or four houses which I listed have more than 30 per cent. Is it not a monopoly? I read out the figures.

Shri Manubhai Shah: Firstly, Sir, the definition of monopoly will have to be debated here.

Shri V. P. Nayar: In the case of soda ash, if there are four units two are controlled by the Dalmia Jain group, one is by Tatas and the new licence is to Birlas.

Shri Manubhai Shah: The whole point is, sometimes some names go on obsessing some of my hon. friends. What I am urging is this. One single house here or there does not mean that in the industry there are not so many other entrepreneurs. As far as the economic definition of monopoly is concerned, it just does not exist in alkali or any other industry in this country.

Shri V. P. Nayar rose—

Mr. Chairman: Order, order. A question was put and it was answered. This does not furnish a basis for an argument.

**Shri V. P. Nayar:** If I get an opportunity now, Sir, I can avoid taking some time in the third reading.

**Mr Chairman:** The hon Minister has replied. If he puts the question again, the same reply will be given.

**Shri V P Nayar:** I will put the question differently and he will be forced to give a different answer.

**Mr Chairman:** If the subject is the same, the reply will also be the same.

**Shri V P. Nayar:** I am prepared to accept what he says.

**Mr Chairman:** We are considering the Indian Tariff (Amendment) Bill. A question has been put and it has been answered. I am not going to allow any further questions.

**Shri Sadhan Gupta (Calcutta-East):** The hon Minister has said that by 1959 we will have two indigenous commercial vehicles and one indigenous passenger car with an indigenous content of 75 per cent. May I know whether this content is measured by the number of parts used or by the value of the car?

**Shri Manubhai Shah:** That is a very pertinent question. We have accepted a very rigid international standard. We take the value of a CKD pack at the factory site and then deduct the value of deletion percentage as per indigenous content. As a matter of fact, the local manufacturers have been saying that the Government method of calculating the indigenous content is very harsh on them. We have accepted the most rigid international standards. According to these standards 70 to 75 per cent is estimated to be reached. My hon friend has said that I pointed out as if it will be reached now. I only said that it will be reached by the end of the year 1959 in the case of two commercial vehicles and one passenger vehicle.

**Shri Dasappa (Bangalore):** May I seek one clarification? On page 23, it is stated that so far as raw silk is concerned, the imports were canalised through the Central Silk Board. May I know whether the Silk Board directly imports the silk and distributes it to the various States or the societies, or whether the Board gives imports contracts to individuals or firms? I ask this question because there is a great difference between the import price of silk and the selling price of silk to the consumers. I would be thankful for a reply.

**Shri Manubhai Shah:** What the hon Member said about raw silk was true perhaps some time before the Tariff Commission made the report. But later on, much difficulty has arisen on the foreign exchange front, and as the hon Member knows, the current licensing policy is very restricted. We have allowed so many co-operative societies to effect distribution. For instance, in Uttar Pradesh, the entire raw silk industry including the Banaras and other varieties, is being supplied through the Uttar Pradesh Industrial Co-operative Association there. Similarly on the Mysore side.

**Shri Dasappa:** I meant import, not distribution.

**Shri Manubhai Shah:** The distribution also is left to them, so far as the local societies are concerned, in Mysore, Bombay and elsewhere, we have encouraged various co-operative societies to do the distribution work. Quota is also allocated to them. In the Tariff Commission's report, it is stated that we had canalised import through the Central Silk Board, but thereafter it was by the STC. From time to time, every six months, we conduct a review of the whole position and to the extent of the quantum of foreign exchange available, we have to adjudge the priorities and have a restricted policy. Similarly, the smaller man must get the greatest benefit. That is the general principle.

**Shri Dasappa:** Who imports?

**Shri Manubhai Shah:** It is in respect of import and distribution both. Distribution internally is the work of the Central Silk Board and Corporation Societies in some places. Where there is no society, of course, it cannot be carried on.

**Mr. Chairman:** The question is:

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

*The motion was adopted.*

**Mr. Chairman:** There are no amendments. The question is:

"That clause 2 stand part of the Bill."

*The motion was adopted.*

Clause 2 was added to the Bill.

**Mr. Chairman:** The question is:

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill."

*The motion was adopted.*

Clause 1, the Enacting Formula and the Long Title were added to the Bill.

**Shri Manubhai Shah:** I beg to move:

"That the Bill be passed."

**Mr. Chairman:** Motion moved:

"That the Bill be passed."

**Shri V. F. Nayar:** I would take only a few minutes. I am again trying to bring home to the hon. Minister that he was not quite correct when he said that there is no monopoly in this protected industry and particularly in the soda ash industry. Let us see what the Tariff Commission says. I read out extensively from the report of the Tariff Commission yesterday to show how the monopoly not merely consisted in production but also in distribution. The Commission, while discussing that, pointed out how the

managing agents of the producing unit created a company for distribution and then built up a head office in Delhi. I do not want to go into that again. But here is some observation which I would like to read out, and it is because of this that I said all that. The report says:

"Industries developed under governmental assistance and protection owe a distinct duty to the community by way of avoidance of upheavals and concentration of economic influence or patronage."

I meant only the concentration of economic influence and patronage. Further,

"The sacrifices imposed on consumers should result in stabilising the economy in such a way as to ensure a continued climate for a willing forbearance on the part of the community as a whole to undertake greater sacrifices. To large sections of the community, these sacrifices might seem purposeless unless they are satisfied by positive action taken by the Government."

This is the question. The Tariff Commission makes an enquiry, bearing this in mind, and from the enquiry, although it is not expressed in so many words, it is clear that there is a monopoly. The hon. Minister said that there is no monopoly in any industry. The monopoly need not be of just two persons. It may be two or three persons too. The entire production, at present, is controlled by two.

**Dr. Krishnaswami (Chingleput):** It is oligopoly.

**Shri V. F. Nayar:** It may be. The entire production is controlled by two units, the Tata Chemicals, Ltd., and the Dharangadhra Chemicals, Ltd. They distribute the commodity through

their own agents and throughout India the sales are organized by a concern which owns the managing agency, and yet, the hon. Minister will say that there is no concentration of economic influence. It is not so patent in the other industry which he mentioned, namely, soda ash, in which there are 14 units.

What are the units? Here is a list of the units and how can he say that there is no monopoly in this industry? We know who owns these units. I am not giving all the figures, but I might mention that the units are: D.C.M. Chemicals, Hindustan Heavy Chemicals, and curiously enough, some paper mills, and then, there is the Rohtas Industries owned by Dalmias, the Arun Paper Mills, owned by Birlas again; the Sirpur Paper Mills, owned by Birlas, the Titagarh Paper Mills in which the other house has a big share and then the National Rayon Corporation. First I thought that the hon. Minister was right in what he said, but on calculation I found that four or five of these houses control almost 85 to 90 per cent of the production.

Mr. Chairman: The difficulty is about the definition of monopoly. The hon. Minister has defined it in a different way from what the hon. Member defined. If there are five houses, how can it be said that there is monopoly?

Shri V. P. Nayar: Because they are licensing new units. The new units are also being given only to them.

Shri Manubhai Shah: No.

Shri M. C. Jain (Kaithal): They are the poorest persons and they deserve some protection!

Shri V. P. Nayar: They are the poorest men in India and they deserve it! My contention is that in granting the two new licences, one is given to the same unit. Can the hon. Minister deny that in the case of soda ash, one of the new licences given goes to Sahu-

Jain Group? Can he deny that? One of the licences, out of three, is given to the Birla Group. Can he deny that? He cannot. In every case, it is so. It is certain that Sahu Brothers (Private) Ltd. is the managing agency firm of Dhrangadhra Chemicals. They are entitled to a 10 per cent commission on the sales. The other company, which is a fiction, is entitled to 10 per cent commission. What is the result?

It must be remembered that 45 per cent of the community is consumed by the poor dhobies, the washermen, and they have to pay 100 per cent more. So, the consumer of this commodity is mostly the dhobi. He is the most important consumer of this commodity, and for the dhobies this industry is the most vital one. But the Government go on protecting the industry with the managing agents' profit as 10 per cent which is a profit not only on production but on sales and distribution as well. And then, new units are also licensed to the same old firms. Therefore, I submit that this is concentration of economic influence which the Tariff Commission, at least in theory, seeks to forbid.

Shri Dasappa: I should like to say a few words, Mr. Chairman, on silk and the sericulture industry. I hail from a place which produces 60 per cent of silk in the land and about 70 per cent of the production of mulberry silk in the country. Let me, first of all, pay a tribute to the Government for having constituted the Silk Board which is giving a great fillip to this industry as a whole.

Next only to agriculture, silk is the major industry in four of the States including Mysore. Production of silk has gone up undoubtedly in the country, by about 27 per cent. But the thing is that in spite of this protection, the *renditta* has not improved. It has remained more or less the same. I do not blame the Government or anybody else for that matter and I do not take them to task. The local Government in Mysore, with the help

[Shri Dasappa]

of the Centre, has been at this job of improving the renditta for the last quarter of a century or thereabouts, and yet, while no doubt the silk is of a very high grade quality, especially in respect of its lustre and tensile strength,—there is nothing to beat it—the renditta has not improved, and the quality has not come up to international standards

**Shri D. C. Sharma** (Gurdaspur): Then why do you not put it on sale now?

**Shri Dasappa:** Not in this season' I would say that now that the Silk Board is there, particular attention should be paid to two aspects in the research centre that they have got in Mysore as well as, I believe, in Ranchi or some other place in India. The question of renditta and reeling of silk must be looked into and it must be brought as nearly to the international standard as possible

I want to say a word also about the import of raw silk and export of silk waste. We import raw silk to a very great extent and we have also a lot of surplus waste silk to be exported. I would like to know how this is canalised. I am now told that the State Trading Corporation handles the import of raw silk. I do not see a corresponding reference so far as export of silk waste is concerned. It is said here that the import of raw silk is arranged through the State Trading Corporation and the distribution is made by the Central Silk Board. I want to know whether the STC directly imports raw silk needed by the country or does it import raw silk through the various agents or agencies which call themselves established importers. I am somewhat allergic to these established importers. The net result is that preference is accorded to them and no other new comer has any chance of building up that trade. The people at the ports—Madras, Calcutta or Bombay, particularly so far as silk is concerned—had certain

advantages in the pre-freedom days, when we had no access to the sea and we did not have sufficient contact with the Centre to take advantage of the facilities and concessions as were offered to the businessmen by the Central Government. So, we could not pick up this trade and become established importers or exporters. I would urge upon the Government that either the State Governments concerned, where a large amount of this raw silk is utilised, or institutions of a co-operative nature which are functioning in those States, should be preferred to any other body for the purpose of import or export. I would like the Government to consider this seriously, because as I already stated, there is a wide margin of difference in the prices of raw silk—I mean between the imported price and the price at which it is made available to the consumers.

14 22 hrs.

[MR DEPUTY-SPEAKER in the Chair]

The second point is about the export of silk waste. There again I find that these established exporters get the necessary licences. When 1 lb of silk waste fetches Rs 5 in foreign currency, these established exporters, with the licences in their hands, go to the people who collect the silk waste with hard labour and offer them only Rs 1-6 0 or at the most Rs 1-12 0. So, the middleman here, for no particular labour of his, is able to swallow up the remaining portion of the profits.

I do not think even the Government would prefer this state of affairs, especially when we are talking of a socialist pattern of society and so on. I would, therefore, urge that these points may kindly be borne in mind, so that it may be as helpful as possible both to the users of raw silk as well as to the people who deal in silk waste.



**Shri Manubhai Shah:** I am glad that my hon. friend, Shri Dasappa, congratulated the Central Silk Board and the different States for having increased the production of raw silk.

**Shri Dasappa:** The office of the Silk Board has been transferred from Bangalore, where the majority of silk is produced, to Bombay on the ground that the Textile Commissioner resides in Bombay. I think it would be a great advantage to the industry itself if the office is located in Bangalore and the Chairman of the Board makes as frequent visits as possible to. Even the rent for the building has gone up from Rs. 500 to Rs. 3,000.

**Shri Manubhai Shah:** We are conscious of the low quality of our silk and as the House is aware, we have been taking recourse to help from the Japanese experts where mulberry silk especially has developed very well. I am sure that with this mutual exchange of technical data between Japan and ourselves, we will be able to improve the quality. We are sending some of our technicians to Japan for training and we are also getting Japanese technicians to help our experts in this country. So, I am sure we will gradually improve the quality of local silk.

Regarding the import and export policy to which my hon. friend referred, I can only tell him that in every licensing period, all the factors which he very rightly mentioned are being taken into account. Whether the S.T.C. imports directly or through the help of any of the associates or established importers, it always enjoins a very strict price control at the stage of distribution. So, it is not as if the established importers import at a small price and sell it to the user at a very high price. That type of trading practice is not permitted. I can assure him that in all our policies, co-operative societies of actual users, the State Governments and their associations and smaller entrepreneurs are always kept in the picture. I am

prepared to discuss this matter in greater detail with my hon. friend, if he wants, because I do not want to take up the time of the House at this juncture.

I may tell him that export of waste silk is not the same thing as canalising the import of raw silk. Here there are thousands of places from where silk has to be collected and exported. So, the policy has to be slightly different than in the case of import. There also, I can assure him that we are looking into all these aspects to see that the maximum price is obtained for the export of waste silk.

Regarding the question of alkali industry referred to by Mr. Nayar, I would like to tell him that everytime there is a discussion on commerce or economics, because some 15 or 20 business houses in this country are more industrially developed than others, to classify that as a monopoly is, if I may say so, an incorrect terminological definition of monopoly, even taking the spirit of monopoly as it is understood to be.

**Shri Easwara Iyer (Trivandrum):** Let us hear your definition.

**Shri Manubhai Shah:** Even in the caustic soda industry, he admitted that there are many new enterprises coming up. We have always welcomed new entrepreneurs in any industry to come up without any hindrance and I can assure the House that we will always welcome new entrepreneurs and give preference to them.

Regarding the distribution system to which the Tariff Commission made a reference, I myself made a reference to that in my statement. In a particular factory, the distribution system was not fully satisfactory and therefore, we have drawn their attention to it and asked them to rectify that type of trading practice, which we do not consider healthy. But that does not again lead to the conclusion that it is

[Shri Manubhai Shah]

a monopoly. As a matter of fact, in the distribution of soda ash, we have allowed not only the present producers, but other agencies also to distribute imported soda ash, which at present we are doing through the S.T.C.

Shri V. P. Nayar: What about Tatas, Imperial Chemicals, etc.?

Shri Manubhai Shah: There are associations in Calcutta, Bombay, Madras and so on. I would not like this debate to be continued in that manner. If my hon. friend is interested, I will certainly give him all the details at the appropriate time. I am making a *responsible statement when I say that it is not our policy to give preference to one party or the other.*

Mr. Deputy-Speaker: No speeches while sitting.

Shri Manubhai Shah: In a particular period of time, within the available amount of foreign exchange we try to see as much the interest of the small users as possible. Our whole import policy is based on that. Of course, this does not arise out of this Bill, but our whole import policy is based on giving support to the actual users rather than to established trader buyers. In fact, that is one of the complaints that the trade is making against the Government. Even when there is shortage of foreign exchange we try to see that the prices do not unduly rise and that the manufacturers get their raw materials at reasonable prices and this policy has got to be inevitably followed, if I may say so. Therefore, I submit that all the industries to which protection is sought to be given are such which deserve the blessings and support of the House.

Shri Basappa (Tiptur): Will the hon. Minister tell us why the Silk Board was transferred from Bangalore to Bombay? Shri Dasappa has asked that question.

Shri Manubhai Shah: I have given the answer in the House several times. Firstly, the Silk Board was for many years in Bombay. It was never in Mysore at that time. With the reconstitution of the Silk Board, it was first shifted for three years to Delhi. It was found to be very inconvenient to have it in Delhi. Again it was transferred to Mysore for a little while. Then it was transferred to Bombay because the Textile Commissioner, who is the Chairman of the Board, has to function as the administrative head, along with his work of looking after the textile industry. Therefore, it is easier for him to handle this organisation from Bombay. Then, it neither gives employment to many people, nor is it an economic apparatus to establish an office separately. If it is in Bangalore or Mysore it will be a problem for the Textile Commissioner to manage it. So, it was thought advisable to shift it to Bombay.

Mr. Deputy-Speaker: The question is:

"That the Bill be passed"

*The motion was adopted.*

14.22 hrs

CINEMATOGRAPH (AMENDMENT)  
BILL

The Minister of Information and Broadcasting (Dr. Keskar): I beg to move\*:

"That the Bill further to amend the Cinematograph Act, 1952, be taken into consideration."

The Cinematograph Act was passed by Parliament in 1952. This Act abolished the separate State Boards of Film Censors, which existed until then, and a single uniform board was set up. This Act also consolidated the

\*Moved with the recommendation of the President.