

Clauses 1 and 2, the Enacting Formula and the Title were added to the Bill.

Shri Hajarnavis: Sir, I beg to move:

"That the Bill be passed".

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

Mr. Chairman: Since the Half-an-Hour discussion has been fixed for 5 O'clock, the House stands adjourned till then.

16.49 hrs.

The Lok Sabha then adjourned till Five of the Clock.

Lok Sabha re-assembled at Five of the Clock.

17 hrs.

[MR. SPEAKER in the Chair.]

*BOLANI ORE MINES

Mr. Speaker: Hon. Members know with the respect to half-an-hour discussion, the hon. Member who has tabled the motion will have ten minutes and the hon. Minister, 10—15 minutes and the other hon. Members who have given notice will be allowed to raise one or two points for elucidation.

Shri Chintamoni Panigrahi (Puri): Mr. Speaker, Sir, this discussion relates to the Bolani Ore Mines Private Limited, in which the Government of India owned a share of 50.5 per cent. and the private company owns a share of 49.5 per cent. The managing agents of this company are Messrs. Bird and Company and the Government of India has entered into partnership with

the Orissa Minerals Development Company of which also Bird and Company is the managing agents. I am pursuing this question for the last two years and the hon. Minister, Sardar Swaran Singh has always maintained that the Government has a majority share in this company. The hon. Minister has tried to keep this House misinformed and to that extent he has tried his best to uphold a wrong deed committed by the Ministry. On entering into this agreement with a private company on 5th August, 1959, the hon. Minister said in this House that the Government of India owned a majority share in the Bolani Ores Private Limited. Then he has said that in a venture where the majority is owned by the Government and only a minority is owned by the other party, we cannot say that the interests of the Government have not been sufficiently safeguarded. Again he has asserted that there is nothing wrong in principle in having a partnership in which the Government is the majority partner and the other participant is only a minority partner. I have never found any responsible Minister so strongly defending a case which is so weak.

Mr. Speaker: What are the facts, apart from comments?

Shri Chintamoni Panigrahi: The hon. Minister was confronted with this question on 9th December, 1959 and you were in the Chair, Sir, and you said to the Minister:

"I heard the other day the Minister saying that even if there is one point, there is majority. If the Company Law says that 51 per cent. alone will be counted as majority, what is the difference due to?"

After this intervention from you the hon. Minister tried to retrace his steps and after maintaining that stand for two years he said:

"when I used that word I did not use it in the sense of the company law administration. It was

not a legal expression that I was using 50·5 per cent. is a major share as compared to 49·5”.

This is the point which I want to impress upon the House. According to the Company Law of 1956 it has been expressly and clearly stated that if the Government wants to invest any capital in any private company, it must not invest less than 51 per cent.

The Minister of Steel, Mines and Fuel (Sardar Swaran Singh): Where is it said?

Shri Chintamoni Panigrahi: I am referring to Section 617 of the Companies Act of 1956.

Sardar Swaran Singh: When was the Bolani Ores Ltd. incorporated?

Shri Chintamoni Panigrahi: After 1956, not before 1956. After the passing of this Act the Government entered into this agreement with this company. Now, the fact is that the Government does not own majority shares in the Bolani Ores (Private) Limited, and the Government, according to the Articles of Association, owns equal shares with a foreign private mining institution for supplying iron ore for 15 years to Durgapur, a steel project which is in the public sector. This is against the industrial policy resolution of the Government. It has been specifically stated that the Government should own 51 per cent., but the Government has chosen not to own 51 per cent. To own 51 per cent. is to exercise controlling interest in a company in which the Government is investing lakhs of rupees.

Mr. Speaker: What is the total investment in this?

Shri Chintamoni Panigrahi: Till today, Sir, the Government have invested Rs. 33 lakhs and the private partner has invested Rs. 32 lakhs,

and they have entered into this agreement with this company for 15 years.

Now, the point is, why did the Government choose to have this investment of less than 51 per cent. of shares in a company whose capital is completely or 90 per cent. owned by British foreign capital? One argument which has been put forward by the hon. Minister is that in those areas the Orissa Minerals Company had the entire lease in the Bolani Ores area and, therefore, the Government had no option but to entered into agreement with the Orissa Mineral Development Company so as to supply iron ore for Durgapur. This, again, Sir, is a mis-statement of facts.

I would submit, the lease for this area expired in the year 1948. After 1948, Messrs. Bird and Company, which is very notorious, applied to the State Government of Orissa to extend the period of lease.

Mr. Speaker: Order, order. Nothing is gained by using such expressions. They are not here to defend themselves. If he wants to pay encomium to them he may say that it is a famous company, or he may keep quiet.

Shri Chintamoni Panigrahi: I withdraw that word, Sir.

Mr. Speaker: He can say that it is a well-known company.

Shri Chintamoni Panigrahi: I withdraw that word. I was saying, after 1948 when the period of the lease was over they applied to the Orissa State Government to extend the period of lease, but the State Government of Orissa refused to extend the lease. But it so happened that a sum of Rs. 2 lakhs was donated by this company to an ex-Minister of Industries of the State of Orissa by way of contribution to a college owned by that ex-Minister.

[Shri Chintamani Panigrahi]

This application for extension of the period of lease was pending with the State Government when this contribution of Rs. 2 lakhs was made. After this contribution the State Government forwarded their application to the Centre. The Central Government also, in the first instance, quite rightly, refused to extend the period of lease. But what happened in the meantime was, certain high ranking officials in the Ministry of Steel, Mines and Fuel and also in the Ministry of Finance, held discussions and persuaded the Government of India to enter into an agreement with the Bolani Ores (Private) Limited.

My submission is, there was no necessity on the part of the Government to enter into any agreement with Orissa Minerals Development Company of which Messrs. Bird and Company are the managing agents, because in the case of Bhilai and in the case of Rourkela the Government has developed mining interests departmentally. Similarly, in the case of Durgapur they could have done the same thing when the period of lease expired, because the Government of India had every right not to extend the lease and to take over that area and to develop that area for supplying iron ore to Durgapur. The Government has not done it. Now, the point is, when the Bolani Ores Private Limited was incorporated, and when the application was forwarded to the Government of India, the period of lease was extended in the hope that once this agreement was entered into the Government of India would not refuse the period of lease. So, in order to circumvent it, when the Government of Orissa did not first agree, and when the Government of India also did not like to extend the period of lease, the private mining interests were able to persuade and influence the Ministry of Steel, Mines and Fuel and the Ministry of Finance and those officers, so as to force the Government of India to come to a decision or an agreement in which both the mining interests and

the interests of the country as a whole would suffer.

There is another point. Many times, it has been asked whether the Government will have any controlling interest if they own less than 51 per cent. of the shares. I submitted that the Government cannot have any controlling interest if the share owned by them is less than 51 per cent. What has happened? Out of the five members in the board of directors, three members belong to the company—the chairman belongs to the company—and only two members belong to the Government. Naturally, the Government will never have any controlling interest in such a company in which crores of rupees will be invested during the course of 15 years. Therefore, I would submit that the Government of India should reconsider its decision. The Government of India has invested money in other private corporations also. Take, for instance, the Eastern Shipping Corporation and the Western Shipping Corporation. Here, the Government of India has entered into an agreement with private interests but has owned not less than 51 per cent. but more than 51 per cent., so that the Government of India exercises the controlling interest in those companies. Similarly, in the Bolani Ores Private Limited, the Government of India must have a controlling interest and they must have 51 per cent. of the shares and also they must have three members in the board of directors instead of two, and thus be able to see that whatever action or whatever measures the Bolani Ores Private Limited is going to undertake, it must be controlled and guided by the Government of India as a whole. The Government of India must have the final authority and not Messrs Bird & Co., or their managing agents.

With regard to the question of secretaries and treasurers, I have come to know that this deal was effected only with a view to help Bird and Company so that they can be appointed as secretaries and treasurers of Bolani Ores Private Limited. If the Government of India

should have 51 per cent. of the shares, then Bolani Ores Private Limited or Bird and Company could not have been appointed as the managing agents or secretaries and treasurers. Therefore, what much amount they have received by now by way of remuneration as secretaries and treasurers of Bolani Ores Private Limited could not have been received then.

So, I would like to urge upon the Minister to realise that here is a case where the interests of the Government have not been safeguarded. Here is a case where the Government of India has invested Rs. 33 lakhs by now and is going to invest crores of rupees within a period of 15 years. Naturally, the House must see to the interests of the Government of India and of the country also in these matters.

Lastly, I must submit that here is a case where, by Bird and Company being appointed as secretaries and treasurers of Bolani Ores Private Limited, many complications will arise in the near future. With regard to the question of the prices of iron ore, it is well known, and the hon. Minister knows it, that the iron ore produced at Bolani will actually cost Rs. 7 to Rs. 8 per ton but they are going to supply it at Rs. 13-8-0 per ton to Durgapur. The hon. Minister may say that by that the Government of India may profit because whatever profit will accrue to Bolani Ores Private Limited the Government of India will have its share; but that is not my point. My submission is that we must see that Bolani Ores Private Limited, if it is developed, must be developed under the guidance and control of the Government of India, and the Government of India must have complete control over this company so that the interests of mining will be safeguarded. Here is a clear case of corruption, how a certain private mining interest can influence the high persons in the Steel Mines and Fuel Ministry, so that Government would not see the point that having less than 51 per cent. of the shares

means having no controlling interest and thereby help a private mining interest which has never been helpful to the Government of India before and is never going to be helpful henceforward also.

I hope the hon. Minister will give due consideration to the points I have raised.

Shri Vidya Charan Shukla (Baloda Bazar): I want a clarification.

Mr. Speaker: Why did he not give notice and conform to the rules? I am really surprised. All right; he may put one question.

Shri Vidya Charan Shukla: One question that has been asked in this House and has not been properly replied to by the Minister is why this Bolani Ores (Private) Limited was formed at all. One reason that was given was that the lease in that area was primarily in the hands of Bird and Company and because of that, iron ore areas were not available to the Government for exploitation and supply of iron ore to the Durgapur plant. It is common knowledge that Barajamda Gua-Bolani region is a vast iron ore-bearing area and Government could have easily developed that area for Durgapur. The Minister would do well to clear these doubts here and give us the reasons which prompted the Government to make arrangements with a private company, instead of making a departmental arrangement as they did in the case of Bhilai and the other steel plant.

Sardar Swaran Singh: The arguments advanced by Shri Panigrahi fall into two categories. One is what he has been pleased to describe as a sort of legalistic argument and in support of that, he quoted section 617 of the Indian Companies Act. While quoting this section what he actually said was that under that section, when Government enters into any company as a shareholder, it cannot take a share less than 51 per cent. That is what I understood him to say. I have not been able to see anything like that

[Sardar Swaran Singh]

from that section at all. Section 617 only defines what a Government company is. There are certain things which are the special attributes and privileges or whatever we may call it, attaching to companies which come within the definition of Government companies.

Section 617 defines that for any company to be a Government company, the Government must own 51 per cent. or more. That does not by any stretch of imagination mean that if they want to take a share in any company, they must take 51 per cent. For a company to come within the definition of a Government company, Government should have 51 per cent. Actually no company law can ever prescribe what should be the share of the Government in a company.

Mr. Speaker: The main point is why should Government take 50.5 per cent, when Government can have a dominant voice if they take 51 per cent. of the shares?

Sardar Swaran Singh: That is a valid point to which some reply is necessary. But we have to be clear that to create this impression that Government is not entitled to take a share in any company, unless it is 51 per cent. is an argument which is not borne out by the section of the Companies Act which he quoted.

Now the second question is why the Government should enter into a partnership with the company and not have 51 per cent. or more. That is a matter which has to be left to the judgment of the Government. What I mean to say is that there is nothing illegal or objectionable on that score. So, it is really a matter of coming to a decision in retrospect by way of *post mortem* and the like whether it was a correct decision or whether it was a proper decision or a wise decision. On that score, I may respectfully point out this point has already been discussed and I ventured

to place those points which weighed with the Government at the time when this decision was taken early in 1957 to enter into a partnership, why the Government deliberately took a decision not have so much share as to convert it into a Government company. I would say that this was not a case in which the Government was unaware of the rights that will flow to the Government if it had 51 per cent. The deliberate decision was to have a majority share, and I still maintain that it is a majority share because 50.5 is larger than 49.5. The hon. Member has been pleased to say that I have been wrongly describing it and misinforming the House. It passes my comprehension how my description of 50.5 per cent. Government shares as majority share, as compared to 49.5 shares of the company, can be described as incorrect, how it is not a majority share is something which I cannot understand.

The third point is, as you rightly pointed out, why should Government adopt this course. For this there were a number of reasons which I attempted to list on an earlier occasion. One was that this area was actually in possession, of the Orissa Mineral Development Corporation, which is wholly owned or predominantly owned by Bird & Company. Secondly, we came to the conclusion that the iron ore from this mine will be very suitable for Durgapur. That incidentally answers the question which was raised by my hon. friend, Shri Shukla. So, if that area is developed, it could be utilized for raising the iron ore supply to Durgapur. We have to remember that in our country we are lucky and we have got over, I think, 22 billion to 24 billion tons of iron ore. Still, we have to look to those areas wherefrom we can mine the right type of iron ore and can also transport it in a convenient manner by not putting too much of strain on our transport system, that is, the railway system, to our steel plants. All these factors were taken into con-

sideration and it was considered that this area is appropriate and suitable.

These two points having been cleared, we could do either of the two things—we could either acquire, the mining rights by negotiation or perhaps legislation or even by amending the law, if we liked to do so, or the other thing was to enter into a partnership with a firm who was known to be a firm with great experience and background for undertaking mining projects, and of the two we decided upon the second alternative.

It is easy to be critical or wise after the event. It has to be remembered that in early 1957 when a decision to this effect was taken, the department at that time which was directly dealing with all these matters had a large number of programmes in their hands—expansion of the three steel plants, two mining projects for Bhilai steel plant and for Rourkela steel plant. On these the decisions had to be taken.

The point that I want to stress is that a decision not to undertake direct departmental mining in this area does not in any way show that anybody really gave anything to anybody, as was hinted by the hon. Member opposite, who initiated this discussion. In that connection, he himself pointed out the extraneous circumstances about the donation of Bird and Company to some one in Orissa. I am not aware of that. Therefore, I am unable to contradict that.

I know this Bolani Project has been on his mind for quite some years now. Quite often he has been asking questions. He raised a half-an-hour discussion also earlier. Again he is mentioning something. So, in all fairness, if that was really the thing that was bothering him, he should have communicated that to me so that I could ascertain the facts. It is a little unfair that an allegation of that type should be made here suddenly, particularly when this matter was raised on an

earlier occasion also, so that I am not in a position to ascertain that fact or to find out from the Orissa Government or the Minister concerned as to what is his reply to an allegation of that type. So I would appeal to the hon. Member not to make an allegation of that type, of a specific character particularly when he has been raising this matter again and again. If my memory helps me, it is for the first time that he has come out with this sort of an allegation. This, to say the least, is very unfair because I cannot really now contradict him because I cannot get into touch with those people and find out the background.

But I have a further objection to raising an allegation of that type. It is totally irrelevant so far as the present matter is concerned. The Orissa Mineral Development Corporation is a partner and the Government is owner to the tune of 50.5 per cent. in the new organisation. For any lease that is to be given to Bolani Ores in which Government holds a majority share and from which the iron ore is to be supplied to the Durgapur steel plant for any party or any person really to suggest or anybody should have the necessity to resort to this sort of thing is extremely unfair, unrealistic and totally ignores the commonsense point of view which should be a guiding principle in this matter. So I strongly refute any such insinuation, because here is a company which is predominantly a Government company in the sense that Government owns a majority share and from which iron ore is to be supplied to the Durgapur steel works, or suggestion that there should be any extraneous consideration in the matter of granting a mining lease to that organisation.

I would also strongly refute the insinuation made against officers that there was any undue influence exercised by any person for issue of a mining lease in favour of a company

[Sardar Swaran Singh]

where Government is a partner and which is to supply iron ore to a Government plant. To the suggestion that some officer either of this or of that Ministry should be specially interested in issuing a licence to them, I say that Government as a whole is very vitally interested in the issue of that mining lease because we want that iron ore should be mined and should be supplied to Durgapur. So, why name this officer or that officer? Government takes full responsibility for issuing the mining lease to Bolani Iron Ores which must proceed quickly with the mining of iron ore so that the supplies to Durgapur should be expedited. Already there has been some delay. I am sorry for that. In the meantime we had to depend upon iron ore from other sources.

It is lightly mentioned by some hon. Members why not get iron ore from this source or that source. The technical advice which we have received is to this effect that we should attach the highest importance to the raw material that goes into any steel plant. It is not any iron ore. There are a number of things to be seen, the iron content, the alumina content and a number of other things. The success of a modern metallurgical plant depends to a very large extent upon the right type of raw material, the analysis of which should be fully known, quantities of which should be constantly supplied and the quality should be uniform. So all the arrangements should be made in accordance with that.

This point has been raised again and again, but I regret to say that every day something new is suggested and new insinuations are brought in. It is a straightforward thing. We could have undertaken it departmentally. We did not undertake it departmentally for two reasons. One is that we wanted private capital to be associated. Even in other projects where Government might be a shareholder the possibility of associating private capital

in partnership is not excluded. As to what should be the exact proportion, that will depend upon each project, the priority of that and the national importance. All those factors will be taken into consideration. So, one reason was that we wanted to take private capital in partnership and the second was that we wanted to take advantage of the experience, the technical know-how and the other capacity of this firm. This arrangement was entered into in a very straight-forward manner and any insinuation and throwing of dust, to say the least, is extremely unjustified.

Shri Chintamani Panigrahi: May I submit one thing? . . .

Mr. Speaker: There can be no more speeches. What is the point of the hon. Member?

Shri Chintamani Panigrahi: The lease for this area expired in 1948. So, my point has been substantiated namely that the lease period had expired; but in order to get Government committed so that the lease would be extended, Government entered into an agreement with this company. When the lease had expired, Government were fully competent to have the mining interests in their own hand. Why was the lease extended? For, after the formation of this company, the lease was extended.

Mr. Speaker: What the hon. Member wants to know is this. When the lease had expired, Government could have taken it up themselves. Instead of that, why did they extend the lease and enter into a partnership with 50.5 per cent. shares for Government and 49.5 per cent. for the other private company?

Shri Chintamani Panigrahi: There is just one more point. The Government of India have also entered into an agreement with other private companies. To mention two, they have entered into an agreement with the Eastern Shipping Corporation and the Western Shipping Corporation, and in these, they have 51 per cent. shares.

Why has this single exception been made to attract private capital, only in the case of Bird and Company?

Sardar Swaran Singh: I think the hon. Member is not fully informed when he suggests that whenever Government enter into a partnership, they do not subscribe to a share less than 51 per cent. He should remember for instance that in the Indo-Stanvac Oil Exploration Programme, Government have only 25 per cent. shares. So, to say that whenever Government enter into any partnership, they should necessarily have the majority share or a share which is represented by certain percentages, is not correct.

The second point that he has made is about the expiry of the mining lease. That is a matter of detail. I have not looked into all those details, because all this would be on the file of the Orissa Government, for, the issuing of mining leases, the question of processing, the issuing of notices etc. is all the responsibility of the State Government.

Shri Chintamani Panigrahi: It is not in the State List; the State Government forward it to the Central Government, and it is the Central Government that grant the lease.

Sardar Swaran Singh: That also has started only lately; originally, they decided most of the things.

The point is that merely because a particular mining lease has expired it does not mean it cannot be extended; there are a number of clauses there.

maybe renewal clause, clause relating to physical possession and other things. Therefore, we did not enter into this merely because there was no legal obstacle; that is not the point which I am trying to stress; that was only a reply to the legal queries that he had raised. The decision was a substantive one to associate private capital and to take advantage of the private skill and private know-how and the technical personnel; it was for that reason that this was entered into.

The subsequent issue has been put by the hon. Member the other way round. He says that they got Government committed in order to get the lease. That is not correct. We entered into a partnership to associate private capital and to take advantage of the technical know-how, and the issuing of a mining lease was a necessary corollary from that.

Shri Chintamani Panigrahi: Will you kindly enquire into this matter, so that everything may be all right, because we differ in all the details? I seek your protection, Sir.

Mr. Speaker: I cannot do anything.

Shri Chintamani Panigrahi: You may just enquire into this.

Mr. Speaker: I have allowed the half-an-hour discussion. I cannot offhand do this or that; I have no right.

17:34 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, the 29th April, 1960|Vaisakha 9, 1882 (Saka).