

request you Sir, to convey our condolences to the bereaved family

श्री अटन बिहारी बाजपेयी (ग्वालियर):
अध्यक्ष जी मैं अपनी ओर से और अपने दल की ओर से स्वर्गीय श्री बी० रा० चन्द्र रेड्डी के निधन पर शोक व्यक्त करता हूँ और परमात्मा से प्रार्थना करता हूँ कि उनकी आत्मा का सद्गति प्रदान करें।

PROF MADHU DANDAVATE (Rajapur) On behalf of the Socialist Party I associate myself with the tributes paid to the memory of Shri Ramachandra Reddi, and offer my condolences to the members of the bereaved family

MR SPEAKER The House may stand in silence for a short while to express its sorrow

The Members stood in silence for a short while

ORAL ANSWERS TO QUESTIONS

Guidelines for Establishment of Joint Sector Units

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SHRI P GANGADEB

Will the Minister of INDUSTRIAL DEVELOPMENT AND SCIENCE AND TECHNOLOGY be pleased to state

(a) whether Government have issued any fresh guidelines to the State Governments and Financial Institutions regarding the establishment of Joint Sector Units,

(b) if so, how many such units have been formed by now, and

(c) whether State Governments have agreed to follow the guidelines?

THE DEPUTY MINISTER IN THE MINISTRY OF INDUSTRIAL DEVELOPMENT (SHRI PRANAB KUMAR MUKHERJEE (a) to (c). A Statement laid on the Table of the House

Statement

The guidelines to public financial institutions in regard to the conversion of loans granted by them to private sector units into equity were issued by the Department of Banking in June 1971. As regards State Corporations instructions were issued in March 1969 in regard to the manner of association of private entrepreneurs. These instructions were revised in February 1971. The instructions provide that the State Corporations might invite public financial institutions to participate in the share capital of industrial ventures undertaken by them and the shares held by the Corporations together with the financial institutions amounted to more than 50 per cent there would be no objection to the rest of the shares being taken up by private parties. In case however such financial institutions do not participate in the share capital the association of private capital will be subject to the condition that the Corporation itself holds not less than 26 per cent of the paid up equity capital. It has also been laid down that no individual private entrepreneur or business group should have a share of more than 25 per cent in the equity capital. Prior permission of the Central Government would be required if an equity share holding larger than the 25 per cent is proposed to be given to an entrepreneur or if one of the larger houses or foreign majority companies is to be associated in the undertaking. After the announcement of the recent changes in industrial policy State Corporations have been advised further as under

(1) The association by State Governments or Corporations es-

established by them with undertakings which by themselves, or in inter connection with other undertakings have assets over Rs 20 crores, will be subject to the same policies and procedures as for larger industrial houses as indicated above

- (2) Undertakings which by themselves or in inter-connection with other undertakings have assets over Rs 20 crores will not be permitted to associate themselves with State Government undertakings or Corporations, in industries from which they are precluded on their own
- (3) In all joint sector units Government will need to ensure for itself an effective role in guiding policies, management and operations with the actual pattern and mode being decided as appropriate in each case

The exercise of option of conversion of loans into equity by the public financial institutions will arise according to the circumstances of individual cases after they have reached a stage of profitability when such conversion would be in the interest of the public financial institutions

As regards State Governments and Corporations they have been following the guidelines in regard to the association of private entrepreneurs. According to available information 7 companies have so far been formed by these Corporations associating private entrepreneurs in the manner indicated by Government

SHRI P M MEHTA It appears from the statement that the policy has been kept vague on the concept of joint sector. I would like to know whether

the green signal has been given to the concept of the joint sector and whether the joint sector will not be permitted to be used for the entry of the larger houses taking into consideration the fact that monopoly has been increasing at the rate of 10 per cent. I would also like to know whether there have been any differences of opinion between the Industrial Development Minister and the Planning Minister as reported in the press from time to time?

THE MINISTER OF INDUSTRIAL DEVELOPMENT AND SCIENCE AND TECHNOLOGY (SHRI C SUBRAMANIAM) There was no difference of opinion between the two ministers. Ultimately it is the decision of the Government which is relevant and that decision has been given in the answer. The hon member said it has been kept vague. It is not kept vague but it is kept flexible. That is the word which should be used here. Secondly we have made it clear that the larger houses cannot enter areas which have been prohibited for them according to the new industrial policy. It is subject to that that they will have to come into the joint sector.

SHRI P GANGADEB In view of the fact that a large number of letters of intent issued to the State Industrial Development Corporation of Orissa are remaining unimplemented till today, may I know whether the Centre has issued or will issue any directives to the State to ensure their quick implementation?

SHRI C SUBRAMANIAM That is a separate question altogether. We are now discussing the concept of joint sector.

SHRI BHAGWAT JHA AZAD There is a vague mention in the statement about guidelines having been issued and Government having to ensure for itself "an effective role" in

guiding policies etc What does he mean by 'effective role'? Does he mean having a majority of Government directors? What guidelines does he propose to give to ensure an effective role in management?

SHRI C SUBRAMANIAM The main concept is, instead of having tie-ups with the larger houses as such with the objectives of various concerns, naturally being oriented towards serving the interests of those larger houses, the idea is to professionalise management. Broad policies laid down by Government in regard to objectives and policies of any particular enterprise will be properly safeguarded by professional management. Therefore we are now trying to find out what would ensure this. In this context we are trying to find out various alternatives available. One is to have the Chairman of the Board appointed by Government. He will not be a bureaucrat but a professional manager competent to deal with that industry. Then there will be a Board constituted in proportion to the equity participation. The Managing Director is not to be the representative of either the Government or the larger houses who are participating but he will be a professional man accepted by the Board as such. This is how we are trying to professionalise management without having links with the larger houses or any private enterprise participating in it so that the policies and programmes they follow are not for the benefit of particular houses or individuals.

SHRI MOTIRMOY BOSU Will the hon Minister kindly tell us whether in issuing the guide-lines for establishment of joint sector they have made it a condition that the project report preparation cost will be borne by the Government and if so whether in the case of Tatas a sum of Rs 50 lakhs has been sanctioned by the Government for drawing up of the project report for a joint sector project?

SHRI C SUBRAMANIAM The hon Member is, probably, misinformed with regard to the Tata project. It is the Company that has to bear the cost for drawing up a detailed project report, not either the Government or anybody else. If it is a joint sector Company it is the Company that should bear the cost for the preparation of a detailed project report.

SHRI JAGANNATH RAO From the statement it is clear that only when a particular undertaking makes profit that the public finance institutions would like to convert loans into equity. That means in cases where there is no profit the public finance institutions would only contribute loans. Is that the idea of the joint sector?

SHRI C SUBRAMANIAM That is with reference to convertibility clause. When the public finance institutions contribute in the form of loans there is a convertibility clause and the option is to be exercised by the public finance institutions. Naturally the public finance institutions will take into account what is in their own interest. Certainly they will not gain anything by converting loans into equity when it is incurring losses. Therefore they will exercise the option when it is advantageous to them. It is on that basis that advances are given. If they do not want these advances certainly nobody would force advances on them.

PROF MADHU DANDAVATE Is the Government aware of the fact that merely having a majority of equity shares will not give the effective control of the joint sector company to the Government unless there is an effective say with the Government in the matter of pricing policy, distribution and investment policy of the joint sector company and that, otherwise it will only mean an extension of the private sector with the financial resources of the public sector?

SHRI C SUBRAMANIAM The hon Member is quite right that mere equity participation would not give effective control. As a matter of fact we have equity participation in many of the private concerns today. But still we are nowhere in the picture as far as the management is concerned. That is why in the joint sector, whether it comes in future or where it already exists, we want to have an effective say in the management. Therefore it is not merely equity participation but participation in management as such. It is that we are trying to bring about. Management includes pricing policy, distribution, investment policy, every thing. Management is a comprehensive term.

SHRI VASANT SATHE May I know from the hon Minister whether he will make it clear that in the joint sector the Government will participate by determining the priority industries of essential commodities or the core industries and whether in the joint sector they will allow participation of the employee in the management to give incentive to have more production?

SHRI C SUBRAMANIAM The labour participation in management is a completely different subject altogether. It is not as if it is unimportant. It is very important and we attach great importance to it. Therefore not only in the joint sector in the public sector projects and even in the private sector projects the labour participation is a philosophy which will have to be accepted. We are trying to work out the norms for this purpose. That will be taken care of.

SHRI VASANT SATHE Whether joint sector will be in priority industries.

SHRI C SUBRAMANIAM Whether the public finance institutions

have to contribute by way of loans or by way of equity, even in non-priority areas there might be a joint sector. That does not mean that in non-priority areas, where there are greater profits you will allow the private sector to dominate and not participate in it. It will depend upon wherever there is public finance participation and a joint sector comes into existence and whether we should have control there. Therefore even in non-priority areas where there is a greater profitability that does not mean that we allow it to the private sector and we do not participate in it.

SHRI BHOGENDR JHA This is in continuation of my question in the winter session of Lok Sabha. Tata has written a letter stating therein that they, on their own, did not submit any proposal or suggestion for the joint sector. They were asked by the Government and that is why they have submitted a proposal. I want to know whether Government had asked them to submit their proposal for joint sector and if so which person or personnel or agency of the Government had asked them and what for. Because Tata seem to be a great favourite of the joint sector concept, is this concept going to begin from the TISCO? In order to have a good beginning are they going to begin from TISCO?

SHRI C SUBRAMANIAM I find that there is a good deal of obsession over Tata and Tata-inclusion in Government policies. As far as we are concerned we take our own policy decisions but suggestions are welcome from any quarter. I do not know whether formally Tata was asked to submit any report. If I remember right when he mentioned about his ideas he was asked to put down in writing so that we may look at it. Nothing more than that. He gave his own concept of the joint sector which is completely different from what we have decided upon now.