

[Shri K. R. Narayanan]

and it is possible to subject them to the persuasions and the reasoning of negotiations, and, as one Member pointed out whether it is a preparation for aggression, we do not take that view at all and we are willing and I think the Chinese are willing to continue talks and negotiations on the border. And all these individual disputes also will come in within the compass of a negotiated settlement with the Chinese. I want the House to note, while one understands the reaction and emotions generated by this, that we should be wise and careful in our approach towards the Chinese in regard to these individual intrusions and other questions as well as in regard to the larger question of the border itself. We have had bitter experience of history and, therefore, it is incumbent on us to approach the subject with earnestness, with patience, with determination and not to be swept away by emotions in dealing with a country like this.

THE RESEARCH AND DEVELOPMENT CESS BILL, 1986

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Hon. Members, the Research and Development Cess Bill which has been listed at No. 3 of today's business paper is a Money Bill. The Bill at No. 2 is the Industrial Development Bank of India (Amendment) Bill, 1986. The fourteen days period for the Money Bill will expire on the 11th. In view of the Constitution Amendment Bill on 7th and South Africa Motion on 8th, and 9th and 10th being holidays, it is necessary that the Money Bill is gone through today itself. May we, therefore, take up the Research and Development Cess Bill, 1986 after which the Minister will reply to the IDBI Bill?

HON. MEMBERS: Yes, yes.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): Sir, with your permission I move:

"That the Bill to provide for the levy and collection of a cess on all payments made for the import of technology for

the purposes of encouraging the commercial application of indigenously developed technology and for adopting imported technology to wider domestic application and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

Sir, as the honourable Members are aware, our policy on foreign investment and collaboration is selective. While the emphasis is on achieving technological self-reliance through the development of a sound indigenous technology base, the policy also recognises that in an era of fast changing technology Indian industry should take advantage of the advances taking place elsewhere in the world. Thus import of technology is allowed wherever it is in the national interest and generally in areas where the technology is not indigenously available or is not adequately developed. There are guidelines and parameters within which such a technology import is allowed. Such technology transfer arrangement may take the form of technical collaboration or it may be in the form of financial participation in addition to technical collaboration. Apart from this, import of technology can also take the form of import of designs and drawings and deputation of personnel. Import of technology in any of the above-mentioned forms requires the Government's approval. The number of technology transfer arrangements approved during the last three years is: in 1983—673, in 1984—752 and in 1985—1,024.

As regard the annual outgo of foreign exchange on account of the remittances on various forms of technology payments, it has been in the region of about three hundred crores of rupees. Although the relevance of import of technology cannot be minimised, there is critical need for the development and commercial application of indigenous technology. With this end in view, it was proposed in the Long-Term Fiscal Policy announced in December 1985 that in order to provide further incentives for the commercial application of indigenously developed technology, a Venture Capital Fund would be set up to provide financial support for pilot plants attempting

commercial applications of indigenous technology and to adapt previously imported technology to wider domestic applications. It was further envisaged that the Venture Capital Fund would be funded in part by a 5 per cent cess which will be levied on all payments made for purchase of technology from abroad including royalty payments, lump-sum know-how payments and payments for designs and drawings. The present Bill is intended to give a legal shape to that announcement. The proceeds of the above cess not exceeding 5 per cent will first be credited to the Consolidated Fund of India, and after due appropriation paid to the credit of the Venture Capital Fund which is being set up as part of the Development Assistance Fund of the Industrial Development Bank of India. The Fund will be administered by the IDBI. The procedure for the collection of the cess is being evolved in consultation with the Reserve Bank of India. The annual collection from the cess is expected to be about Rs. 15 crores.

Sir, the penalty in the original Bill has been enhanced to ten times the amount in arrears and the Lok Sabha has approved the Bill with this amendment.

With these words, I commend the Bill for the consideration of the House.

The question was proposed.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Now, Mr. R. K. Poddar.

DR. R. K. PODDAR (West Bengal): Mr. Vice-Chairman, Sir, I congratulate the honourable Minister for bringing forward this long-awaited and welcome piece of legislation. I also believe that the House would agree with the proposal to levy a cess on the payments for import of technology and to utilise this money for the development of indigenous technology as well as for the accumulation and improvement of the foreign technological know-how. But I have grave doubts about the seriousness of the Government in this regard. This piece of legislation is, by the Government's own reckoning, at least ten years overdue. While presenting the 1976-77 budget, the then Finance Minister, Mr. C. Subramani-

am, told the Lok Sabha of the Government's decision to levy an R&D cess to mobilise resources to finance such ventures that is, to provide equity capital for pilot plants attempting commercial utilization of indigenously developed technology. So, if the Government had been really serious, there would not have been this ten years of dilly-dallying. Moreover, more setting up of the Venture Capital Fund with the expected annual cess collection of Rs. 15 crores only as proposed in the Bill is not likely to lead to any perceptible flourishing of our indigenous technology unless—I wish to emphasise the word 'unless'—our private and public sector industries are asked to reduce their love for all things foreign. Let me cite one or two examples as to how this uninhibited craze for foreign technology is ruining many of our local initiatives.

Sir, the National Geophysical Research Institute (NGRI) of Hyderabad has been successful in developing an air-borne electromagnetic survey system for geophysical prospecting of mineral deposits of electrically conducting ores like copper, graphite and lead by means of remote sensing. The NGRI electromagnetic survey system, fitted onto a DC-3 aircraft, was successfully flown for the first time in 1974. Since then it has flown for nearly 10,000 line-kilometres of electromagnetic surveys. In any other country, such valiant efforts towards self-reliance would have received unstinted support from the State. But, alas, Sir, things seem to be different in our country.

Just because some foreign aid was easily available, the Geological Survey of India (GSI), a Government organisation and the only user agency of this technological know-how, has now decided to purchase from Canada for about 5 million Canadian dollars, a de Havilland Twin Otter aircraft fitted with an electromagnetic survey system called 'Tridem', based on a slightly different but not very much superior technology. A similar sad story is narrated by one of our computer scientists working in a Defence R&D establishment in the Delhi edition of the Times of India just two days ago i.e. on 4-8-1986. His Laboratory, in collaboration with the Department of Electronics, prepared an expansion

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plan costing about 25 lakhs for their existing third generation computer system which is still working perfectly. This expansion could be easily carried out with the help of indigenous computer manufacturers. However, the laboratory was 'advised' that they must carry out their expansion programme only through the public sector company, i.e. Computer Maintenance Corporation (CMC). Now, Sir, instead of helping the Defence establishment to carry out the expansion of their already existing operational computer system, the CMC is forcing them to buy a new imported IBM computer costing about 35 lakhs. Sir, this is not the end of the story. CMC is reported to have secured Rs. 55 crores' worth of orders for IBM computers, all from public sector agencies like ONGC (12 crores), State Bank of India (13 crores), Shipping Corporation of India (3 crores) and so on.

Sir, if public sector agencies encourage import of foreign technology where similar indigenous technology is already available, one can perhaps safely predict that this kind of half-hearted measure like the present Bill envisaging a mere Rs. 15 crore Venture Capital Fund would ultimately prove to be nothing more than an eye-wash.

And not only our industrial and commercial concerns, but also the Government's import policy itself is working against the development of indigenous technology. Let me give an example. A medium scale industrial concern in Madras has been manufacturing refractory clay materials utilising a know-how generated by one of CSIR Laboratories. Now, thanks to the new policy of import liberalisation, similar refractory materials are being imported from France because these are somewhat cheaper, thereby almost killing this indigenous effort. Similar fate is awaiting a number of other concerns also. Our CSIR people are also very much depressed. In 1984, there were 70 requests for the processes of a national laboratory. The figure has come down to four in 1985. With the possible return of Coca Cola or Pepsi Cola, our indigenous soft drink industry is sure to be wiped out in a jiffy.

Sir, it is true that things would not have come to such a pass if our national R&D laboratories could generate technological know-how at par with those available abroad. Sir, it is fashionable in many quarters to blame our scientists and technologists for this laps. But why should we not look a little deeper below the surface? When the Tatas first put up their Steel Plant at Jamshedpur, it was done with the help of American engineers and designers, which was understandable considering that it was the first steel plant to be built in India from a scratch.

SHRI VISHVAJIT PRITHVIJIT SINGH (Maharashtra): German Engineers.

DR. R. K. PODDAR: My reference is that of America. Anyway, it was a foreign technology. But in the 50's when this steel plant was upgraded to the production capacity of 2 million tonnes, they went to the USA for new technology. Since then there have been a few more attempts at modernisation, but always with the help of imported know-how. In fact, it can be generalised in a broad manner that there is hardly a single industrial product, be it the Tata Trucks or the Ambassador cars or the ICI polyester or the Hindustan Lever detergents, which is being produced in this country without imported know-how.

Sir, the point I want to make is that our own R&D laboratories like the CSIR or the University departments have never been associated with our industrial development programmes either in the public sector or in the private sector. Modernisation in our country has come to mean substitution of 'old' imported technology by 'new' imported technology without caring to make use of our own human and material resources (*Time hell rings*) I am concluding.

SHRI NIRMAL CHATTERJEE (West Bengal): Sir, when we discussed in the Business Advisory Committee, every Party said that it is a very important Bill not merely because it is a Finance Bill but this entire question of research and development within the country is involved in this Bill. So, it should not be rushed through in the manner. We have agreed.....

SHRI VISHVAJIT PRITHVIJIT SINGH: Though we have two hours to debate it, if the entire Opposition is missing, it is not our fault.

SHRI NIRMAL CHATTERJEE: The speaker should be allowed. This is an important area.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): I am not encroaching upon your time.

DR. R. K. PODDAR: I will take just one more minute. What I wanted to say is that our concept of modernisation has come to mean in our country the substitution of old imported technology by new imported technology without caring to use our own human and material resources.

Sir, let us all hope that this present Bill will at least make a small beginning in reversing this trend and reduce frustration among our patriotic scientists and technologists. Thank you, Sir.

SHRI VISHVAJIT PRITHVIJIT SINGH: Mr. Vice-Chairman, Sir, it has been aptly pointed out by Prof. Mukherjee that this is a very important measure which the House ought to debate with certain amount of seriousness. Sir, the Statement of objects and Reasons makes it quite clear that a cess would be imposed on all payments made for import of technology. The proceeds of the cess so levied shall be paid to the Industrial Development Bank of India after due appropriation by Parliament by law for being utilised for the purposes of the Venture Capital Fund. The proposed Venture Capital Fund shall be utilised for providing further incentives for the commercial application of indigenously developed technology and to adapt imported technology to wider domestic applications.

Sir, when I go through the Bill, I find Clause (3)(i). Of course Clauses (1) and (2) are enacting formula and the definition. Sub-section (1) says: There shall be levied and collected for the purposes of this Act a cess at such rate, not exceeding 5 per cent of all payments made towards the import of technology as the Central Government may from time to time specify by notification in the Official Gazette. Now, they say, all pay-

ments made towards the import of technology and this is going to be a cess on those payments which are to be made for the import of technology. Let us go to clause 6. It is contradictory. Clause 6 says this money is to be utilised what for, for the venture capital fund, and what does clause 6 say: The Fund and be applied by the Development Bank to meet the expenditure incurred in connection with the measures and facilities which, in the opinion of the Development Bank are necessary or expedient to provide equity capital or any other form of financial assistance to industrial concerns attempting commercial applications of indigenous technology or adapting imported technology to wider domestic applications. Now, Sir, that imported technology has to be imported. It cannot be Indian. It has to be utilised for wider domestic applications and for importing that technology itself which is going to be financed by the money which is going to come through this Bill, that technology itself will have to pay money towards this Bill, towards that cess, because it will be imported technology. I would like to urge upon the hon. Minister, through you that this is a self-defeating contradiction which is there in the Bill and which ought to be removed. There is a saving clause. I know what the Minister will reply. Clause 7 is a saving clause. It says: Notwithstanding anything contained in this Act, if the Central Government is satisfied that it is necessary or expedient so to do in the public interest, by notification in the Official Gazette and subject to such conditions, if any, as may be specified therein, exempt any industrial concern from the payment of the cess payable under this Act for the import of such technology as may be specified in such notification.

Sir, this is a very wide power the Government has armed itself with. I would hesitate to exercise this power without due consideration. I would, therefore, like to urge upon the hon. Minister that whenever the rules are framed under this Act, there need not be an amendment of the Act, there is a provision for framing of the rules, whenever the rules are

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to be framed, they should be framed in such a manner that a committee consisting of two kinds of individuals, economists, who will actually certify that this technology is required for wider applications in the country, and technocrats, who will certify that yet this technology can be done by this concern, they have the resources, they have the wherewithal, they have the research capacity, they have the development capacity, therefore they should be given it to decide. The committee should consist of these two kinds of individuals, specialist economists and specialist technocrats and they can give exemption to those concerns which want exemption and the exemption should not be given by bureaucrats or by politicians, both of whom are not qualified to find out or to know what is what.

SHRI NIRMAL CHATTERJEE: We welcome this suggestion.

SHRI VISHVAJIT PRITHVIJIT SINGH: This can be done by the rules. That is why I have mentioned that this can be done by the rules. When we come to clauses 8 to 10, they basically deal with the mode of collection of information, how the dues are going to be collected.

Now, Sir, I once again come to clause 6. I have just read it out to you. It specifies the purpose of the fund. Clause 6 specifies it. I have read it out before. It says that the fund will be used to provide equity capital or any other form of financial assistance to industrial concerns attempting commercial application of indigenous technology or adapting imported technology to wider domestic application. Sir, in this connection, I would like to point out that I would like to define what is venture capital, because the hon. Minister has introduced just now or is about to introduce the term venture capital into the Bill itself, it is going to become an Act. What does venture capital mean? What is venture capital? Venture capital is not just venture capital. I would call it adventure capital. The classic example...

SHRI NIRMAL CHATTERJEE: Will you accept an amendment?

SHRI VISHVAJIT PRITHVIJIT SINGH: I am not the Minister. Please do not talk to me like that Mr. Chatterjee. What is adventure capital. The classic example in history of adventure capital was the Queen of Spain giving money to Columbus to go and discover India. When she financed Columbus, it was adventure capital. It was an adventure with no hope of success. If it worked out, well and good. He was convinced in his mind that he can discover the Indies. He went out, may be, he succeeds. May be, he does not. It is a risk. It is a high risk business. We have the experience of both the U.S. and the U.K. They have both introduced venture capital in their countries. France is also introducing venture capital. It is going to introduce it very soon. The experience of these countries has been very good and even there has been quite a lot of increase in businesses, but the rate of failure of businesses financed through venture capital is very very high. It is close to 90 per cent. The rate of failure is close to 90 per cent though the successes are also phenomenal. The modern day success of venture capital has been the development of the Hovercraft. It was the branchchild of just a few scientists. It was basically some drawings on a drawing board. They were put into actual practice by the fact that businessmen came forward and said 'Here is the money; we financed you; make your first model of Hovercraft and then we will see'. Crores and crores of rupees were spent. It was financed. On that basis, people could do it. This is the modern day success of venture capital. It is these kinds of businesses which are getting money from abroad. With this end in view, when we are bringing in legislation, when we are borrowing terms like 'venture capital', we should also understand what are their laws, what sort of laws they have to govern these sort of things. We should go by their experience. Whatever pattern we are following—we are following a free market pattern—we have got to understand what laws they have abroad. Take, U.K., for example. I have here with me a prospectus 'Offer for subscription'. This is

something called 'Art Focus'. It is a magazine a magazine company. They say on the cover 'The inland revenue has given provisional confirmation that Art Focus PLC will be a qualifying company under the business expansion scheme'. They call it 'business expansion scheme'. Government does not finance it. Finance comes from private industries. The hon. Minister has just mentioned that the private industry and the public sector should come forward to give money. In other countries, it is provided. Time-bell rings) Sir, this is very important. Please do not ring the bell. Please allow me to speak. I will not take long. In the prospectus itself, they have to give extracts of the Act. There is a mention here "...Business Expansion Scheme introduced by section 26 of the (Finance Act, 1983) as amendment by the Finance (No. 2) Act 1983 and the Finance Act 1984)". In U.K. the provisions quite clear. Relief is given in cases where a businessman contributes money towards venture capital in the form of buying shares. The relief is given at the claimant's highest rate of tax. This is fantastic. It says here 'Relief can only be claimed by a qualifying individual who subscribes for new eligible shares of a qualifying unquoted company...this is very important unquoted company'—which have been issued for the purpose of raising money for a qualifying trade which is being carried or will be carried on with in two years by the company or a qualifying subsidiary". What is a qualifying company? It says here 'The company must have been incorporated in the United Kingdom and be resident only in this country. It must not be quoted on 'The Stock Exchange'. They have a rule that a company which is not quoted on the Stock Exchange for three consecutive years, only such a company, the shares of only such a company, can qualify for exemption. If the company is quoted, exemption goes off. It is a kind of high-risk investment. What are the qualifying. This is very important. Most of the trades, trade qualify. Those excluded are: (a) dealing in commodities, shares, land and futures; (b) dealing in goods otherwise than in the course of any

ordinary trade of wholesale or retail distribution; (c) banking, insurance, money lending, debt factoring hire purchase financing or other financial activities; leasing or receiving royalties or licence fees; providing legal or accountancy services and farming. The trade must be conducted on a commercial basis and with a view to the realisation of profit. Coming to the limits on relief, they have even put higher limit. They have put a limit that relief cannot be claimed on more than 40000 pounds invested in any one tax year. They have also said that if the conditions to the relief relating to the company cease to be satisfied within three years of the investment being made, the relief is withdrawn. So, these are the provisions which show that since the business man is going to get tax benefit he is willing to pay a large amount of money to entrepreneurs, engineers, scientists, investors he will use that money for a venture capital investment, the business man will buy shares, he will get exemptions and the Government does not have to spend a penny. The Government's only loss is the national loss in revenue which comes from the lower rate of taxation of that particular company or that particular individual. That is why it is called the business expansion scheme.

Sir, let me point out another thing which is very important. The IDBI is going to be the disbursing authority. Are the officials of the IDBI or for that matter any bank competent because the bank always wants to cover its disk. If it is going to be a no-risk venture, it will not be a venture capital in any case. It will become another banking operation. The Bill put forward by the hon. Minister itself envisages that it will be a no risk venture, and what does the Bill say? Clause 5, sub-section (2) (d) says:

"any income from investment of the amount in the fund."

So, this fund will also be recycled, that is what is envisaged in clause 5. That means, you are envisaging a profit from the fund which you have provided for in the Bill. You are already envisaging profits and I suppose, those are the guide-lines

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which will be issued to IDBI. And if those guidelines are issued, the whole business will become totally self-defeating, there will be no venture and the venture capital will only be used for the same traditional business which it is used for today. The whole purpose of bringing forward this Bill, which we call the Research and Development Cess, Bill, 1986.. will be defeated. Therefore, I urge upon the hon. Minister to please view these suggestions of mine with some care and come out with some solution so that whenever the rules are framed all these lacunae are removed and we truly have a venture capital. India really has a proper venture capital market where people can invest money into high-risk ventures with subsequent very high returns for the country, where new inventions will be coming forward, where foreign technology will be properly adopted for the needs of this country.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Mr. Vijaya Mohan Reddy,

SHRI CHATURANAN MISHRA (Bihar): There was a statement to be made at 6 O'clock.

THE VICE-CHAIRMAN (SHRI H. MANUMANTHAPPA): Even this Bill has to be finished today. The statement as well as the Bill, both have to be completed. The House has already agreed that it will be gone through today because it is a Money Bill and it cannot wait till 11th.

SHRI NIRMAL CHATTERJEE: We have not agreed to it. Why is it necessary? Let the statement be there and then adjourn the House. (Interruptions).

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Please sit down. Now the Minister will make the statement.

6.00 P.M.

STATEMENT BY MINISTER—Contd.

II. REGARDING INTERIM RELIEF TO WORKERS IN SUGAR INDUSTRY

THE MINISTER OF STATE OF THE MINISTRY OF LABOUR (SHRI P. A. SANGMA): Mr. Vice-Chairman, Sir,

The Government of India set up the Third Wage Board for Sugar Industry workers on 17-7-85 under the Chairmanship of Justice (Retd.) J. M. Tandon to consider the question of a further revision of the present wage structure in the sugar industry.

2. The following recommendations were made by the Wage Board by way of interim relief:—

(1) The workers covered by the Second Wage Board Report shall be eligible for the interim relief;

(2) The workers reaching the maximum of the grade shall continue to earn annual increment in their existing time-scale till the submission of final award.

(3) The workers who have already reached the maximum of scale one year or more on the first of January, 1986 shall be entitled to the next increment in the existing scale w.e.f. 1st January, 1986.

(4) The workers shall be paid Rs. 45 per month with effect from the date of the expiry of the last Agreement between the workers and the management or 1st January 1986, whichever is earlier, till the submission of the final award.

3. Government have accepted the above recommendations of the Wage Board for grant of interim relief to the sugar industry workers. The recommended interim relief will have only a marginal increase in the cost of production which the industry can be expected to absorb in the revised price structure effective from 1-12-85. There would be no increase in the levy price of Sugar.

4. About 3.80 lakh workers in the Sugar industry would stand to benefit.

5. A Resolution notifying Government's decision is being published in the Official Gazette.

SHRI K. G. MAHESHWARAPPA (Karnataka): Mr. Vice-Chairman, Sir, the sugar industry is facing a crisis. One of the important factors to be taken into consideration while considering increase