

RAJYA SABHA

Tuesday, the 9th August, 1977/the 18th
Sravana, 1899 (Saka)

The House met at eleven of the clock Mr.
Chairman in the Chair.

**SHORT NOTICE QUESTION AND
ANSWER**

**Slush money paid by BHEL and Engineering
Projects (India) Ltd.**

9. SHRI P. RAMAMURTI:!

SHRI VISHWANATHA MENON: .

SHRI ANAND PATHAK:

Will the Minister of INDUSTRY be
pleased to state:

(a) whether Government's attention has
been drawn to a news-item which appeared in
the "India Today" of 31st July, 1977, wherein it
was reported that the Government of India had
issued a circular to the State-owned Under-
takings to pay slush money upto eight per cent
of the contract in foreign exchange with a view
to securing contracts in some foreign countries;

(b) whether in pursuance of the said
circular, slush money was paid by the Bharat
Heavy Electricals Ltd. and the Engineering
Projects (India) Ltd. through a "special
envoy"; and

(c) whether it is a fact that as a result of the
circular and the consequent inflated quotations
BHEL had to lose a Rs. 450 crores contract for
a power station in Tripoli?

THE MINISTER OF INDUSTRY (SHRI
GEORGE FERNANDES): (a) Ministry of
Industry are not aware of such circular.

f The question was actually asked on the floor
of the House by Shri P. Ramamurti.

(b) No slush money has been paid by
BHEL and EPI.

(c) No, Sir. This was not a result of inflated
quotations but due to drastic reduction of
prices by BHEL's competitors during
negotiations and discussions with the
customers.

SHRI P. RAMAMURTI: Has the report of
the Chase Manhattan Bank to its constituents
come to the notice of the hon. Minister? They
say in the report—

"Names like Bharat Heavy Electricals and
Shapoorji Pallongji Co. are little in
international business circles. But these and
other Indian companies may prove to be
giant killers in competing for business in the
Middle East against the biggest and most
prestigious Western firms."

It further says—

"Public sector companies like Bharat
Heavy Electricals Ltd. (BHEL), Engineering
Projects India Ltd. (EPI) Steel Authority of
India Ltd. (SAIL) and the International
Airports Development Corp. have been the
bellwethers in opening up new markets.

"BHEL won a turnkey contract late last
year for two 110 MW electrical units in
Libya. It has reached preliminary agreement
with Saudi Arabia for building a 60-million
dollar power station.

"Saudi Arabia asked BHEL and other
state companies in Pakistan, Taiwan and
Korea to share in building four regional
power stations after tearing up bids
submitted by Western and Japanese firms."

Is he aware that a very big smear campaign is
going on in this country, financed by the
multinationals who are afraid that BHEL may
become a competitor in the Middle East
countries? And what has appeared in 'India
Today*' is such a

smear campaign. So, what does he propose to do about this smear campaign?

SHRI GEORGE FERNANDES: I have seen the report in the Chase Manhattan Bank Journal commenting upon BHEL and other public sector undertakings of this country who have been operating in the international field. It is a fact that BHEL has become a kind of a giant killer in its own way and I think today it ranks among the ten largest companies of its kind in the world. I will not be surprised if there are vested interests all over the world who would be interested in destroying the credibility of BHEL or EPI because EPI is also involved in massive contacts in the Arab world today. And the fact of the matter is that we are pushing the American and the European competitors out of the markets in these areas for a variety of reasons—primarily because our prices are competitive—and in a situation of this nature where business generally operates on a cut-throat basis, it is quite likely that the western multinationals are interested in conducting a smear campaign against our undertakings.

SHRI P. RAMAMURTI: Has the Minister seen a report in the *Indian Express* of the 7th August from Nagpur in which Dr. Subramanian Swamy, Janata Party M.P., charged that bribes totalling several crores were paid to some Heads of West Asian countries to get them buy BHEL products and he also alleged that the bribes were paid by a special envoy of the former Prime Minister, etc? Is he aware of the effect this will have on the management of the BHEL? Is he also aware, when a member of the Janata Party, the ruling party, makes such public statements without getting them verified from the Government, what effect it will have on the functioning of this organisation and the expansion programme that it has? If so, what steps does he propose

to take against this kind of smear campaign?

SHRI GEORGE FERNANDES: Sir I have seen the report in the *Indian Express* where it is stated that a special envoy of Mrs. Indira Gandhi went round the West Asian countries bribing some of the top people in these countries to accept the products from our public undertakings. I have no doubt, Sir, that this information is baseless and there is absolutely no substance in it. As I have said in answer to the question itself with regard to the suggestion that there has been some kind of an effort in the past to bribe people in high places in order to secure contracts, so far as my Ministry is concerned, there is absolutely no evidence to that effect. Since reading this news item, I checked up with all the concerned people—not just my Ministry but other Ministries also—and I can say, without fear of contradiction, that there is no substance in this allegation.

MR. CHAIRMAN: Mr. Vishwanatha Menon.

SHRI P. RAMAMURTI: I would like to bring to your notice

MR. CHAIRMAN: No, no.

SHRI P. RAMAMURTI: Please hear me. In order to circumvent the limit of two supplementaries, Members say (a), (b) (c) (d) and so on. I did not want to adopt this method.

SHRI H. N. BAHUGUNA: He is a good man.

MR. CHAIRMAN: Therefore, he should remain also a good man.

SHRI P. RAMAMURTI: One more question.

MR. CHAIRMAN: Yes, Mr. Vishwanatha Menon.

SHRI VISHWANATHA MENON: He can put a question on my behalf.

SHRI P. RAMAMURTI: I can put a question on his behalf.

MR. CHAIRMAN: You cannot pass it on.

SHRI VISHWANATHA MENON: I would like to know whether the Minister is aware that the present management of BHEL is doing good work by getting various contracts in foreign countries and there is a move or rather an anti-public sector lobby actively working to remove the present management from office. I would like to know whether it is a fact.

SHRI GEORGE FERNANDES: I do not think any lobbies will succeed in dislodging anybody in so far as public sector undertakings are concerned. Everybody is there by virtue of his merit and those who are in any position by virtue of their merit cannot be dislodged.

DR. RAJAT KUMAR CHAKRABARTI: May I know from the hon. Minister what the cost-benefit ratio is in whatever foreign contracts the EPI has got in the last three years, consultancy or otherwise? That is, does he have the figures as to how much money has been invested by the BHEL or the EPI in order to secure contracts and what is the rate of profit on the investment?

SHRI GEORGE FERNANDES: Sir, I do not have the kind of information sought by the hon. Member. But I can give an idea of the number of contracts that the EPI has, as also...

DR. RAJAT KUMAR CHAKRABARTI: I am not asking for the number of contracts because, for example, the Burn and Company was supposed to supply railway wagons to Yugoslavia but each railway wagon cost more than what was laid down in the terms and conditions. So I would like to know how much money has been invested by this company abroad and what the return is in foreign exchange. I would like to

know whether it is justified and whether they are under-cutting or not. That is the main point.

SHRI GEORGE FERNANDES: I require notice for that.

SHRI KALYAN ROY : The Minister has already replied that he has gone into it and that the report is not correct. But, Sir, his statement is not only irresponsible but it is utterly mischievous and perhaps motivated by the big multi-nationals.....

MR. CHAIRMAN : You put your supplementary.

SHRI KALYAN ROY : May I ask Mr. Fernandes what the projects are which the BHEL had undertaken in various foreign countries against competition from the multi-national giants who are trying to strangle this magnificent public sector in collaboration and collusion with men like Mr. Subramanian Swamy ?

SHRI GEORGE FERNANDES : Sir, it is a very loaded question so far as individuals are concerned, but so far as the contracts that the BHEL has entered into are concerned, invariably they have been against stiff competition from multinationals or trans-nationals, by other countries. I could give a list of the contracts. We have a 220 MW power station in Libya, we are putting up four power stations in Malaysia, two power stations in New Zealand, and we are putting up one power station in Nepal. Then there are a number of contracts where tenders are awaiting decisions. One is in Iran where we have tendered for a 320 MW power station. We have tendered for power stations in Jordan and also in Tanzania. There has been only one agreement which got annulled, that is, the Libyan one, which has been mentioned in the newspaper reports. We lost the Libyan contract because the German firm which had also tendered, decided to undercut us by 30 per cent. Our tender was the lowest. The Germans and others had tendered fairly high. But

when the tenders were opened finally they decided to undercut us. Thirty percent, was the undercutting that was done. We thereafter decided to talk to them but nothing could be done because obviously the Western companies had a very powerful lobby and financially also they made themselves viable with the Libyans.

**STATEMENT BY MINISTER
CORRECTING THE REPLY TO
UNSTARRED QUESTION 587
ANSWERED ON THE 4TH AUGUST,
1977 REGARDING WORKING OF THE
DIRECTORATE OF ADVERTISING
AND VISUAL PUBLICITY**

THE MINISTER OF INFORMATION AND BROADCASTING (SHRI LAL K. ADVANI): Sir, in answer to part (b) of Unstarred Question No. 587 dated 4th August, 1977 it has inadvertently been stated that the Committee on Misuse of Mass Media inquired into the working of Directorate of Advertising and Visual Publicity during the emergency also, and that its report has since been laid on the Table of the House. The correct position however, is that only a White Paper on the Misuse of Mass Media based on the report of the Committee has been laid on the Table of the House on 1st August 1977. To that extent the answer stands amended. The error is regretted.

However, even the report of the Committee has since been placed in the Library for perusal of Members.

PAPERS LAID ON THE TABLE

**I. Report and Accounts (1974) and (1st
January, 1975 to 31st March, 1976) of the
Bridge and Roof Company (India)
Limited, Calcutta and related papers**

**II. Report and Accounts (1976) of the
Hindustan Petroleum Corporation Limited,
Bombay and related papers**

THE MINISTER OF PETROLEUM,
CHEMICALS AND FERTILIZERS
(SHRI H. N. BAHUGUNA): Sir, I beg to
lay on the Table:

I. A copy each (in English and Hindi) of the following papers, under sub-section 1. of section 619A of the Companies Act, 1956:—

(i) (a) Annual Report and Accounts of the Bridge and Roof Company (India) Limited, Calcutta, for the year ended 31st December, 1974, together with the Auditors' Report on the Accounts and the comments of the Comptroller and Auditor General of India thereon.

(b) Review by Government on the-working of the Company.

[Placed in Library. See No. LT-974/77 for (a) and (b)].

(ii) (a) Annual Report and Accounts of the Bridge and Roof Company (India) Limited, Calcutta, for the period from 1st January, 1975, to 31st March, 1976, together with the Auditors' Report on the Accounts and the comments of the Comptroller and Auditor General of India thereon.

(b) Review by Government on the working of the Company.

[Placed in Library. See No. LT-974/77-for (a) and (b)].

II. (a) Twenty-fifth Annual Report and Accounts of the Hindustan Petroleum Corporation Limited, Bombay, for the year ended the 31st December, 1976, together with the Auditors' Report on the Accounts and the comments of the Comptroller and Auditor General of India thereon.

(b) Review by Government on the-working of the Corporation.

[Placed in Library. See No. LT-973/77' for (a) and (b)].