

1951), this House do proceed to elect, in such manner as the Chairman may direct, one member from among the members of the House to be a member of the Raj gnat Samadhi Committee."

The question was put and the motion was adopted.

MESSAGES FROM THE LOK SABHA

I. The Supreme Court Judges (Conditions of Service) Amendment Bill, 1976

II. The High Court Judges (Conditions of Service) Amendment Bill, 1976

SECRETARY-GENERAL: Sir, I have to report to the House the following messages received from the Lok Sabha, signed by the Secretary-General of the Lok Sabha:—

I

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith the Supreme Court Judges (Conditions of Service) Amendment Bill, 1976, as passed by Lok Sabha at its sitting held on the 8th March, 1976.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

II

"In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith the High Court Judges (Conditions of Service) Amendment Bill, 1976, as passed by Lok Sabha at its sitting held on the 8th March, 1976.

2. The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India."

meaning of article 110 of the Constitution of India."

Sir, I lay a copy of each of the Bills on the Table

STATUTORY RESOLUTION SEE KING APPROVAL OF THE GOV ERNMENT NOTIFICATION INCREA SING EXPORT DUTIES ON GROUNDNUT AND COFFEE

THE MINISTER OF STATE IN CHARGE OF DEPARTMENT OF REVENUE AND BANKING (SHRI PRANAB MUKHERJEE): Sir, I beg to move the following Resolution:

In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves the notification of the Government of India in the Ministry of Finance (Department of Revenue and Insurance) No. G.S.R. 75 (E), dated the 12th February, 1976, increasing the export duty to Rs. 800 per tonne on groundnut kernel, Rs. 600 per tonne on groundnut in shell and Rs. 300 per quintal on coffee with effect from the date of publication of the said notification.

As against the statutory rate of Rs. 295.30 per tonne, groundnut had been completely exempted from export duty by notification issued on the 10th July, 1958. Similarly, the effective rate of export duty on coffee had been fixed at 50 paise per kilogram or Rs. 50 per quintal by a notification issued on the 6th June, 1966. As against the statutory rate of Rs. 123.00 per quintal.

In recent months, the domestic market price of groundnut had been ruling substantially lower than the price in the foreign markets because of the bumper crop in the country. In the case of coffee, there had been a spurt in the world prices due to the heavy frost affecting the crop in Brazil, world's biggest producer. In order to mop up a part of the fortuitous gains on exports of these commodities in the prevailing situation, the export duty has been increased to Rs. 800 per

[Shri Pranab Mukherjee] tonne on groundnut kernel, Rs. 600 Per tonne on groundnut in shell and Rs. 300 per quintal on coffee.

The question was proposed.

SHRI U. K. LAKSHMANA GOWDA (Karnataka): Mr. Chairman, Sir, I rise to make my comments on this Resolution moved by my friend, Mr. Pranab Mukherjee, giving effect to the increase in export duties on coffee and groundnut. Sir, so far as groundnut is concerned, the argument has been that in view of the bigger crop, the internal prices have fallen and the export prices have gone up and in order to mop up the gains of exports he has come out with a duty. I find, Sir, that in the past when there were difficulties this duty was completely abolished and now he has come out with a duty of Rs. 800 and Rs. 600 per ton which, according to me, is too high. The export earnings when they are mopped up this way when the internal prices are falling, the average price which is realised by the producer will naturally not provide him a reasonable return and I only wish with regard to this that the duty should have been lower than what he has proposed here.

So far as coffee is concerned on which I could speak with a little more authority, the position is rather difficult. Sir, the higher export duties were brought down to Rs. 50 per quintal when the international prices had come down. The ruling export duty is at the rate of Rs. 50/- per quintal or Rs. 500/- for a ton. Sir, my friend Mr. Mukherjee on the 12th of February thought that because the prices had gone up very high, he would mop up the gains and increase the duty straightway from Rs. 50 to Rs. 300 a quintal or Rs 3,000 a ton. What has not been taken into consideration is that the Finance Ministry went by the high prices which were prevailing around the latter part of the month of January and February. It was purely a result of the difficulties faced by

other producing countries like Brazil, where there was heavy frost and the crop was wiped out, then subsequently the earthquake in Guatemala and the trouble in Angola the international price went up and he has mopped up that price by an extraordinary figure of Rs. 3,000 per ton. What he has failed to see is that he is calculating the increase from the very low prices which were prevailing in the early part of 1975 when some of the direct sales of coffee to East European countries were made almost at the level of the cost of production, and he is taking into consideration only the increase from that low level. If he takes into consideration the prices prevailing in the previous year 1974, the increase is not so high as it is visualised. Further, Sir, so far as coffee is concerned, about 50 to 55 per cent of the total production is exported and about 40 to 45 per cent is sold in the internal market and the internal market prices are less than 50 per cent of the export prices. This mopping up process should take into consideration the average return to the grower, taking into account both the export and the internal prices, and then the export duty should have been fixed. According to me, this export duty increase from Rs. 50 to Rs. 300/- is too high because coffee is the only commodity which is marketed in a cooperative marketing system. It is not done by individuals. All the produce of 80,000 growers is pooled and then it is marketed both for export and internal sales ensuing a very reasonable price for the consumer in the country. Whenever the export prices go high, the internal prices come down. There is a stabilising mechanism. I certainly agree that the growers can bear this duty at present at the prevailing international prices are quite high but there must be, according to me, some mechanism, to ensure that when the international prices come down, there should be an automatic measure by which the duty impact also gets reduced. What has happened is, he has fixed the figure which comes to Rs. 3,000 a ton. Now the international price is about

Rs.16,000 or Rs. 17,000. It does not matter for the grower because he still gets say Rs. 13,000 or 14000 after making allowance for Rs. 3000 duty and in the internal market, Rs.4000 to Rs. 5,000 per ton on the average. But since this increase in the export market is not because of any effort but is because of some other countries' difficulties, any time, within a course of six months or one year, the international prices might come down. Even then this Rs. 3,000 per ton will remain and then I as a producer will have to run up to Mr. Mukherjee and say: "The prices have come down; you please reduce the duty." He might consider it but he will ask me to go to the Commerce Ministry, from pillar to post; and it may take six months or eight months before even consideration is given. When the prices fall and representations are made for reducing the duty, it takes months to arrive at a decision and the producers suffer in the meantime. I want that a reasonable return should be provided to the grower. Therefore, I would suggest to my friend Mr. Mukherjee, that instead of having a fixed duty of Rs. 300 per quintal or Rs. 3,000 per tonne, this should be on an *ad valorem* basis so 'that when the international prices come down, the duty impact could also be reduced automatically. Sir, my friend is mostly a tea drinker. Probably, he does not know that there are different varieties of coffee which fetch different prices both in the international and in Indian markets. There is Plantation A' for which he has calculated Rs. 900 per quintal, and there are other varieties like blacks, bits cherry and robusta. For every, thing, he has imposed a duty of Rs. 3,000 per tonne. This is very high and I oppose this fixed export duty. I would suggest that he should convert this into an *ad valorem* duty. I know, it is not going to be done now. I hope he would give earnest consideration to this and see that the export duty is fixed in consultation with the Commerce Ministry so that the growers would not have any grievance on that and the Government would also

be mopping up the fortuitous increase, if there is any, and providing relief when the prices come down. This is one point.

Secondly, when this notification was issued, another difficulty arose. This notification came into force on 12th February, 1976. But the previous day, on 11th February, 1976 about 1,700 tonnes of coffee were sold by the Coffee Board. Similarly, on 28th January, 1976, another 1,000 tonnes were sold by the Board to the individual exporters. There was some quantity left over from the previous sales in December, 1975, which totalled to 4,775 tonnes on the day when this notification was issued. This quantity was in the pipeline for export. The exporters have represented to the Minister and the growers have also taken the case to the Finance Ministry. This quantity was already committed to other countries at a certain price, when the Finance Ministry imposed this duty, they had to increase the price by Rs. 3,000 per tonne. When the exporters contacted the countries concerned, they said that they were not in a position to absorb that price. The exporters are finding it difficult to export this quantity. This has already been sold by the Coffee Board. Under the Coffee Act, the Pool has already realised or is going to realise the money and this has been sold exclusive the quantity which is with the exporters has attracted this duty and the total impact of this duty on the exporters comes to nearly one crores and twenty lakhs of rupees. The exporters are now pleading that they are unable to bear this, that they are not getting the necessary facilities from banks and that they are finding it difficult to export. This is a competitive community in the International market and private exporter should be encouraged. In international deals like this, if any sudden imposition of duty is not covered by exemption at least for the quantity which is in the pipeline, it will have serious repercussions on our international trade. I would plead with my friend Mr. Mukherjee to review

[Shri U. K. Lakshmana Gowda] this position and see that relief is provided for the quantity which is in the pipeline. So far as the quantity which is still in the pool is concerned, It is alright because the auctions which have taken place after the notification came into force, have taken care of this. The bidders have bid lower to the extent of the duty and they are exporting the coffee. But the position is difficult in regard to the quantity which was sold prior to 12th February, 1976. I would request the hon. Minister to give some consideration to this in consultation with the Commerce Ministry. This could have been effected in the tariff notification if they had made the entry that "This duty shall apply to the coffee other than the coffee which has been sold prior to 12th February". In case there was any difficulty or any doubt that large quantities of coffee bought by the exporters at a much lower price were still there—we cannot deny cases of that type also because, in normal trade, I realise, there will be a certain amount of speculation also—they could have contacted the Coffee Board. Coffee is a commodity which is controlled by the Coffee Board and every detail is available with them—what quantity is there, What quantity is exported, what quantity has not been exported and what is in the pipeline. That is all available in the Commerce Ministry. Coffee trade is not like other trades such as tea, etc., where we can say there are hidden quantities because they are traded in private. There, what is not exported and what cannot be exported can be put back into the internal market. But that cannot happen in the case of coffee because what has been bought for export has to be exported.

Sir, the relief available for the exporters is almost nil and unless my friend comes to their aid to some extent, to see that there is exemption for the coffee which is in the pipeline, the export possibilities will be rather hard hit and the exporters will be in great difficulties. I hope and request that he

will take this into consideration. Also I would request him to give his earnest consideration to my earlier suggestion for changing over this duty on coffee on an *ad valorem* basis. Representations have been made and I would also like to meet him and explain the actual position. I shall be grateful if he calls a meeting of his officers, the Commerce Ministry and the Coffee Board when, as the producers' representative I shall be in a position to put forth whatever material is necessary.

With these words, Sir, I request him to give an earnest consideration to what I have said. Thank you.

SHRI PRANAB MCJIKHERJEE; Mr. Chairman, Sir, the whole question is whether the duty imposed is rational or not. My hon. friend, Shri Lakshmana Gowda who is an expert on coffee—not only in drinking but also in producing—has suggested that there are certain anomalies which we should have taken into consideration when we took the decision of imposing export duty on coffee and groundnut.

Sir, it is not a fact that suddenly the Ministry of Finance took the decision of imposing export duty on coffee. Last July, when the news of the Brazilian frost came to our notice, we drew the attention of the administrative Ministry to this aspect. It is known to you, Sir, if not to many of us, that once frost-bitten it takes three to five years for coffee to come to the market. On the one hand, Brazilian coffee is frost-hit ten and, on the other, there is political unrest in Guatemala and Angola. The world coffee market is largely dominated by Brazil. So we thought that it is appropriate for us to step into the market. It is not a question of export promotion only. By reducing the duties if there would have been export promotion, then Indian coffee would have obtained a larger market and then the question would have been treated separately. But the whole question is, when the exporters, because of the situation of high international prices ranging from £800 to £900—as per the Financial Times of London of 28th February, 1976, the prevailing price in the

London market of various grades of Indian coffee is in the order of £800 to £900 per tonne—we thought that this extra profit which is going to the exporters should be mopped up. That is basically the reason which prompted us to impose export duty on coffee.

Regarding groundnut also, the same argument is applicable. There has been another factor so far as groundnut is concerned. On the one hand, the international price is ranging between £272 and £300 per tonne and that price is obtaining for quite some time. On the other hand the internal market, domestic market price is going down. The international market price is going up and the domestic market price is going down. In between they are having the bigger market. We thought that it would be desirable on our part, though the duty of the Finance Ministry in this respect is not palatable particularly to my friend like Mr. Lakshmana Gowda....

SHRI U. K. LAKSHMANA GOWDA: I did not want the Ministry to be palatable, I suggested certain things. ...

SHRI PRANAB MUKHERJEE: I am coming to it. After all we have to find out areas through which we can mop up resources and fill the exchequer. So, we thought that this was area where we could look into the aspects and impose certain duties which will be possible on the part of the exporters without having the risk of losing the international market to mop up the extra profit which they are going to have.

Regarding the two suggestions which the hon. Member has made, I am always agreeable to discuss any problem which he would like to have sorted out and Mr. Lakshmana Gowda is very much welcome to have a discussion to sort out the problem. But here I would like to clarify one particular point that when these exporters met me, I also made it quite clear to them whenever they are to import these types of commodities there will be certain inner problems because certain commodities will be in the pipeline, at to stage it can be avoided. That is

why when the Coffee Board arranged auction, particularly in the pre-budget days, they also took into account this thing. Of course, they may give one argument that this time, before the budget perhaps there were two auctions instead of having one but that is just an accident of dates and perhaps you will not make me responsible for that. However, this point is also taken into account.

Regarding the question of *ad valorem* duty, I hope you will excuse me if I do not go into the detailed aspects of the matter because during the budget we shall have a full discussion on all these things. What will be the implications and repercussions we shall have the opportunity to discuss in greater detail and I shall take that opportunity of discussing it at length. Just at the moment it is not possible for me to indicate what will be the nature of the duties and if we switch over to *ad valorem* what will be the repercussions and implications. That will have to be examined. There can be a question of the exporters for the commodities which are in the pipeline, particularly with relation to the auctions of the late January and 11th February, as to how they would be compensated if they cannot pass on the export duties to the consumers, and it may be, there is quite a likelihood that when the share of Indian coffee in the world market is not more than, if I remember correctly 11 to 12 per cent perhaps they may not be in a bargaining position to pass it on to the buyers, but that matter is not to be sorted out by exempting export duty. That matter could be sorted out and they could be compensated if they lost any money as a result of the transaction out of the pool from the Coffee Board. That is a matter basically to be sorted out by Mr. Lakshmana Gowda himself in the Coffee Board and there I am ready to help him. I will extend my hand of cooperation there and already we have requested those export associations and their representatives who met me to take it up with the Commerce Ministry and we shall be willing

[Shri Pranab Mukherjee]

to cooperate and help them in whatever way it is possible and I think the Commerce Ministry is examining that matter. Not only that, regarding the cost of production and other matters a Committee which has been set up, is going to submit its report by the end of March 1976 and it will be possible for us to arrive at a final decision when all these things are before us. In view of this, I would request Mr. Lakshmana Gowda to wait for some time and see what is going to be the outcome of all these studies and in between I will appeal to the House to accord its approval for the duties which we have imposed from 12th February, 1976.

MR. CHAIRMAN; Now I will put the motion.

The question is:

"That in pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (32 of 1934), this House approves the notification of the Government of India in the Ministry of Finance (Department of Revenue and Insurance) No G.S.R. 75(E), dated the 12th February, 1976, increasing the export duty to Rs. 800 per tonne on groundnut kernel, Rs. 600 per tonne on groundnut in shell and Rs. 300 per quintal on coffee, with effect from the date of publication of the said notification."

The motion was adopted.

[Mr. Deputy Chairman in the Chair]

THE INDIAN LIGHTHOUSE (AMENDMENT) BILL, 1976

THE MINISTER OF STATE IN THE MINISTRY OF SHIPPING AND TRANSPORT (SHRI H. M. TRIVEDI): Sir, I beg to move:

"That the Bill further to amend the Indian Lighthouse Act, 1927, as passed by the Lok Sabha, be taken into consideration."

Sir, I do not think I need to elaborate on the main purposes of this Bill. These have been stated more or less

fully in the Statement of Objects and Reasons. The Department of Lighthouse and Lightships in the Ministry of Shipping and Transport is responsible for the administration and maintenance of lighthouses in India. The Capital expenditure on the development and improvement of navigational aids is financed out of loans from Government, repayable from the yearly surplus of Revenue over expenditure to the extent available and the remaining is treated as assistance from Central revenues. Government assistance for improvement and development of lighthouses up to the end of the Fourth Plan amounted to Rs. 293 lakhs. The total expenditure during the Fifth Plan is likely to be about Rs. 1200 lakhs. On the basis of the existing trend of collection of light dues at present rates and normal maintenance expenditure, only about Rs. 50 lakhs may be available from normal revenues for financing capital expenditure. Thus, a balance of Rs. 1150 lakhs will have to be provided by the Central Government. In view of the fact that there is a considerable increase in the cost of providing the services, it is considered appropriate that the rate of light dues should be revised upwards. The Indian Lighthouse Act of 1927 empowers the Centre to levy and collect light dues in respect of every ship arriving at or departing from any port in India. According to section 10(1) of the Act, as amended in 1959, the maximum rate at which such dues may be levied is 50 paise per registered ton. The main purpose of this Bill is to raise the maximum rate to Rs. 1.50 per tonne. As the light dues have to be specified in the body of the Indian Lighthouse Act, 1927, it is necessary to amend this Section of the Act.

The other purpose of this Bill is to provide for charging fees for services rendered by the Department to ships under the Act for calibrating their wireless direction finders, etc. Apart from these purposes, the other amendments are mainly procedural and consequential to the repeal and replacement of the Sea Customs Act, 1878 and the enactment of the Merchant Ship-