

SHRI K. B. CHETTRI : May I know whether the clearance has been given to the State Government to go ahead with the three drinking projects at Howrah, Calcutta and Haldia ?

SHRI BAIJNATH KUREEL : The water supply has been given the highest priority and according to approved programme, there are intakes located in Palta, Serampore, Burnpur, Howrah and Garden Reach. And the installation of new intake at Palta has been completed. Other works are in progress. In total, 26 schemes of drinking water are in progress.

MR. CHAIRMAN : Mr. Sanyal. Last question.

SHRI SASANKASEKHAR SANYAL : In his answer the hon. Minister referred to the Farraka Barrage and stated that it is expected to reduce the silt and so on. But it is not known how long will the feeder canal take to be completed. Even then the silt which is in the upper strata of Hooghly will not be removed. Can we have an assurance from the hon. Minister as to by what time this feeder canal will be ready, and also about the quantity of water ?

SHRI BAIJNATH KUREEL : As I have already stated, this feeder canal will be completed by the end of 1973 and the water will be let out in January 1974. As a statement has already been placed on the Table of the House on the 14th August 1972, this water from Farraka will be let out at about 40,000 cusecs. This will go on for 5 years and then a study team will see whether there can be any change or not.

*415. [The questioner (Shri Balram Das) was absent. For answer vide col. 35 *infra*.]

†INCREASE IN REMITTANCES BY FOREIGN OIL COMPANIES

*313. DR. Z. A. AHMAD :

SHRI S. G. SARDESAI :†

Will the Minister of PETROLEUM AND CHEMICALS be pleased to state :

(a) whether there has been a sharp increase in the dividend remittance of foreign

†Transferred from the 28th November, 1972.

‡The question was actually asked on the floor of the House by Shri S. G. Sardesai.

oil companies operating in India in the last few years;

(b) whether these companies of late have started remitting a part of their accumulated reserves also; and

(c) if so, what steps have been taken to curb such remittances by foreign oil companies ?

THE MINISTER OF LAW AND JUSTICE AND PETROLEUM AND CHEMICALS (SHRI H. R. GOKHALE) : (a) to (c) The foreign oil companies have in recent years been making substantial remittances on account of dividends by drawing heavily on their reserves. With a view to checking this trend, the Government took a decision in April 1972 whereunder remittance facilities in respect of dividends declared by 100% foreign-owned companies, wholly or in part out of reserves, will be conditional on the Reserve Bank being satisfied (i) that the reserves have been drawn upon only for maintaining the dividend quantum at the average of the previous 5 years or at 10% of the paid up capital, whichever is more, (ii) that the drawal on reserves does not exceed 10% of the total of the paid up capital and free reserves of the company at the beginning of the year and (iii) that the balance of free reserves left after the drawal does not fall below 15% of the total of the paid up capital and reserves as in (ii) above.

SHRI S. G. SARDESAI : Sir, the statement is surprising. I wish I had those figures with me now. I am speaking from memory. But I think a point of principle is involved, namely, the utilization of the reserves for the payment of dividends and spending an amount far in excess of the actual profits made in the course of a year. To distribute those reserves, which is actually a method of repatriation of their own capital, I definitely think, is meant for the purpose of creating a bad situation for the country if and when these companies are nationalised. So, first I would like to know whether it is permitted at all that reserves should be used for distribution of dividends, when over the last 14-15 years a tremendous amount of money has already been paid through dividends.

Sir, point No. 2 is that here I have a figure worked out by very responsible

people who say that over 1000 crores of rupees have been taken away by these companies during the last 14 years in the form of dividends, royalties, repatriation of reserves and all these kind of things. So, any further repatriation, whether in the form of dividends or reserves or anything else, has to be stopped altogether. These are the two immediate things which the Government ought to do pending nationalisation.

SHRI H. R. GOKHALE : Sir, I appreciate the suggestion. It is not that the Government is very happy about this. But so far as the law is concerned, until the Companies Act and the Foreign Exchange Regulation Act are amended, complete regulation of these repatriations is not possible. Moreover, speaking on principle because this is what the hon. Member referred to, all the reserves are, in a sense, built out of profits earned in previous years. That is why, within the framework of the legal position as it is today and by sheer enforcement of administrative policies, the three restrictions which are mentioned in my main answer, have been imposed and that is what we have been able to do so far. Greater and greater control is being exercised in scrutinising the remittances in respect of various matters like technical services, licence fees, royalties, home office expenses, etc. etc. There are many more items on which restrictions are being imposed today both by the Reserve Bank and this Ministry.

SHRI S. G. SARDESAI : Sir, there are other very valuable reasons also to take these measures because both in 1965 at the time of Indo-Pakistan conflict and again in 1971, these companies actually refused to supply oil to the Government of India which was a political step. As against this political step, you can definitely take this measure and see that whatever profits are not repatriated, they should be invested in India. I am not talking of the law under which they take cover to sabotage the supply of petroleum to this Government. Would the Government allow the lawless methods which they are adopting? Surely in national interest, we can take drastic measures.

SHRI H. R. GOKHALE : The question is far more complicated than of merely applying the law. As the hon. Member

knows, these companies operate in India on account of the Refinery Agreements. The Refinery Agreements contain various clauses. They are international agreements. As long as these agreements are not either repudiated or revised by legislation, it is difficult to take a unilateral decision not to abide by these international agreements. We know that the position is not very satisfactory. But a new situation has arisen now which also the hon. Member must be knowing. On account of the various squeezes which we have been operating without affecting the clauses of the refinery agreements like fixing the prices of products, the companies are making a great grievance about this. But we have been using our power to fix the prices of products because we are not bound by the refinery agreements in fixing the prices of lube-base stocks and things like that. Wherever the refinery agreements did not come in our way we have exercised our right to see that lesser and lesser profits are available to these companies for themselves and eventually for repatriation. But the new situation—which I have mentioned in public and in the House also—is that the Esso company has come with an offer. I have already said that we have not yet closed any option and we are considering all these three. And the only positive step which we have taken now is to investigate by discussion as to the exact facts which we ought to know before we take a final decision with either of these two alternatives or nationalisation, and the Government is now setting up the proper machinery for discussing with these companies with a view to eliciting facts and material so that on that basis we will be able to come to a conclusion one way or the other.

SHRI BABUBHAI M. CHINAI : May I know from the hon. Minister whether in view of the fact that there is a constant demand by Members of Parliament in this House and in the other House that the foreign companies should not be allowed to repatriate their profits by way of dividend or reserves, a situation would arise at a stage where the Government may say that they would not allow more than a certain percentage—according to the conditions which the hon. Member has just now laid down? In that case there will be more reserves in the hands of the companies. Supposing the Government comes to the decision that these companies are to be

nationalised in due course, then what will happen? Will the Government allow these reserves and also the companies' other assets to be repatriated to the foreign countries? In that case there will be more liabilities to us than by allowing these profits. Has the Government come to any decision in connection with the nationalisation of the oil companies and, if so, what are the plans by which the minimum of the foreign exchange reserves will be drained from us?

SHRI H. R. GOKHALE : As to what will be the position in the event of a decision of nationalisation being taken, I think, is yet too premature to say. The Government has not yet come to a conclusion that it will nationalise these companies. But as I have said earlier—and I will repeat that—that alternative is also not ruled out. While either of the two alternatives is there, a concrete proposal has come which we have to examine, and that is why by discussions we are eliciting information from the companies so that on the basis of full material we will be able to come to a conclusion as to which alternative is in the best national interests.

SHRI BABUBHAI M. CHINAI : We are not now allowing them for expansion. That means the surplus money will be lying with them. In that case we either allow them to send them or, if we do not allow, we must find a way whereby the foreign exchange is not drained out.

MR. CHAIRMAN : All right; they will find out.

SHRI DAHYABHAI V. PATEL : The hon. Minister, in answer to Mr. Sardesai, has said that on certain principles only the foreign exchange remittances would be allowed. Is this so in the case of foreign oil companies or all foreign firms operating in India?

SHRI H. R. GOKHALE : So far as I am concerned, I am speaking of the oil companies, but as far as I know the general principle is for all—100 per cent—foreign companies.

SHRI A. G. KULKARNI : May I know whether the port problem has come up because of the indecision on the part of the Government to take a decision on the policy matter—what type of treatment is to be

given to these foreign-owned oil companies? Only recently he has stated that certain proposals like 74% of the equity should be in the public sector and 26% of it should be in the private sector, are there. I want to know whether all these drains cannot be avoided—instead of going to the Reserve Bank and proceeding indirectly—by straight-way agreeing to their proposal or straight-way nationalising the whole thing because this is in the very interest of the country. You must take a decision as to the time by which you want to arrive at a decision.

SHRI H. R. GOKHALE : Sir, the question of repatriation is only one of the many matters which the Government has to take into consideration before finally deciding the matter. As the hon. Members know the necessity of crude on which to a large extent the economy of the country depends, its availability and the forming up of arrangements for firm supply, is one factor which also the Government has to keep in mind before taking a decision. Therefore, it is not any idea of indecision but the idea is that before any final step is taken either by agreeing to the company's any of the proposal or nationalisation, pragmatic consideration in the national interest has to be carefully examined and I am quite sure that there the Government will soon be able to come to a conclusion because the uppermost in all these matters is the national interest and the national security.

DR. BHAI MAHAVIR : Sir, the hon. Minister read out the conditions after satisfying which they would be permitted to remit the profits to their counterparts outside India. In those conditions, he has said that remittance would not be permitted if it was either above what it was during the last five years or 10 per cent, whichever was more. So, I would like to know, Sir, if during the last five years, this process of paying dividends from reserves has not been going on and, if it has been going on, what was the wisdom in taking the average of five years or the higher figure out of five years and 10 per cent, not keeping the lower figure as applicable as the limit?

And, Sir, when you talk of the international agreements, I wish to know and be informed on one point whether the companies have been observing all the conditions imposed upon them in the agreements and whether they did not create an installed

capacity which was much more than was licensed. If they have not been observing them, are we bound to observe the agreements on a one-way traffic basis?

SHRI H. R. GOKHALE : Sir, there are really two or three parts of the question. It is not true that for the last some years the companies have not been using this method of using part of their reserves for repatriation by way of dividends. They have been doing it for some years but because of some practical difficulties these restrictions were not enforced. Now we are trying to enforce them at least to a limited extent, in the absence of any legal provisions enabling us to do so. We are, therefore, trying to enforce them to a limited extent. Not that the whole arrangement is very satisfactory, we are not satisfied with it and we will try to do it further and further so that these restrictions are tightened up by operation of law but we have to take the position as it is.

The second thing is whether they have not contravened some of the provisions of the agreement and, if so, why we ourselves are so very doubtful about not following some of these conditions. Now the position is this. I think it was also mentioned that some of them have extra refining capacity. If we have allowed to the extent they have gone, we have actually winked at it for the reason that we have to build up more and more refining capacity in this country. Taking into account the projected demand of projects in this country, the companies are even then claiming further extra refining capacity which they say is available with them but we have not allowed it.

If we allow it, the repatriation will actually increase because the profits will also increase. But we have to take a one or the other view sooner or later whether about this extra refining capacity after taking our decision on the main issue. How the extra refining capacity should be utilised and all these questions, I may with respect repeat, depend on pragmatic considerations in the national interest.

DR. BHAI MAHAVIR : Sir, the pointed question is whether the Government agrees or not that these are a sort of pre-emptive step against the possibility of nationalisation. If the Government accepts this, then why is all this delay there at the cost of the national interest?

MR. CHAIRMAN : You need not answer this. Yes, Mr. Malaviya.

SHRI HARSH DEO MALAVIYA : In view of the fact that among the many proposals which the Government is examining one is about nationalisation of foreign oil companies, may I ask the hon. Minister whether he has examined the results of the nationalisation of foreign oil companies of Iraq?

SHRI H. R. GOKHALE : I have nothing to say on this.

MR. CHAIRMAN : Next Question.

SHRI H. R. GOKHALE : It does not arise out of this.

"363. [The Questioner (Shri M. K. Mohla) was absent. For answer vide col. 35-36 infra.]

SYNTHETIC FIBRE PLANTS IN PUBLIC SECTOR

3416. **SHRI CHANDRA SHEKHAR :**

**SHRI BRAHMANANDA
PANDA :**

**SHRI GURUMUKH SINGH
MUSAFIR :**†

SHRI KRISHNA KANT :

SHRI J S TILAK :

SHRI V. B. RAJU :

Will the Minister of PETROLEUM AND CHEMICALS be pleased to state :

(a) whether Government have decided to set up Synthetic Fibre Plants in public sector; and

(b) if so, the details thereof?

THE MINISTER OF LAW AND JUSTICE AND PETROLEUM AND CHEMICALS (SHRI H. R. GOKHALE) :

(a) and (b) The Government has not taken any general decision to set up synthetic fibre plants only in the public sector. However, a number of units for manufacture of synthetic fibres have been approved for being set up in the public sector. A letter of intent has been issued to the Punjab Industrial Development Corporation for manufacture of 6,000 tonnes/annum of Polyester Staple Fibre. Letters

†The question was actually asked on the floor of the House by Shri Gurumukh Singh Musafir.