

RAJYA SABHA

Thursday, the 13th April, 1972/the 24th
Chaitra, 1894 (Saka)

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

MEMBERS SWORN

SHRI BIJOY CHANDRA BHAGAVATI
(Assam)

ORAL ANSWERS TO QUESTIONS

UTILISATION OF INDUSTRIAL LICENCES

*557. SHRI M. K. MOHTA : Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to state :

(a) whether it is a fact that the utilisation of the industrial licences has been very slow and far from satisfactory ;

(b) the number of the industrial licences issued upto the end of 1971 and the number of the licences utilized ; and

(c) the reasons for slow and poor utilisation of licences and Government's reaction thereto ?

THE MINISTER OF INDUSTRIAL DEVELOPMENT (SHRI MOINUL HAQUE CHOUDHURY) : (a) to (c) A statement is laid on the Table of the Sabha.

STATEMENT

(a) No, Sir.

(b) and (c) A total number 12,729 licences were issued upto the end of 1971. It has been observed in practice that the setting up of an industrial undertaking and the commencement of production therein takes about 3 years time from the issue of a letter of intent. The Government are aware of the fact that several licences issued in the past for setting up industries have remained un-utilised or partially utilised. The reasons for this state of affairs generally differ from case to case. Broadly speaking, however, the reasons might be, *inter alia*, one or more of the following :-

(i) Non-availability of machinery indigenously or through imports in accordance with the specification of the party.

(ii) Long delivery dates for such machinery.

(iii) Difficulty in getting hold of foreign technicians and in importing know-how etc. in accordance with foreign collaboration agreements quickly and without loss of much time.

(iv) Delay in concluding negotiations with the State Governments and other parties for the supply of power, raw materials, land etc.

(v) Party changing its mind after some time, with the result that the original scheme is changed materially, requiring fresh sanctions etc.

(vi) Non-availability of adequate finances with the party and delay in making satisfactory financial and credit arrangements.

(vii) The gestation period for various industries differs considerably. Highly capital intensive industries like ball and roller bearings have longer gestation period and take a longer time for implementation than some of the less complicated industries which require a shorter time for implementation.

(viii) In some cases the speed of implementation of the scheme is arrested due to teething troubles in setting up the industry.

(ix) Shortage of indigenous raw material and foreign exchange difficulties in the import of raw materials from appropriate sources.

It can be said on the basis of practical experience gained in the past that most of the licences issued more than, say, four to five years ago might have been utilised either in full or partially. Those issued during the last three years are by and large still in the process of implementation.

SHRI M. K. MOHTA : In para (a) of the statement the hon. Minister has stated "No, Sir", which means that the Government is quite satisfied with the utilisation of the licences. My question is, whether the utilisation has been slow and far from satisfactory. The Government says "No, Sir". Yet, in paras (b) and (c), although the total number of licences issued has been mentioned as 12,729, no mention has been made of the

number of licences that have been utilised. This was specifically asked in part (b) of my question. It would appear that the utilisation is so poor that the index of industrial production is only 182, which is the latest index, as against 179 in January, 1969. It is known from Press report that although nearly 1,000 licences were issued last year, in 1971, no more than thirty had gone before the Capital Goods Licensing Committee and the utilisation in this way has been extremely poor.

MR. CHAIRMAN ; Please put your question.

SHRI M. K. MOHTA : May I ask the hon. Minister how many of the licences issued in the year 1971 have gone to the Capital Goods Licensing Committee or the Foreign Investment Board, as the case may be, and how many have really fructified during the intervening period ?

SHRI MOINUL HAQUE CHOU-DHURY : When I say 'No', it refers to "very slow". Kindly see the question. It says "very slow". I am talking of that.

SHRI M. K. MOHTA : It says "far from satisfactory" also.

SHRI MOINUL HAQUE CHOU-DHURY : The question says "very slow". That I am denying. So far as statistics are concerned, unfortunately I must apologise to the House and say that these have not been kept in a proper manner. I have passed an order to keep them in a proper manner. These are being compiled and when they are compiled I will be able to give the statistics for the present cases. So far as the Dutt Committee is concerned, they compiled statistics from 1956 to 1966. They stated that as against 10,016 licences issued during that period, 1736 were either surrendered or revoked, 1276 not implemented and 6853 were implemented. That means the utilisation was something of the order of 68.5 per cent. For the period 1968 to 1971, as I have already said, very soon proper statistics would be compiled. The National Council of Applied Economic Research made a study and they found that among the licences for new units issued in 1966, 15 per cent completed the work within one year, another 15 per cent in nineteen to twenty-four months, twenty per cent within three years and another twenty per cent within four years. About thirty per cent are still incomplete. That is how the licences or the letters of intent are being translated and converted into

factories. So, that is relating to 1966 and they have said that the same trend is continuing in the remaining years also.

SHRI M. K. MOHTA : In the list of reasons that have been enumerated in parts (b) and (c) of the statement, there are nine reasons. But it is the general experience of the entrepreneurs that a letter of intent is only the first step in a long chain of steps that have to be taken and one of the stumbling blocks is the CG Committee and the Foreign Investment Board. May I know from the hon. Minister whether there is any proposal under the consideration of the Government for carrying on the activities of the Licensing Committee, the CG Committee and the Foreign Investment Board and also any other authority that may be in the picture so that when a clearance is given it is a blanket clearance in respect of all the aspects of the projects ? And moreover, turning to point 9 of the reasons enumerated, namely, shortage of indigenous raw materials and foreign exchange difficulties, surely these shortages are in the knowledge of the Ministry and, if so, why are letters of intent issued which have no chances of fructification due to the shortage of raw materials ?

SHRI MOINUL HAQUE CHOU-DHURY : Sir, as I have said, when a letter of intent or a licence is issued, it takes two to three years from the past experience we have found it for an industry to be set up. Such licences are issued with the hope that in the meantime situation would improve, and in that situation one has to work and aim at self-reliance.

So far as capital goods clearance is concerned, if I give the figures to the hon. Member, he will see that things have improved considerably. In 1968, capital goods clearance was of the order of Rs. 3765 lakhs, in 1969, it is Rs. 7096 lakhs ; in 1970, it is Rs. 9967 lakhs and in 1971 it is Rs. 11,145 lakhs. From this it would be seen that the working has considerably improved so far as the clearance of capital goods is concerned. It is our endeavour that all these difficulties are removed. At the time of issuing the letter of intent, all this clearance cannot be given because the letter of intent is a preliminary step giving a clearance to the party that 'You can go ahead with the industry'. Only when certain substantive steps are taken, a letter of intent is converted into a licence.

SHRI SUNDAR MANI PATEL : I would

like to know the State-wise breakup of the licences issued up to 1971.

SHRI MOINUL HAQUE CHOU-DHURY : I have got the figures. If I read them, it will take a long time. If you permit, Sir, I will read.

MR. CHAIRMAN : You place it on the Table of the House.

SHRI MOINUL HAQUE CHOU-DHURY : Yes, I will place it on the Table of the House.

SHRI A. G. KULKARNI : May I know whether the Government is aware that in the licensing policy one aspect is particularly of the ancillary character of the licence, giving employment and encouraging small-scale sector and whether the Government will give statutory, legislative protection to the small-scale sector by introducing in the licence that the ancillary work must be carried out in the small-scale sector so that the horizontal development of the industry is spread wide? And may I also know whether it is also a fact that within the licensing policy a recent change has been made, as per the statement issued by the Secretary of the Industrial Development Ministry, allowing only the foreign-owned subsidiaries to have industrial concerns in India?

SHRI MOINUL HAQUE CHOU-DHURY : Taking the last question first, I would like to say that there has not been any change in the licensing policy.

SHRI A. G. KULKARNI : The statement is not made? I asked whether the statement was made. I have read it in the Press.

SHRI MOINUL HAQUE CHOU-DHURY : Let me give the answer. If the hon'ble Member is referring to a discussion with the Indo-British team in which a statement is said to have been made by the Secretary, then I would like to tell the hon'ble Member and the House that the Press note issued by the Government, which contains the Government view, did not contain any such statement. It was a Press report with regard to a certain discussion which took place in the meeting in which the Secretary made certain conditional remarks about attracting the foreign industries. But that did not necessarily reflect the views of the Government. It was only an exploratory discussion.

With regard to the ancillary aspect of the small-scale industry, Sir, this is being always looked into. So far as the industries which are reserved for the small-scale sector and also for the ancillaries are concerned, we do not allow any licences or letter of intent to be given to anybody because this is reserved for the small-scale industry. The Development Commissioner of Small-scale Industries remains present in the Licensing Board meetings to advise in this matter. He is a member of the Licensing Committee.

As far as the question of giving statutory protection to the small-scale industries and the ancillaries is concerned, as has already been said in the House by the Deputy Minister of Industrial Development, and this aspect of the matter is under consideration and the Government is considering of bringing a legislation. A Committee is going into this matter.

SHRI BHUPESH GUPTA : May I know Sir, whether it is a fact that sometimes licences are being issued in order to legalise illegal and unauthorised expansion, and whether it is also a fact that licences are being issued in disregard of the enquiry reports, and despite the fact...

SHRI M. K. MOHTA : How does it arise out of the present question?

SHRI BHUPESH GUPTA : Does it not arise?

SHRI M. K. MOHTA : It is regarding utilisation.

SHRI BHUPESH GUPTA : Utilisation also and blackmarketing...

SHRI A. G. KULKARNI : Why are you objecting?

MR. CHAIRMAN : Mr. Kulkarni, why are you objecting?...

(*Interruption by Shri A. G. Kulkarni*)

Mr. Kulkarni, please sit down.

SHRI BHUPESH GUPTA : Mr. Mohta is the honour guard of the big capital here.

MR. CHAIRMAN : Put your question.

SHRI BHUPESH GUPTA : You are the young Turk of the big capital. But you should not disturb me. May I know, Sir, whether it is not a fact that some of the licences are being sold, some are not utilised.

And these licences are also taken by some of the concerns with a view to legalising unauthorised and illegal expansion and so on.

MR. CHAIRMAN : All right.

SHRI BHUPESH GUATA : Is it right ?

SHRI MOINUL HAQUE CHOUHDURY : Sir, so far as my knowledge goes no license is given for legalising the illegal expansion. In fact, we have not legalised any of the illegal expansions brought out by Dutt Committee if any specific instance is brought ...

SHRI BHUPESH GUPTA : I would disturb you, Sir. Kindly note it. I shall give a proof. If that is so, there should be a breach of privilege of the House and of deliberate misleading by the hon'ble Minister...

SHRI MOINUL HAQUE CHOUHDURY : I have not yet completed. I said if any instance is given to us.... (*Interruption by Shri Bhupesh Gupta*). I said so far as my knowledge goes, I do not know. But if any instance is brought to my notice, I am prepared to look into it and take action so far as that is concerned.

SHRI K. CHANDRASEKHARAN : Reasons 4 and 6 in the reasons given clearly indicate lack of adequate assistance and co-operation on the part of the State Governments and the State Industrial Development Corporations and the State Finance Corporations. May I know from the hon'ble Minister what steps are being taken by the Central Government to see that delays of the nature covered by reasons 4 and 6 are eliminated ? May I also know...

MR. CHAIRMAN : No. Only one question.

SHRI MOINUL HAQUE CHOUHDURY : Sir, so far as reason No. 4 is concerned—delay in concluding negotiations with the State Governments—we frequently hold discussions with the State Governments and try to remove these difficulties by bringing to their notice these difficulties.

SHRI K. CHANDRASEKHARAN : What about reason No. 6 ?

SHRI MOINUL HAQUE CHOUHDURY : In regard to reason No. 6, it is also our endeavour to help the parties in reasonable cases by putting them in touch with the financial institutions so far as finance is concerned.

DR. R. K. CHAKRABARTI : Is it a fact that the licences issued to some entrepreneurs in West Bengal for expanding the existing capacities are being utilised to set up industries elsewhere ?

SHRI MOINUL HAQUE CHOUHDURY : I do not know of any such instance of late. If it had happened in the past, I cannot say. One or two cases were brought to my notice and we looked into it.

SHRI T. V. ANANDAN : One of the reasons quoted here is non-availability of adequate finance. May I know whether the Government is not aware that there is not less than Rs. 7,000 crores as black money with the industrialists in this country ? To fulfil the ambition of the Prime Minister, *i. e.* to solve the problem of unemployment, why not an Ordinance be issued to make these Rs. 7,000 crores as white money, so that this money is used for expansion of industries and the unemployment problem is solved?

MR. CHAIRMAN : This question does not arise. Next question.

LICENCES TO BUSINESS HOUSES

*558. SHRI KALYAN ROY : Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to state :

(a) whether Government have taken a decision to issue licences to Business House against whom the Sarkar Committee had passed strictures ; and

(b) if so, the number of Business Houses which have been given licenses during the last six months and the details of the licences given ?

THE MINISTER OF INDUSTRIAL DEVELOPMENT (SHRI MOINUL HAQUE CHOUHDURY) : (a) The Sarkar Commission of Inquiry into Larger Industrial Houses has not yet submitted its report. As such, the question of the Sarkar Commission passing strictures against any business house does not arise.

(b) During the period from 1st July, 1971 to 29th February, 1972, 41 licences were issued to the firms belonging to the Larger Industrial Houses of which 28 were carrying-on-business (COB) licences. The details of the licences granted to them are given in the statement laid on the Table of