

RAJYA SABHA

Thursday, the 16th March, 1972/the 26th
Phalguna 1893 (Suka)

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

ORAL ANSWERS TO QUESTIONS

PRICES OF CARS

- *61. SHRIMATI PRATIBHA SINGH:†
SHRI RAM SAHAI:
SHRI KALYAN ROY:
SHRI M. K. MOHTA:
SHRI SUNDAR MANI PATEL:
SHRI A. G. KULKARNI:

Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to refer to the answer to Unstarred Question No. 851 given in the Rajya Sabha on the 2nd December, 1971 and state:

(a) whether Government have since taken any decision on the increase in the prices of cars;

(b) if so, the extent of increase granted in each case, indicating the "on the road" cost of each car before and after revision of prices; and

(c) the extent to which the prices of these cars have increased since the commencement of their production in India and the extent to which foreign component of each of them has been eliminated?

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

STATEMENT

(a) Yes, Sir.

(b) The increases in the ex-factory selling prices of Cars allowed with effect from the 24th January, 1972, in pursuance of the principles

† The question was actually asked on the floor of the House by Shrimati Pratibha Singh,

laid down by the Supreme Court, are as under:

	Rs.
Ambassador . . .	127
Fiat . . .	259
Standard Herald . . .	459

The "on the road" prices of cars in Delhi before and after the increases allowed on the 24th January, 1972 are as under:

	Prior to 24-1-72 Rs. (approx.)	With effect from 24-1-72 Rs. (approx.)
Ambassador	23,800	24,000
Fiat	21,600	22,000
Standard Herald	22,700	22,706*

* The manufacturers have not yet given effect to the increase in price allowed on the 24th January, 1972.

(c) Information about the prices of the Cars at the commencement of production is not readily available. However, for the sake of comparison, the ex-factory retail prices of cars ruling on 1-1-57 and at present are indicated below:

	On 1.1.1957 Rs.	At present Rs.
Ambassador	10,424	16,946
Fiat	8,934	15,946
Standard Herald	8,702	16,539

The present foreign component in each car is as under:

Ambassador . . .	0.51%
Fiat . . .	0.75%
Standard Herald . . .	1.39%

SHRIMATI PRATIBHA SINGH: May I know, Sir, whether it is a fact that with the increasing substitution of imported component the cost of cars manufactured in India has been increasing; if so, the reasons therefor, and whether the matter relating to the cost of production and the margin of profit to be allowed to the manufacturers is proposed to be referred to the Tariff Commission or to the Bureau of Industrial Costs and Prices; and also, what is the present margin of profit available to the manufacturers?

Secondly, may I know whether in view of the fact that the price of cars is being increased against the Government's decision not to allow

increase in prices the Government proposes to nationalise this industry?

Thirdly. . . .

MR. CHAIRMAN: Kindly do not say 1, 2 or 3.

SHRIMATI PRATIBHA SINGH: May I know whether the Government's attention has been drawn to the deteriorating quality of cars manufactured in India concurrent with the increase in prices; if so, the Government's reaction thereto?

SHRI MOINUL HAQUE CHOUDHURY: The imported content of the cars has not increased. The present foreign component in each car is: Ambassador 0.51 per cent, Fiat 0.75 per cent., Standard Herald 1.39 per cent. As a matter of fact, the total value of the foreign component so far as the Hindustan Motor is concerned is only Rs. 30, Fiat Rs. 65, Standard Herald Rs. 100. Therefore, it cannot be the reason for the increase in the price of the car. The price has been increased as a result of the judgment of the Supreme Court which has already been brought to the notice of the House. The Supreme Court has directed us to calculate the price of the car in a certain way. One of the major reasons is that the Supreme Court has said that the return of capital employed should be 16 per cent. instead of 12 per cent. on which we are calculating the price.

Further, so far as the achievable capacity of the cars and commercial vehicles is concerned, the Supreme Court did not agree with us. That is the second reason. As a result of the judgment of the Supreme Court the prices have increased.

As for the question of nationalisation, the answer to this problem is not nationalisation. We ourselves are setting up our car project and, therefore, we are not thinking of nationalising any one of these companies. So far as the quality is concerned, we have taken steps in this matter and directions have been given and these are being followed.

MR. CHAIRMAN: Any other question?

SHRIMATI PRATIBHA SINGH: No.

SHRI KALYAN ROY: The three gigantic concerns, the Fiat, the Ambassador and the Standard are all collaboration agreement. Recently the Enforcement Department raided the Hindustan Standard Motors and arrested their top officer, Mr. Johns, which showed that they were manipulating prices and the money was being shared by the Birlas and those who were buying components on behalf of the Birlas. Would the Government scrutinise these collaboration agreements and also look into the affairs of the Hindustan Motors which are producing sub-standard car and manipulating price?

SHRI MOINUL HAQUE CHOUDHURY: Sir, so far as the first question is concerned, I would request the hon'ble Member to address a separate question to the Home Ministry because it relates to a specific case, and they must be looking into the matter. So far as the affairs of the Hindustan Motors are concerned, a team of my Ministry recently investigated into its affairs and its reports are under examination.

SHRI SUNDAR MANI PATEL: It has been given in the statement that on 1-1-1957 the ex-factory price of Ambassador was Rs. 10,424. At present it has gone up to Rs. 16,946. For Fiat it was Rs. 8,934 in 1957. Now it has gone up to Rs. 15,944. For Standard Herald it was Rs. 8,702 in 1957. It is now Rs. 16,539. The prices have almost become double. But may I know from the hon. Minister whether the quality has deteriorated or has improved?

SHRI MOINUL HAQUE CHOUDHURY: Sir, it is true that the quality has not improved although the prices have increased.

MR. CHAIRMAN: Has the quality deteriorated? That is his question.

SHRI MOINUL HAQUE CHOUDHURY: Yes, it has deteriorated.

SHRI SUNDAR MANI PATEL: What are the reasons?

MR. CHAIRMAN: Mr. Kulkarni.

श्री राजनारायण : श्रीमन्, इस क्वेश्चन का जवाब हुआ नहीं। अगर डिटोरियेशन हुआ तो, दाम बढ़ा क्यों !

श्री सभापति : यह क्वेश्चन नहीं किया था ।

श्री राजनारायण : यही उसकी कारोलरी है ।

MR. CHAIRMAN : No, no. Mr. Kulkarni.

SHRI A. G. KULKARNI : As has been mentioned in the statement, the price rise between 1957 and at present seems to be roughly between 60 and 70 per cent. Does the Government consider that the price rise is not commensurate with the quality as has been found out in the Pande Committee's Report where certain suggestions were made to improve the quality? I want to know what steps the Government has taken to implement the suggestions of the Pande Committee and improve the quality. Will the Government take into account the fact that the prices are not commensurate with the quality? And that is why the Pande Committee was appointed. So I would like to know what steps the Government proposes to take to penalise the car manufacturers in order to improve the quality of cars.

SHRI MOINUL HAQUE CHOUDHURY :

Sir, this price has been fixed as a result of the judgment of the Supreme Court. In fact, in the Supreme Court we tried our very best that this price should not be given to them. But the Supreme Court gave certain principles on the basis of which we have been obliged to fix it at this rate. I am not happy about it as the House is not. So far as quality control is concerned, we have been giving them statutory directions and we are trying our very best. . .

SHRI A. G. KULKARNI : They are not implementing.

SHRI MOINUL HAQUE CHOUDHURY :

They have implemented some of them. But this is also one of the questions that were before the Supreme Court. *(Interruption)* I said, I am not satisfied. . .

SHRI A. G. KULKARNI : He is not using an Ambassador car.

MR. CHAIRMAN : Mr. Kulkarni, kindly let the answer be completed.

SHRI MOINUL HAQUE CHOUDHURY :

My own personal car is a Fiat car.

SHRI ARJUN ARORA : That has also deteriorated,

SHRI MOINUL HAQUE CHOUDHURY : Agreed. I say that this price increase has not been given out of the volition of the Government. It is the Supreme Court which has given this price to them. Now the question is. . .

SHRI A. G. KULKARNI : Penalise them.

SHRI MOINUL HAQUE CHOUDHURY :

. . . how to get rid of this position. The judgment of the Supreme Court in the car price fixation case has far-reaching consequences on the powers of the Government to fix fair selling prices of commodities. One of the ways in which one can compel them to improve the quality is to give them a less price. That is what we wanted to do. But the Supreme Court by its judgment has not allowed us to do so. Therefore, I say that this judgment has very far-reaching consequences on the part of the Government in fixing fair selling price of commodities. Now, whether such a matter, fixation of prices, can be taken out of the purview of the court or not is a question which we are currently examining in consultation with the Law Department.

SHRI A. P. JAIN : This question of car price has been bothering us for a long time and at one time there was a proposal that if those three companies manufacturing a very small number of cars, 10,000, 8,000, 12,000 are amalgamated into one, then it is possible to reduce the price of car. This proposal was under the consideration of the Government for some time. What is its position? Does the Government think that any such step should be taken and whether it is going to reduce the cost of car?

SHRI MOINUL HAQUE CHOUDHURY :

There is no such proposal at the moment.

SHRI A. P. JAIN : What is this reply?

SHRI MOINUL HAQUE CHOUDHURY :

At the moment there is no such proposal before the Government. If there was any before I took over, I do not know about it.

SHRI A. G. KULKARNI : Sir, what does he mean by it?

MR. CHAIRMAN : No, you cannot interrupt him like that.

SHRI A. G. KULKARNI : Sir, his reply is. . .

MR. CHAIRMAN: No, whatever may be his reply, you sit down. If there is anything left, I shall see.

SHRI MOINUL HAQUE CHOUDHURY: I do not know if ignorance is unfortunate. I do not know of any such proposal and as far as I know, these three companies are separate companies, they are owned by separate people separate shareholders, separate owners. They have not come forward with any proposal for their amalgamation. So, far as the Government is concerned, the Government is thinking of its own car project.

SHRI C. D. PANDE: The car prices have gone up very high for various reasons. One reason is taxation itself. The present ex-factory price of a car is Rs. 15,000 odd. The Government should see that at this price all cars should be available to the public and for some time the taxation which is Rs. 7,000 or so should be done away with. As Mr. Ajit Prasad Jain said, this proposal of car has been before the people for a long time—people's car, cheap car, small car. That has been hanging over the last fifteen years. What is the progress that has been made with regard to the manufacture of the people's car? It is immaterial whether it is in the public sector or in the private sector. The people want people's car cheap at Rs. 15,000 by any means whatsoever.

SHRI MOINUL HAQUE CHOUDHURY: So far as the first part of the question is concerned, there is no proposal before the Government to reduce the tax and thereby reduce the price of the car. With regard to the second part of the question all examination about the car to be produced by the Government, so far as the Ministry of Industrial Development is concerned, is complete. I would like to remove one misgiving. The talk about a car to be produced by the Government may be in the air for many years. But the decision was taken by the Government only in the latter part of 1970. After that we have made all the progress. So as we are concerned, we have finalised it and now the matter is before the Cabinet for a final decision. And I hope within two months' time we will be able to decide one way or the other on this question.

श्री मानसिंह वर्मा : माननीय मंत्री जी ने यह स्वीकार किया है कि कार की कीमतें बढ़ती चली जा रही हैं और क्वालिटी गिरती चली जा

रही है। तो इस क्वालिटी को गिरने न दिया जाए इसके लिए सरकार की तरफ से समय-समय पर क्या क्या प्रयत्न किए गए और जो कीमतें बढ़ रही हैं उसकी जिम्मेदारी सरकार पर क्यों नहीं है? मैं ऐसा समझता हूँ, उनकी तरफ से रेप्रेजेंटेशन में ठीक प्रकार से न्याय नहीं किया गया कि जिससे सरकार यह जस्टिफाई कर सके कि क्वालिटी को देखते हुए कीमतें बढ़नी चाहिये कि नहीं।

दूसरी बात यह है कि आपने जो वक्तव्य यहाँ पर पेश किया है उससे यह पता लगता है कि ये कीमतें 24 जनवरी 1972 से बढ़ी हैं, परन्तु कार के जो निर्माता हैं वे जो अब से छः महीने पहले या साल भर पहले कारें खरीदी गई थीं उन पर बढ़ी कीमतें चार्ज कर रहे हैं—ऐसे नोटिसेज आए हैं। मैं मंत्री महोदय से जानना चाहूँगा कि इसके संबंध में वे कृपा करके बता दें कि निर्माता कब से बढ़ी हुई कीमतें चार्ज कर सकते हैं?

SHRI MOINUL HAQUE CHOUDHURY: Sir, so far as the allegation that we did not properly defend ourselves before the Supreme Court is concerned, I refute it because the best of the legal services were engaged and they tried their best. But the Supreme Court passed its judgment for reasons best known to them. I cannot comment about it. It is for the Supreme Court to pass its judgment.

With regard to the car prices, the new prices have been notified on 24-1-72. But with regard to the Fiat Company, we understand that the dealers of Premier Automobile issued notices to their customers who purchased Fiat cars during the period from 1-7-70 to 15-4-71 to pay the differences in the prices actually paid by them and the price now permitted by the Supreme Court. The difference in the ex-factory price was Rs. 1,362 after excise duty, sales tax, etc. and the customers are liable to pay an additional amount of Rs. 1,800. This is because according to them they got an under taking from the purchasers that they would pay the higher price fixed by the Supreme Court. Some of these customers who receive such notices from the dealers sought government's advice in this matter. We have referred this matter to the Law Ministry. Till we re

ceive the advice from the Law Ministry, it will be difficult for me to say what advice we will give to these people.

SHRI THILLAI VILLALAN: There are general complaints among the purchasers of Fiat Sedan cars at Madras during the last six months that their machines are defective and they are giving trouble even from the date of purchase. I would like to know from the hon. Minister whether any specific complaint from that area has been received by the government and if so what action has been taken on the complaint.

SHRI MOINUL HAQUE CHOUDHURY: I would not be able to say anything about specific complaints without looking into the file. But we have been receiving complaints against Fiat and Ambassador cars—more about Ambassador and slightly less against Fiat. In every case we have been holding enquiries and from time to time our officers have been visiting the area and trying to set right the defects.

SHRI BABUBHAI M. CHINAI: The hon. Minister said that due to the Supreme Court judgment, government had no alternative but to increase the car prices. This is a very bad precedent, if the Supreme Court has to fix the price of certain thing. There is not only car, but there are hundreds of consumer items for which prices have to be fixed. Will government come before the House and give an assurance that on economic policies the Supreme Court will not interfere with the decisions of the government? Secondly, in order to reduce the cost, is the hon. Minister thinking of having a holding company so far as manufacture of cars is concerned?

SHRI MOINUL HAQUE CHOUDHURY: I have already said that we are very unhappy—I once again repeat that—with this judgment of the Supreme Court which has far-reaching effect on the powers of the government to fix fair prices on commodities, not only cars. Unless and until price fixation is made non-justiciable, we have no other way to get out of it. As I said earlier—and again I reiterate that—government is examining in consultation with the Law Ministry the question of bringing forward some legislation in the matter.

SHRI BABUBHAI M. CHINAI: Sir, he has not replied to the second part of my question, the question about the holding company.

SHRI MOINUL HAQUE CHOUDHURY: Sir, I do not know how it arises with regard to the public sector projects.

MR. CHAIRMAN: All right. Mr. Rajaramin.

श्री राजनारयण : श्रीमन्, मैं यह जानना चाहता हूँ कि जब कारों की दशा दिन प्रति दिन खराब होती चली जा रही है तो कीमत बढ़ने के कारण क्या हैं और क्या सरकार उन पर कोई रोक लगा सकती है ? और जो मारुति कारखाने की नई कारें निकलने वाली हैं उनकी कीमत क्या है ? उसके बारे में सरकार को कोई जानकारी है तो क्या वह उससे सदन के सम्मानित सदस्यों को अवगत कराएगी ?

SHRI MOINUL HAQUE CHOUDHURY: Sir, so far as the price is concerned, that has been fixed by the Supreme Court and they have given the reasons in their judgment. Now, *our view has not been accepted by the Supreme Court* and I cannot speak for the Supreme Court here as to why they should have a particular price to be given to the manufacturer. So far as M/s. Maruti Company is concerned, they have not yet produced their car and what would be their price I do not know as yet.

MR. CHAIRMAN: Yes, the next question. We have taken twenty minutes for this question.

DR. BHAI MAHAVIR: Sir, I want to put a very brief question.

MR. CHAIRMAN: No, please.

DR. BHAI MAHAVIR: Only a very brief question, Sir.

SHRI JOACHIM ALVA: Sir, I want to put a very important question. Please give me also some time.

MR. CHAIRMAN: You do not want any other question to be taken up ? Does the House want that we should continue with this question ?

SHRI JAISUKHLAL HATHI: Sir, I want to put a very brief question. There was a recommendation that for quality control, the automobile experts of the DGTD should ins-

pect the factory at the stage of production itself. Has that been done or it is being done?

SHRI MOINUL HAQUE CHOUDHURY: That is being done, Sir.

SHRI M. SRINIVASA REDDY: Sir, the model of the car has not changed for the last eight years or so. But the maintenance cost which was Rs. 500/- or so earlier has come to Rs. 3,000/- due to deterioration of the quality. That are the various steps taken by the Government improve the quality of the cars?

SHRI MOINUL HAQUE CHOUDHURY: Sir, as I have said, we have given statutory directions about the improvement of the quality of the cars. We have pointed out to the manufacturers, particularly the Hindustan Motors, as to what the defects are and what the things are that they are to do to improve and we have also told them that if they do not carry out those directions of ours, then, we will prosecute them for every violation as soon as it comes to our notice.

SHRI JOACHIM ALVA: Sir, we are aware that the Government is doing everything for the people. But there are various difficulties. The Supreme Court decides at one time in favour of the princess and at another time in favour of the big business as in the case of the cars. I do not know how long we are going to move from one department to another in the matter of producing a car, whether in the private sector or the public sector. Why don't you hurry up and let them produce a car as soon as possible?

SHRI MOINUL HAQUE CHOUDHURY: Sir, I fully share the anxiety of the hon. Member. As I said, Sir, it was only in the latter part of 1970 that this decision was taken and thereafter, we had to make a study of the various models, had the prototype brought to India, had to get the road test done and find out the details about the model which we should take up. Ultimately, we have decided upon the model. So far as my Ministry is concerned, we have come to the decision as to which model we should recommend and which kind of car we should produce. Now, the matter has gone to the Government as a whole for a decision and as I said yesterday in the Lok Sabha, I repeat that I hope that within two month's time the Government will be able to announce its final decision in the matter.

MR. CHAIRMAN: The next question, please.

DR. BHAI MAHAVIR: Sir, I want to put a question.

MR. CHAIRMAN: We have taken five more minutes now.

DR. BHAI MAHAVIR: Sir, I was instrumental in requesting you to give some more time.

MR. CHAIRMAN: All right. Only a very brief question.

DR. BHAI MAHAVIR: Sir, as has been given in the statement, the price increase sanctioned by the Supreme Court is only Rs. 259 whereas the customers are being asked to pay about Rs. 1,800. I would like to know whether it is not a fact that the gap between the two is composed of excise duties and sales tax only and, if the Government interested in restraining the price rise, whether the Government would reconsider the question of this heavy excise duty which is more than five times the rise sanctioned by the Supreme Court? Will the Government review this and reduce it?

SHRI MOINUL HAQUE CHOUDHURY: There seems to be some misconception. The original price was fixed by the Government on 21-9-69. Thereafter, when the matter was pending before the Supreme Court, the Supreme Court directed that a judge should go into the question of the price. And Mr. Surju Prasad, a retired judge, went into the question of prices and suggested certain price, which was accepted by the Supreme Court as an interim price, and then the final judgment was given, as a result of which there has been certain increase. My hon. friend was referring to the same amount. That is as a result of the final judgment. But there had already been an increase as a result of the interim report given by Shri Surju Prasad under the aegis of the Supreme Court itself. Under its order he was appointed. Now, there is of course an incidence of excise and other taxes.

DR. BHAI MAHAVIR: What is the ratio between the price rise sanctioned by the Supreme Court and the actual price rise for the purchaser?

MR. CHAIRMAN: Kindly, complete your answer. . .

(Interruptions)

DR. BHAI MAHAVIR: He was continuing, but he just stopped there. . .

MR. CHAIRMAN: The question has been thrashed out. Can you add anything?

SHRI MOINUL HAQUE CHOUDHURY: I cannot.

MR. CHAIRMAN: Next question.

MR. ROBERT MCNAMARA'S
VISIT TO NEW DELHI

*62. SHRI S. G. SARDESAI:

SHRI S. KUMARAN:
SHRI SASANKASEKHAR
SANYAL:†

SHRI MONORANJAN ROY

Will the PRIME MINISTER be pleased to state:

(a) whether the World Bank President Mr. Robert McNamara met her during his recent visit to New Delhi;

(b) if so, what were the subjects discussed at this meeting; and

(c) what was the outcome thereof?

THE MINISTER OF STATE IN THE
MINISTRY OF HOME AFFAIRS (SHRI

K. C. PANT): (a) Yes, Sir.

(b) and (c). It was primarily a courtesy call in the course of which there was general exchange of views.

SHRI SASANKASEKHAR SANYAL: Will the hon. Minister be pleased to state whether in the course of this talk there was any reference to the question of nationalizing foreign banks?

SHRI K. C. PANT: No, Sir.

MR. CHAIRMAN: Mr. Kulkarni.

SHRI A. G. KULKARNI: May I know whether it is a fact, as reported in the Press, that the World Bank people have suggested that the aid should not be utilized for the gap in domestic savings?

SHRI K. C. PANT: Sir, in the course of the discussions with the Prime Minister, to which this question relates, there was a general exchange of courtesies and some general questions were discussed, and these matters of details were discussed, if at all, with other Ministries, not with the Prime Minister.

MR. CHAIRMAN: Mr. Parthasarathy.

SHRI R. T. PARTHASARATHY: I would like to know whether the World Bank President assured the Prime Minister that the same norms would be applied to India, being a developing country, as are applied to other developing countries, with reference to the World Bank aid?

SHRI K. C. PANT: This matter was also not discussed.

MR. CHAIRMAN: Mr. Niren Ghosh. Last question.

SHRI NIREN GHOSH: Sir, I would like to know whether the World Bank is dominated by the United States of America? If so, are its policies determined mainly by the United States Government? Then, does the Government consider it an aid giving bank or it is a bank which makes profit and drains out wealth from the country? If that is so, does the Government consider that there should be a moratorium on the debt payments or some sort of attitude is taken so that the export of profits from American sources in India should be put a stop to?

SHRI K. C. PANT: Sir, the United States is the largest stock-holder of the World Bank with 6350 million, Dollars, followed by the U.K., Germany, France and Japan. India is the sixth largest stock-holder in the World Bank and its subscription to the capital stock is 900 million Dollars. Therefore, Sir, we are also stock-holders in the Bank, and we accept loans from the World Bank—there is no question of aid or assistance—where it suits us. In order to promote our own development projects, the money has gone into Railways, industrial development, steel, power, ports,

† The question was actually asked on the floor of the House by Shri Sasankasekhhar Sanyal.