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**CALLING ATTENTION TO A
MATTER OF URGENT PUBLIC
IMPORTANCE**

**REPORTED PROPOSAL OF AMERICAN
PARTICIPATION AS MAJOR PARTNERS IN
FERTILIZER PROJECTS TO BE ESTABLISHED
IN INDIA**

SHRI M. P. BHARGAVA (Uttar Pradesh): Sir, I call the attention of the Minister of Petroleum and Chemicals to the reported proposal of American participation as major partners in fertilizer projects to be established in India and Government's attitude thereto.

THE MINISTER OF PETROLEUM AND CHEMICALS (SHRI O. V. ALAGE-SAN): Sir, in a recent communication addressed to the Government of India, the World Bank has given the assurance that it would do its best to make a significant contribution to the solution of India's food problems and stated that it is necessary for the Government of India and its well-wishers throughout the world to mobilise all possible financial and physical resources as well as technical and managerial talent in order to achieve the necessary increases in food output. The Bank has also welcomed the Government's adoption of an improved farm technology, designed to increase yields, including the use of higher yielding plant varieties, larger quantities of fertiliser, more effective and extensive plant protection measures and increased and more effectively applied irrigation water. The Bank has also expressed the hope that, given adequate supplies of the necessary physical inputs, incentive prices and adequate farm credit, India's farmers would respond and that the enormous increase in food output required can be achieved. The Bank has emphasised that private foreign capital can make a major contribution with its resources and technology to the development of fertilizer capacity in the country. However, foreign investors would in most cases expect to participate as majority partners and in view of the difficulties of raising rupee finance it would be desirable for the Government of India or a government-owned corporation to agree to invest in these projects as a minority partner.

The Government of India have carefully considered the suggestion of the World Bank and decided that:

- (a) no worthwhile and sound proposal for setting up a fertilizer plant for which the foreign exchange is assured from private sources, will be allowed to flounder for lack of rupee finance;
- (b) where the rupee finance is being provided by private sources, is being provided by private sources, financing institutions such as the Industrial Development Bank and the Industrial Finance Corporation, which are meant to help the private sector, would play their normal part; and
- (c) neither Government nor the Government-owned corporation, such as the Fertilizer Corporation of India, will go into partnership with a private foreign investor on a minority basis. Firms with foreign majority will have to be in the private sector.

SHRI M. P. BHARGAVA: May I know what is the short-fall of fertilizers in the country at present, and what would be the production of the proposed corporation if it is finalised, and what would be the shortfall after that production?

SHRI O. V. ALAGESAN: Sir, as far as last year went the demand could have been easily 1 million tonnes or slightly more than 1 million tonnes in terms of nitrogen. We were able to produce about 1/4 million tonnes only in the country and another 1/4 million tonnes were imported. So, it can be said that we were able to meet practically 50 per cent or 60 per cent of the demand. The rest I should say is a short-fall. As far as our programme for the Fourth Plan goes, it is our intention to set up a capacity of at-least 2-4 million tonnes which should give round about 2 million tonnes in actual production.

SHRI M. P. BHARGAVA: May I know whether it is a fact that the Fertilizer Corporation of India has protested against this American deal and has said that it is in a position to produce more fertilizers in the country with the Indian technical know-how if given proper opportunities to do so?

SHRI O. V. ALAGESAN: I think the hon. Member has a misapprehension. The Fertilizer Corporation of India certainly has

been given full opportunity, but we have only recently acquired the process for the manufacture of ammonia, for the manufacture of urea. For the whole process of manufacture of urea from beginning to end, we have now acquired the know-how from an Italian Company called Montecatini and from the I.C.I. people. Now on this basis, on the acquisition of this new technology the Fertilizer Corporation of India and the organisation known, as FACT in the South, these two will be building two factories, one at Cochin and the other at Durgapur. It is not as if we were already in possession of this technology. We were not. Actually we acquired this from others only recently and, based on that technology, the Fertilizer Corporation of India and the other organisation will be putting up two factories.

SHRI M. P. BHARGAVA: May I know whether it is a fact that the Cabinet "are still not decided on this question and even this morning this question has again been referred to some sub-Committee ?

SHRI O.V. ALAGESAN: I do not know, Sir. The hon. Member seems to have his own sources of information. But the decision that was taken by the Cabinet on the subject matter of the calling attention notice, I read out. That is, as long as foreign investors want majority participation, they have to go to the private sector. They cannot be majority partners with Government. If they want to collaborate with Government, Government will be in a majority and the foreign investor will be in a minority.

SHRI I. K. GUJRAL (Delhi): May I ask the hon. Minister, before I ask him a question, whether I got him right that the production last year was 1 1/4 million tonnes ?

SHRI O.V. ALAGESAN: Yes, in terms of nitrogen.

SHRI I.K. GUJRAL: May I ask him whether, in view of the short-fall in production which should have been of the order of 400,000 tonnes and also in view of the fact that the Trombay project is taking so long to come up, the Government is not considering the possibility of utilising the full production potential to the fullest possible scale and taking steps further, and also why is it that Government is devising two different policies for foreign participation in

the private sector and in the Government sector ?

SHRI O. V. ALAGESAN: As far as capacity goes, in the last year of the Third Plan which ended with March we have succeeded in establishing a capacity of round about 600,000 tonnes. But the production was much less because there were various reasons for that. One was severe power cut. We could not produce enough though we had the plant capacity. Thirdly, at Nangal we could not produce enough; at Alwaye factory also we could not produce enough due to power shortage. So we are taking necessary steps to see that production at optimum level is established in our existing factories. Towards the end of last year only Trombay came into production as also Neyveli. So they could not have full production. This year, I am told, that Neyveli itself would be able to produce 100,000 tonnes of urea. So, we shall see that production at optimum level is established in the existing factories. Then the hon. Member asked why there was a difference in the treatment of the foreign private investor. The Government's decision is when the foreign private investors come, if they want, they can have majority in the private sector. As it is they have entered into collaboration agreement with the private sector. There are some negotiations going on about collaboration agreement in some of the factories. In all these they have been content with even less than 51 per cent. If they want, they can have 51 per cent, because they want to be assured of a return and they want to be assured of control. As far as collaboration with Government or Government-owned Corporation is concerned, it is a different matter, and Government does not propose to enter as a minority partner with foreign investors.

SHRI BANKA BEHARY DAS (Orissa): It has been published in the press that the proposal for the setting up of a fertilizer plant in Madras runs into difficulties because the Americans insist upon having a major share, more than 50 per cent, in it. May I know what is the attitude of the Government to this proposal and whether that factory is going to be established in the public sector or in the private sector and also whether the Press report that has come out is correct?

SHRI O. V. ALAGESAN : The statement of policy is quite clear. As far as the Government is concerned, we will not enter as a minority partner. That will apply to Madras as well. But as regards the outcome of the matter whether we are going to have a factory in Madras or not, I would like my hon. friend to wait for a few days. We shall be able to take a decision soon.

SHRI MULKA GOVINDA REDDY (Mysore): I would like to know whether some of these factories that are in existence had to close down for want of raw materials due to foreign exchange shortage. What steps are Government taking to provide adequate raw materials by importing them for these existing factories and expanding the same factories, before they can think of inviting foreigners to have a fertiliser industry in India?

SHRI O. V. ALAGESAN: Yes, Sir, it is a relevant question. In fact, the shortfall in production was also due to the fact that we did not have enough raw materials. The two raw materials that are needed for a complex fertiliser factory are rock phosphate and sulphur. We have to import them, we do not have them in the country. We are taking certain steps to make sulphuric acid available locally. But for the rest of it, we have to import these two things, namely, sulphur and rock phosphate. There has been a world shortage of these and we are trying our best to get these two commodities. If evidently the hon. Member is having in mind factories in the "private sector" producing super-phosphate, yes, there were many cases where the factories had to close down or work only at a partial level.

SHRI MM. DHARIA (Maharashtra): The hon. Minister has not made any mention regarding the distribution system and the price level if such a Corporation comes up. May we know, if there is any collaboration with the private parties in this country, how the Government intends to maintain the price level of the fertilisers and also whether the Government intends to distribute the fertilisers through the co-operative system or through private dealers?

SHRI O. V. ALAGESAN: Sir, this Calling Attention Notice does not refer to that part of it but I shall

hon. Member's question—It is proposed to use the co-operative system fully. But it has been found in practice that the co-operative system alone is not able to deliver the goods. We have to build up a much more efficient network of marketing organisations if the fertiliser has to be distributed in time and the farmer is to get the services that are expected of the distributor. We are making arrangements for that.

SHRIM. M. DHARIA: What about the price level?

(No reply)

SHRI SANTOKH SINGH (Delhi): What are the advantages, if any, and what are the disadvantages, if any, to the country from American majority participation? Secondly, which other countries have offered collaboration in fertiliser manufacture in India? And thirdly, is France also anywhere in the picture?

SHRI O. V. ALAGESAN: The advantages and disadvantages are only in the proportion of the share-holding. If they hold a less share, they will take away less profit and even with less than 51 per cent, in the private sector, the private companies can have management control over the units. [So, I am not able to say anything more by way of enlightening the hon. Member on this.

Then certainly it is not our purpose that we should confine ourselves to any one country. If offers come from other sources we are prepared to consider them. Actually there have been offers from Italy also and I have been told that some German parties are willing to come. I am not aware of any French party.

SHRI ARJUN ARORA (Uttar Pradesh): May I know if it is a fact that, so far, the Government's policy was not to allow majority foreign participation even in the private sector and if it is a fact, may I know why Government has unceremoniously departed from this established policy in the case of fertilisers?

SHRI O. V. ALAGESAN: It is not so. The hon. Member assumes that so far it has been the Government's policy not to allow majority foreign ownership in private concerns. There are several industries where the industries have been classified as priority

industries where the know-how concerned is not obtainable in India. There are several cases, any number of cases, where foreign private investors were allowed majority participation. So, there is no departure from that policy. But as far as the fertiliser is concerned, in the case of the ICI, (lie Indian Explosives Limited came forward to put up a factory at Kanpur, the hon. Member's own place. There, the majority participation was something like 87 or 87 1/2 per cent. Now, they have come forward to reduce it in the new company and they have been allowed 51 per cent. So, there has been no departure, either ceremonious or unceremonious, in this matter.

SHRI B.K. P. SINHA (Bihar): May I know if it is contemplated that as a matter of policy, the Government of India would keep their option to purchase these foreign equities hares after a certain number of years because there was an agreement in the past between electrical undertakings and the Government and between the railway and the Government that after a certain number of years, it would be open to the Government of India to purchase the shares of the undertaking or the whole undertaking. This is the first question.

Secondly, a majority of equity shares in the enterprises would give the right of management to the foreigners. In these circumstances, may I take it that one of the terms of the agreement would be that liili keeping the management in their own hands the foreign controllers would increasingly part with the patents, production processes, technical know-how and other ancillary and allied matters in favour of their Indian participants? Otherwise, it becomes an interminable affair when Indians are deprived, because the foreigners have a majority of shares, of participation in the technical know-how, patents, etc.

SHRI O. V. ALAGESAN: Sir, the first part of the question is really a suggestion for action. That is, the hon. Member wants that at some point of time Government should be able to purchase the shares of the private party in a particular form. Certainly, Sir, this will be kept in mind and it can be certainly insisted that at a future date, if the private party wants to sell a part of its shares, the first option should be given to the Government. It may be provided like that.

Then, Sir, as the hon. Member says, in case the foreign private investors come as majority partners, they will certainly have the control. Even with less than majority they can have a control. Whether they will part with their technological process, know-how, etc. is a separate question. For that a, separate agreement has to be made. You have to pay money for it and if you repeat the process in a second plant, you may have to pay a little less. It goes on like that. But as I said, the Fertiliser Corporation has purchased the technology in the matter of ammonia and urea.

SHRI RAJENDRA PRATAP SINHA (Bihar): The hon. Minister has stated that they have purchased a certain know-how from Italy and other places. I would like to what is the foreign exchange component involved and whether the foreign exchange component for the expansion of public sector factories will be provided out of their free earnings or that will also be arranged for by some collaboration. The other point that I would like to know is this. What is the position that we are going to have with this additional 1-4 million tonnes capacity that is established? We have a target of additional capacity in the Third Five Year Plan. Now we have revised our policy with regard to fertiliser matters as decided by the world Bank. But the statement of the Minister read-out only gives pious hopes. We do not have any statement from the Minister that we would be in a position to establish these additional capacities within this one year, that the negotiations are on and that these are the possibilities. We have only fixed the targets. What are the concrete, effective steps that the Government of the private parties are to take for the establishment of this capacity during the first year of the Fourth Plan?

SHRI O. V. ALAGESAN: Sir, the purchase terms of process, know-how etc I do not have with me. We have to pay in foreign exchange. I cannot give the figures off-hand. A similar question put down on the order paper could not come up, the other day, because the hon'ble Member who gave notice was not present at that time. As regards the assurances whether we will be able to release . . .

SHRI RAJENDRA PRATAP SINHA: What about the second part?

Would any further expansion of the foreign exchange be required?

SHRI O. V. ALAGESAN: Have the factory first and then we can think of expansion. We shall first have the initial capacity that has been proposed and then let us think of expansion.

SHRI RAJENDRA PRATAP SINHA: You have to find out the necessary know-how for expansion of the units.

SHRI O. V. ALAGESAN: We have purchased this know-how for the setting up of factories in Cochin and Durgapur. *{Interruption by Shri Rajendra Pratap Sinha}*

MR. CHAIRMAN: No running questions, please.

SHRI O. V. ALAGESAN: Supposing we repeat the process in the second unit. Then a lesser amount has to be paid.

As regards the assurance, we will be able to reach the capacity. We are certainly trying our best and, as I said, we have already established a capacity of 600,000 tonnes by the end of last year of the Third Plan. We may add 300,000 tonnes in the case of the next two years. We propose to add another 1 million tonnes or so in another two years. In the last year we may add 200,000 tonnes. We are making efforts. The proposed units in the public sector as well as in the private sector will be coming up. Then only we shall be able to achieve this capacity. And since we are in the very beginning of the Fourth Plan, it is for us to strain every nerve and see that this capacity is achieved and it does not fail as it failed in the Third Plan.

PAPERS LAID ON THE TABLE

NOTE OF THE MINISTRY OF EXTERNAL AFFAIRS, NEW DELHI TO THE EMBASSY OF CHINA AND THE NOTE OF THE MINISTRY OF FOREIGN AFFAIRS PEKING TO THE EMBASSY OF INDIA.

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI DINESH SINGH): Sir, I beg to lay on the Table a copy each of the following papers:

- (i) Note given by the Ministry of External Affairs, New Delhi to the Embassy of China in India, on 30th April, 1966.

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- (iv) Note given by the Ministry of Foreign Affairs, Peking, to the Embassy of India in China, on 31st January, 1966.

[Placed in Library. See No. LT-6254/66 for (i) and (ii).]

ANNUAL REPORT (1965) OF THE GANGA BRAHMAPUTRA WATER TRANSPORT BOARD

THE MINISTER OF TRANSPORT, AVIATION, SHIPPING AND TOURISM (SHRI N. SANJIVA REDDY): Sir, I beg to lay on the Table a copy of the Annual Report of the Ganga Brahmaputra Water Transport Board, for the year 1965. [Placed in Library, see No LT-6069/66.]

NOTIFICATION OF THE GOVERNMENT OF KERALA UNDER THE MOTOR VEHICLES ACT, 1939

SHRI N. SANJIVA REDDY: Sir, I also beg to lay on the Table a copy of Notification S. R. O. No. 45/66, dated the 5th February 1966, issued by the Government of Kerala, under sub-section (3) of section 133 of the Motor Vehicles Act, 1939. [Placed in library. See No LT-6134/66.]

THE NATIONAL CO-OPERATIVE DEVELOPMENT CORPORATION (AMENDMENT) RULES, 1966.

THE MINISTER OF STATE IN THE MINISTRY OF FOOD, AGRICULTURE, COMMUNITY DEVELOPMENT AND CO-OPERATION (SHRI P. GOVINDA MENON): Sir, I beg to lay on the Table, under sub-section (3) of section 22 of the National Cooperative Development Corporation Act, 1962, a copy of the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Co-operation) Notification G.S.R. No. 406 dated the 11th March, 1966, publishing the National Cooperative Development Corporation (Amendment) Rules, 1966. [Placed in Library. See No. LT-6070/66.]

THE COMPANIES (CENTRAL GOVERNMENT'S) GENERAL RULES, AND FORMS (SECOND AMENDMENT) RULES, 1966

THE MINISTER OF STATE IN THE MINISTRY OF LAW (SHRI C. R. PATTABHI RAMAN): Sir, I beg to lay on the Table, under sub-section (3) of section 642 of the Companies Act, 1956, a copy of the Ministry of Law (Department of Company Affairs) Notification G.S.R. No. 421, dated the 18th March, 1966, publishing the Companies (Central Government's) General