

our purpose and therefore we will be justified in sticking to what we had suggested and persuading the Lok Sabha, our friends and colleagues in the Lok Sabha, to accept our point of view, and thus give to the country and to the womanhood of this country a long-cherished law that will definitely go a long way in satisfying them and in meeting their requirements.

Thank you, Sir.

SHAH MOHAMAD UMAIR (Bihar): Mr. Deputy Chairman, Sir, I am afraid I will not be able to travel that much, to go to that much extent to which my other friends have gone in this House in supporting this Bill, and I am afraid that the various points which have been raised in support of the Bill will not stand in my way, in the way of my own point of view which I want to put before the House. My personal point of view is that the female folk have suffered enough, not only suffered enough; but they have been tortured, they have been butchered, their rights have been extinguished, and they have suffered to such an extent and to such a degree, to that lamentable position in which the Scheduled Castes and the Scheduled Tribes and other Backward Classes are. They have suffered no less than those classes for whom we have got this much sympathy. In spite of all this, Sir, let me tell you that the question of dowry is being exaggerated on both sides. The question of dowry is not the fundamental thing, but the fundamental thing is somewhere else. The root is not at a great depth; it can be found out; it is rooted in the economic condition of our country, in the economic condition of the various classes who have been suffering from economic difficulties. These things have to be taken very seriously into consideration, and I feel and I feel very strongly, Sir, that unless that is remedied, no evil and no vice which have crept into our society in various forms, in the shape of dowry and other things, can be removed in a practical manner and

the woman-folk will not get rid of them. My Hindu friends will excuse me if I say that the Hindu society gave the go-by to all the Shastras which gave all possible rights to the women, and their domestic life was made very much unhappy, and the result was that now, after we attained independence, we have taken some steps for the restoration of the fundamental rights of women, and their rights to a certain extent have been restored to them through the Hindu Code or through the various laws. May I ask my friends, Sir, what is left to them, I mean the daughters of the house, who have no right to inheritance of any property of their fathers and mothers, who have no future hope of getting anything out of the property which their fathers and mothers have accumulated, otherwise? What is left for them? And the girl stands in a very pitiable position.

MR. DEPUTY CHAIRMAN: Mr. Umair, you can continue tomorrow. We have got to take up some other business. You will please continue tomorrow.

SHAH MOHAMAD UMAIR: All right, Sir.

3 P.M.

MOTION RE REPORT OF AD HOC COMMITTEE ON AUTOMOBILE INDUSTRY

SHRI M. P. BHARGAVA (Uttar Pradesh): Mr. Deputy Chairman, Sir, I move:

"That the Report of the *Ad Hoc* Committee on Automobile Industry laid on the Table of the Rajya Sabha on the 10th March, 1960, and the decisions of the Government of India thereon, be taken into consideration."

The House is aware that this Committee was appointed on 8th April 1959. This Committee submitted an interim report about the small car and

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the final report was submitted to the Government of India on 6th February 1960. The Government decisions on the major recommendations were made known to the public by a notification on 6th September 1960. The report on its theoretical aspect is a very valuable one. It has 223 pages with 12 chapters and 14 appendices which give a lot of valuable information as far as the automobile industry is concerned. As Members might have seen, the questionnaire was sent to 138 manufacturers of automobiles, engines, three-wheelers, ancillary items, associations and individuals. Eighty replies were received to the memorandum. Thirty-two representatives saw the Committee and gave evidence on behalf of 14 firms in connection with the manufacture of motor cars. Thirty-seven persons saw the Committee on behalf of 20 associations and organisations connected with the automobile industry.

Before I come to the report, I would specially invite the attention of the House to Appendices 11 and 12 where the figures for past years for the manufacture of jeeps, cars, trailers and commercial vehicles are given.

I will begin with reading a paragraph from Chapter V—the first paragraph—which, I think, is a very important one. It reads:

"Motor car manufacturers all over the world rely on other manufacturers to supply them with a large number of items which are used either as raw materials or as finished components in the complete vehicle. Some of these products are those which are used by many different industries while others are made specially for the automobile industry. In the former category, there are items like paints, upholstery materials, ball bearings, screws, etc. In the latter category, there are items like tyres and tubes, batteries, carburettors, fuel injection

equipment and spark plugs. Industries engaged in the production of the latter class of items which are intended primarily or exclusively for the automobile industry are generally known as ancillary industries."

Now, this is something of the basic enunciation by the Committee on the automobile industry. Now, let us see whether it fulfils the conditions at present prevailing in the manufacture of automobiles in our country. The whole concept of the manufacturers of automobiles in our land seems to have started at the wrong end. From 1896 when the first automobile was manufactured in the U.S.A., the basic idea and planning was to develop ancillary industries for such manufactures as there are 5,000 major items and 15,000 minor items in every automobile. But in our land we are attempting to manufacture under one roof all the items or most of the items. For example at present we have the Premier Automobiles, Telco, Hindustan Motors, Mahindra and Mahindra, the Standard Motor Products of India etc. manufacturing cars and trucks excluding those who attempt to manufacture scooters, motorcycles etc. Now, the question that naturally arises is this: Is there an economic need for so many units? What is meant by the question is this: The motor-vehicle population of India is only 5,50,000 or say 6 lakhs. Granting that there is a 10 year life for each automobile, the yearly replacement need is of the order of 50,000 or at the most 60,000 per year. Now, this 50,000 or 60,000 is turned out, by any manufacturer of a reasonable standing, in a fortnight or at the most, in a month, provided ancillary industries are there but in our land 40,000 production is distributed among 5 units. Naturally, the price of these units is high as the capital invested in these so-called manufacturing units is very high and the output is very low. This is one of the tragedies of planning by which certain vested interests score a monopoly or a semi-monopoly for their products. There is always a danger of monopoly

becoming flabby, unintelligent, grasping and ultimately ending itself.

Coming to the terms of reference, there are five. The first is to review the progress of the automobile industry and the automobile ancillary industries and to recommend measures to increase the indigenous content of the different vehicles in the shortest possible time keeping in view the targets and the schedules envisaged in 1956 when the manufacturing programmes of the different producers were approved.

The first is the historical portion and I shall not deal with it. Coming to the second portion, about the indigenous content, what do we find on page 11? After all these years, the progress made is satisfactory in the opinion of the Committee but I should say that it is not so satisfactory as the Committee has put it. Hindustan Ambassador, according to the figures, give their indigenous content in the period October 1959 to March 1960, as only 70·5 per cent, Fiat 1100 give as 47·0 per cent, Dodge diesel with Perkins engine 68·0 per cent, Standard Ten 32·5 per cent, Tata Mercedes Benz Truck 64·0 per cent, Tata Mercedes Benz Bus 71·0 per cent, Leyland Comet 38·5 per cent, Jeep 65·0 per cent, Meadows Engine 50·0 per cent, Perkins P 6V Bare Exh Diesel Engine 64·0 per cent and Bedford Diesel with Perkins Engine 46·0 per cent.

Now, the utmost figure which has been reached according to this is 70 per cent. If I may be allowed to say so, I would submit that the whole question of the automobile industry has with it linked up our road transport industry and that has not got a very fair deal so far. There has been no clear-cut enunciation of policy as to how many passengers and how much goods will be carried by the railways and how much will be carried by road transport and in the absence of that it is very difficult to fix a target for the various types of vehicles. On page 13 we find a reference to this effect.

"Another uncertain factor is the policy of Government regarding the relative roles of railways and roadways in the transport system of the country. This is one of the matters which is at present under reference to a committee under the chairmanship of Shri K. C. Neogy."

Sir, this Committee was appointed in 1958 and it was expected that the report of this Committee would be available at least before the time the Third Five Year Plan was finalised. Now, on some pretext or the other, the report of this Committee is being delayed and I have my own doubts whether the report would be received in time for consideration of the needs of the Third Five Year Plan. And therefore, road transport will go by default as far as the Third Plan is concerned and whatever targets have been fixed would have been fixed without proper assessment of the whole matter.

They have made another reference and that is to the question of public transport. It is on page 39. Even in the capital city of Delhi, as everybody is well aware, there are no proper arrangements for transport for the public. Buses are very few in number and whatever are there on the road, do not ply regularly and a man has to stand for hours sometimes, to see that he gets a transport to carry him. This I think, is not a very satisfactory state of affairs and I had expected that the Committee on the automobile industry, which went into details so minutely about so many things, would have taken into consideration the need of public transport. It is the bus transport which carries the maximum number of people. But as far as I can see, not much attention has been paid to this aspect and I do hope that the Government will take proper note of this.

Among the terms of reference, the second item is:

"To recommend measures to be taken to reduce the cost of the con-

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sumer of different vehicles (car, jeep and truck) under manufacture by the automobile industry and suggest the most appropriate pattern of organisation of the future expansion of the industry to ensure low-cost production;"

In this connection, Sir, at the very outset I would like to invite the attention of the House to the remarks made by the Chief Accounts Officer. They are very valid remarks and it seems that none of the concerns has properly kept accounts of the cost of production. I would like all these remarks about Hindustan Motors, Premier Automobiles, Standard Motor Products of India Ltd., Ashok Leyland, TELCO, Mahindra and Mahindra and Automobile Products of India Ltd., made by the Chief Accounts Officer, to form part of my speech, because they are very very important pointers to the way things are running. As things stand at present, it is very difficult to find out exactly what the real cost of production is and unless we know what the real cost of production is, it is very difficult to fix a ceiling for the prices or what should be the remuneration for the dealers and others. I hope the Government will take due notice of the serious observations made by the Chief Accounts Officer and they will try to see that proper costs of production accounts are kept by the automobile manufacturing firms in the future.

Sir, there are some other observations made by this Committee to which I would like to draw attention. On page 23 at the top we find them referring to skilled and unskilled labour and they say that their experience shows that the output of the Indian worker is not much below that of the German worker and taking into account the difference in wages, they feel that with proper attention to training the Indian industry can well offset some of its disadvantages by reduction in wage costs. Now, the training programme in the automobile industry has not advanced to any

great length. I cannot say that there is no arrangement for training in any of the firms. Some of them have, but it is not to the extent to which it should be and I am sure if proper training is given, the production can go up and also if the production is handled by more skilled persons than is the case at present.

Next, in paragraph 63 on the same page, they have made another observation to which I would like to invite the attention of hon. Members. It says

"We also feel that enough attention is not being paid to technical supervision. The following table shows the break-up of the number of employees of the various manufacturing units—"

Now, technical supervision in an industry like the production of automobiles is a very important matter and it should not be neglected at all. If there is no proper technical supervision, mistakes here and there are bound to crop up and that is bound to bring a bad name to the automobile industry which is in its infancy still. We do hope that the firms producing automobiles will take greater care about this question of technical supervision.

Sir, with the question of cost is linked up the question of profit and on page 26 we have some very interesting figures. The Hindustan Motors which is producing quite a number of automobiles and for a pretty good number of years now has been able to declare a dividend only in the year 1958-59. I fail to understand how this could be possible. What are the economics of this position when the company does not declare any dividend and yet the prices of their shares are high, and even doubled? In some quotations it is more than double. So I think there is something very wrong in the system of accounting and the way accounts are kept. None of the firms engaged in this industry has given any marked dividends except Mahendra and Mahendra

which manufactures only jeeps This firm has been declaring at the following rates 10 per cent in 1954-55, 12½ per cent in 1955-56, 17½ per cent in 1956-57, 22 per cent in 1957-58 and 22 per cent in 1958-59 This seems more or less to be the correct state of affairs, and one can understand this, but when the other firms say that they have not made profits more than 10 per cent, I at least have my own doubts Government have taken some decisions on the various recommendations made in this report, and I would like to invite attention to paragraph 5 wherein certain conditions have been put down as (a), (b) and (c) This is followed by some further instructions I do hope that these instructions will be implemented and that efforts would be made to see that none of the firms manufacturing automobiles lags behind in fulfilling the conditions laid down I shall, for the moment, leave the third item in the terms of reference and take up item four which is, to recommend the targets of production of different types of vehicles in the Third Plan From paragraph 8, I find that the following decisions have been taken in regard to the Third Five Year Plan The Committee has recommended the following targets of capacity for the manufacture of jeeps, cars and commercial vehicles:

Jeeps	10,000 numbers
Cars	30,000 numbers 40,000 if an economic car is introduced.
Commercial vehicles ...	60,000

Government consider these targets to provide a reasonable working basis for formulating development programmes of the industry Expansion programme of the existing units to achieve the Plan targets will be considered by Government in the light of the recommendations of the Committee I do hope that by the end of Third Five Year Plan, the targets laid down would have been achieved

Now, the fifth item in the terms of reference is "to indicate the financial implications, including foreign exchange, of developmental programmes that might be suggested in (a), (b) and (c) above" This, if I may say so, is a consequential thing to (a), (b) and (c) which I have dealt with

The most important point is the third item which relates to examining "the feasibility of producing low-cost passenger car within the price range of Rs 5,000 to 7,000, including within the scope of such an examination, not only schemes previously presented to Government but also other models of cars that have been developed in different countries and suggest ways and means of manufacturing such a car in the country" In the Report itself, a chapter has been devoted to this purpose, and I would like to quote some of the observations made there The first paragraph reads as follows:

"The appointment of the Committee has, in public mind, been associated with the question of producing a cheap car in India Indeed, quite often, this Committee has been referred to as the Cheap Car Committee That this should be so in spite of the very wide terms of reference only indicates that from the public point of view, the most important of the tasks assigned to us is to examine the feasibility of producing a low-cost passenger car."

This itself shows the importance attached by the Committee to this question They have dealt at length with the pros and cons of the manufacture of a new car which would be priced within the range of Rs 5,000 to Rs 6,500 They go on to say

"We found abundant evidence of this in the course of the public enquiries when the case for a cheap car was put to us forcefully We were told that the class of people whose monthly salary was below a thousand rupees could simply not

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afford to buy a car at the present prices. It was urged that it should be possible to produce a car in India in the price range given to us in our terms of reference. Such a car, it was further pointed out, would have a large sale and attract an entirely new class of consumers."

A lot has been said further about this new car but I do not know whether any attention was paid by this Committee to the Volkswagon, a car of German manufacture, which costs about Rs. 4,000. I do not know why nothing has been said about it in the Report. I do not know whether this was considered by the Committee at all. I do not know whether they considered the feasibility of adapting this car for our needs or whether they advised reference of this car to the other Committee which has been appointed.

SHRI P. N. SAPRU (Uttar Pradesh): Can you get this in India today for Rs. 4,000?

SHRI M. P. BHARGAVA: We can if we try. The Jha Committee did not make any specific recommendations about the make of the car to be selected by the Government of India. The Government of India on the 20th October last appointed another Committee with Mr. G. Pande as the Chairman and with Mr. V. K. R. Menon, Mr. K. B. Lall, Mr. K. L. Ghei, Rear Admiral D. Shankar and Mr. B. D. Kalelkar as Members. I was comparing the membership of the old Committee with that of the new Committee and I find that three names are common in both. This has been termed as an Expert Committee. I fail to understand as to how this can be termed so. As far as I can see, there is only one person who has had anything to do with the automobile engineering industry, and that is the Chairman himself. Probably, the other three Members have gained experience by serving in the other Committee. The terms of reference of this Committee are:

"The Committee will keep in mind the various factors enunciated in paragraphs 9 and 10 of the Resolution referred to above, examine such models as it may consider *prima facie* feasible for production in India in the public sector and recommend to Government such model or models which, in its opinion, could be manufactured within an ex-factory price of round about Rs. 5,000 on an annual production of 50,000 cars. An estimate of the ex-factory price of such cars on an annual output of 20,000 may also be given. The cars produced should, even to begin with, have a sufficiently high indigenous content and should be made more or less wholly indigenous within a period not exceeding two years from the start of production. The Committee will be free to explore by discussion with relevant parties the best possible terms and conditions that may be forthcoming for collaboration, foreign exchange credit and other technical, financial and organisational aspects of production and also indicate the most suitable site or sites thereafter to enable Government to reach an early decision."

Now, so far as this Committee is concerned, it has started work, and I hope it would be possible for this Committee to suggest a model of a car to be termed as the cheap car.

One thing I would like to say and that is they should not rush to any decision. They must test all the available models on the roads under Indian conditions. That is a very important factor. A car which may be very good abroad, say, in Europe or in U.S.A., may not fit in to Indian conditions. So rigid tests must be made by the Committee before recommending anything.

Before I close, I would like to read out from the Government decision one very important point:

"All these matters require detailed consideration at technical levels. It has accordingly been decided that an expert committee should be set

up to go into these questions. The expert committee would be asked to submit its report within a period of four months. It would be possible to take a final decision about the production of a low-cost car only after the expert committee has reported. Government have also decided that in case the expert committee considers the manufacture of low-cost car feasible within the price range indicated above the project will be undertaken in the public sector."

This last decision is a most welcome decision and I must congratulate the Government on its bold decision that has been taken even before the report of the committee has been received. That has set at rest a lot of things and I hope if a new car is recommended, it will have a very warm welcome by the public of India.

Lastly, I would like to invite the attention of the hon. Minister to the last paragraph of their decisions. On some of the important recommendations no decision has been taken and one of them is about the spare parts. I do hope that the Government will take care to see that spare parts are made available to the automobiles as freely as they are required so that at least the existing vehicles do not get out of use and in the case of commercial vehicles the public is not put to further inconvenience. Thank you.

The question was proposed.

MR. DEPUTY CHAIRMAN: There are five speakers. The Minister has to reply and then the mover also has to reply. So ten minutes each.

DR. R. B. GOUR (Andhra Pradesh): May I ask one question? This is a motion just for consideration. Is there anything to reply? There is nothing to be negatived or accepted.

MR. DEPUTY CHAIRMAN: He may not reply; that is a different matter.

DR. R. B. GOUR: This is only a motion for consideration.

SHRI M. P. BHARGAVA: I cannot give up my right to reply.

DR. R. B. GOUR: What is he going to reply to, I would like to know. Is there anything to be negatived or accepted or passed?

SHRI M. P. BHARGAVA: That can be decided only after the debate is over.

MR. DEPUTY CHAIRMAN: Ten minutes each. Mr. Sapru.

SHRI P. N. SAPRU: Sir, I should like to present a common sense point of view in regard to this highly technical Report which I have only perused casually. Sir, motor transport has become a necessity for almost everyone. It has become a necessity for the rich man, for the poor man, for the middle-class man and it has become a necessity for our working class people. You have towns like Delhi where the distances are enormous and the working man has to spend a good portion of his time in going from the place of his residence to the place of his work. The poor clerk also has to spend a good portion of his time going from the place of his residence to the place of his work. So far as the lower middle-class and the middle-class people are concerned, cars are not within their reach and people with fixed incomes find it very hard to replace old cars. I have an old Studebaker land cruiser at Allahabad with me and I cannot get a purchaser for it. I find that it is a white elephant and I cannot purchase a new car because the price of new cars is prohibitive. Even the price of the so-called Indian-manufactured cars is prohibitive. I do not know what the profits of these concerns are. I am not interested in their profits but I am interested in ensuring that we get these small amenities of life which are essential in modern States. Therefore, the most important question is that an early decision should be taken by Government in regard to the manu-

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facture of a cheap car. We want cheap cars to be made available to us within the next two years or so. I am hoping that it may become possible for me at the end of my life to purchase a new car.

DR. W. S. BARLINGAY (Maharashtra): What is a cheap car according to you?

SHRI P. N. SAPRU: In the old days it was possible for a person to get a car for Rs. 3,000 or Rs. 3,500.

SHRI N. M. ANWAR (Madras): Even less.

DR. W. S. BARLINGAY: Rs. 2,000.

SHRI P. N. SAPRU: You could get it even for Rs. 2,000. My conception of a cheap car is a car which should be available for anything between Rs. 4,000 and Rs. 5,000. I am making allowance for the difference in the price levels between pre-war days and post-war days. Anything beyond Rs. 5,000, I think, would be unreasonably high and I should also like to say that not only must we manufacture cheap cars but we must also manufacture cheap scooters. They are very useful.

SHRI N. M. ANWAR: For young men.

SHRI P. N. SAPRU: Yes.

DR. R. B. GOUR: In any case this should be done after prohibition of dowry.

SHRI P. N. SAPRU: I shall not be diverted from making my remarks by my friend's intervention.

Now, I do not find that this Committee has applied its mind seriously to the question of the manufacture of a cheap car. I have gone through this Report in a cursory manner and I find that the idea seems to have dawned on their mind that it is desirable to have a cheap car but they have made

no definite recommendations with regard to it. I therefore welcome the Government's decision embodied in the Resolution of 20th October to have a cheap car in the public sector. We cannot be always thinking in terms of the benefits that are to accrue to the Hindusthani people, or to the Standard people or to the Mercedes people or to the Fiat people; we have to think in terms of the benefits that will accrue to our common man. It is obvious that the age of the bullock cart is over; it is obvious that the age of the tonga is over and we do not find many tongas or horse-drawn carriages because people cannot afford to buy horses. It is very difficult to maintain horses. We want a cheap car which will be cheap to run. The petrol consumption of some of these cars is very heavy. Therefore, for a poor country like India, for people with limited incomes, it is necessary to have cars which are cheap not only so far as the purchase price is concerned but also cheap to run. Therefore, I think that there is urgency attached to this question. You want to manufacture jeeps; you want to manufacture trucks; you want to have all types of cars in the market, and we cannot wait upon the sweet will of the various concerns, competitive or otherwise, to do this. So the urgency of this question has to be appreciated, has to be realised, by Government. I do not know whether the Committee which the Government has set up is an expert committee or not. I suppose it has some experience. There are some men of experience, as far as I can see, on that Committee and it should be possible for them to come to decisions early. I was interested to hear from my friend that there is a German car—I forget the name of the car—which is available for Rs. 4,000.

SHRI M. P. BHARGAVA: Volks-wagon.

SHRI P. N. SAPRU: Is it available in the market for Rs. 4,000 now? In Germany their standard of living is higher than our standard of living. The German cost of production must

be higher than our cost of production. It may be that the German cars have a greater market than our cars will have. But if Germany can manufacture a car for Rs. 4,000, I see no reason why, given application and given the will to develop a cheap car industry in the country, we should not be able to do so. What I feel is that there has been too much thinking about this question and too little action. The time, therefore, has come when Government must be decisive in the action that it takes. It must make its position clear and efforts should be made to enable these cheap cars to be out in the market within, say, a period of two years. That is not an unreasonable period. But we must set a target before us. The work of the Committee can go on *ad infinitum*. Sometimes you appoint a committee because you want to shelve a question. I do hope that there is no desire on the part of the Government to shelve this question. The question **brooks no** delay, because the efficiency of our nation, the efficiency of the common man, the efficiency of the middle class man, the efficiency of our professional men, all that is bound up with a cheap system of transport. This question of transport, therefore, is a question of national importance and private vested interests must not be allowed to interfere with a right decision on this matter.

DR. SHRIMATI SEETA PARNAND (Madhya Pradesh): What about the roads which have to be built for cars and cycles?

SHRI P. N. SAPRU: Roads too must be improved. I should say that cheap cars with parts easily replaceable should be placed on the market as early as possible and that Government should insist that this Committee will do its work . . .

DR. W. S. BARLINGAY: Before the next general election.

SHRI P. N. SAPRU: It is true that my friend is interested and I am also interested in it.

SHRI SURESH J. DESAI (Gujarat): Mr. Deputy Chairman, before I offer my remarks on the Report of the *Ad Hoc Committee on automobile industry*, I would like to say a word in appreciation of the valuable work which the Committee have done. The Committee have collected a lot of very useful information and the data which they have collected will be very helpful to us in considering the further development of the industry. I am offering my remarks on the Report not from the viewpoint of the controversy of public and private sector. In fact, the automobile industry is not included in the public sector in the Industrial Policy Resolution of 1956. I am judging the question strictly from the viewpoint of the economics of the industry. The economics of the automobile industry is a peculiar one. The larger the production, the end product becomes cheaper. It is not like the textile industry, the sugar industry or the cement industry. It is a peculiar industry in which only large-scale production can pay. My hon. friend, Mr. Bhargava, was against monopoly. I am also against monopoly. But in this particular industry only large-scale production will pay. In America, as Mr. Bhargava must be aware, in the beginning of this century there were more than a thousand manufacturers. Many of them were eliminated and some of them were amalgamated and now there are only less than six. Practically there are three main manufacturers in the U.S.A. In Britain also there are only about six main manufacturers. Recently, as hon. Members must be aware, the General Motors have acquired the interests in the Vauxhall car of Britain and the Ford of Detroit have proposed to acquire the Ford of Dagenham's minority interests. They are purchasing it at a cost of 128½ million sterling. Why should the Ford Company do so? The Ford have got enough factories all over the world. It is because they say that the operational flexibility will enable them to compete better in the European market for a small car. The competition in the industry is such

[Shri Suresh J. Desai.]

that only when you have a large-scale unit, the end product will be a competitive one and will be a cheaper one.

The *Ad Hoc Committee* also has referred to this point in their Report. They mention on page 21:—

"We have in this context also to bear in mind the consideration that in general the higher the volume of production the greater would be the economies to be achieved by installing high speed special purpose machinery. So far as passenger cars are concerned the total demand in the country is less than what some of the more economic producers of cars in overseas countries turn out in a single factory in one month. This is a point which has an important bearing in planning future development. In general, the policy of concentrating the total domestic demand on a relatively few units which was accepted after the First Tariff Commission Enquiry continues to be essential for ensuring economic development."

This is what the *Ad Hoc Committee* have remarked.

I would also read out from another book called "*The Motor Industry*". This is in the Cambridge Studies in Industry and written by two University Professors, including a Professor of the Cambridge University. At page 93 it says—and this is a very pertinent remark which they have made:—

"As one would expect, economies for the firm appear to be very great in the early stages of expansion. Something like a 40 per cent. reduction in costs can be expected as production increases from 1,000 to 50,000 units per annum. Doubling volume to 100,000 units should lower costs by 15 per cent; while a further doubling to 200,000 should achieve another 10 per cent. in savings. The jump to 400,000 yields an additional 5 per cent. in savings. The jump to 400,000 yields an additional 5 per

cent., and expansion beyond this point results in progressively smaller savings for each additional 100,000, the gains tapering off at a level of about 1,000,000."

I would particularly refer to this point, "something like a 40 per cent. reduction in costs can be expected as production increases from 1,000 to 50,000 units per annum." Now, what is the total production in India? The biggest factory, the Hindustan Motors are producing only about 5,000 to 6,000 units per annum. In some months they produce about 600 units. It goes down to 500 also. When more foreign exchange is given to them, they produce about 1,000 units per month. In any case, the average comes to about 6,000 to 7,000 units. Six to seven thousand units a factory is producing in India with a capital of about Rs. 8½ crores invested in it. How can it be a competitive product when the other factories are producing in foreign countries half a million or one million units per annum?

Then, the other point is about the demand in the industry. Why I say the industry is a peculiar industry is this: Even if you increase the production and make the car cheaper, it does not mean that the demand will automatically increase. For instance, what is the operational cost of a car? Even if you make a car for Rs. 4,000, the operational cost of the car would be about Rs. 150. At the present rates it would not be less than Rs. 150 per month. Who can pay Rs. 150 per month? A man earning Rs. 500 will certainly not be able to pay Rs. 150 per month for a car. After paying Rs. 75 or so for rent he will have nothing for his clothing, for his food and for the education of his children. The income group which can afford a car will be persons drawing about Rs. 800 per month or those having an income of Rs. 10,000 per year. Only those persons will be able to afford a car. Now, even if you make it cheaper, it does not mean that the demand will increase. Merely by making the car

cheaper you do not increase the demand proportionately as, for instance, in certain other industries like the cotton textile industry in which, if it makes cheaper cloth, the demand will go up. It is not so in the automobile industry.

Then we come to the question of a cheap car. A cheap car certainly should be made available to the people, but it is better, and I firmly believe that it is better, to expand the present industry in which crores of rupees have been invested. It is better to expand the present industry and see that there is more additional capacity in it than to introduce a new manufacturer. I am not against a new model being introduced. A new model of a cheap car can be introduced, but no new manufacturer, public or private, has got any scope now. Otherwise what will happen will be that the demand for the existing cars will become lower. The Committee have also referred to this:

"The target of capacity for cars for the existing units should be fixed at 30,000 for the Third Plan period. If a cheap car is introduced, the demand for the existing cars is likely to go down to some extent. But there will also be an overall increase in demand to 40,000 through the creation of a new class of consumers."

In 1956 we produced something like 12,500 cars; in 1957 about 13,500; but in 1958 only about 8,000. That is why an acute demand for cars developed. In 1959 we have produced a little more, and in 1960 still more. But still there is a backlog of 5,000 to 6,000 cars since 1958. If more foreign exchange is allowed to the existing manufacturers, they will produce still more. The indigenous content of some of the existing cars is about 80 per cent.—for instance, Hindustan Ambassador. If more foreign exchange is allowed to them, certainly they will be producing more cars. But if a new manufacturer is brought in—whether it is in the public or the private sector, it does not matter—that will only

take away some market out of the existing manufacturers, and the existing cars will be dearer to that extent to the public. That is the point I want to make

When we are discussing about the introduction of a new model—of course several new models have been suggested—there is one recommendation which the Committee have made and which I would like to read out:

"There is no room for a cheap car in addition to the Baby Hindustan. It is for Government to consider whether there is any commitment to permit Hindustan Motors to manufacture Baby Hindustan by virtue of the fact that initially a programme of manufacture has been approved many years ago."

This is what the Committee says. I have got here a letter from the Government of India, Ministry of Commerce and Industry, which is addressed to the Hindustan Motors in which they write:

"I am directed to refer to correspondence in regard to the grant of permission to you for carrying on your programme for the progressive manufacture of a 10 h.p. car to be known as Baby Hindustan and to say that it has never been Government's intention to withdraw the permission which had been accorded to you in this respect."

The Government clearly writes like this to one manufacturer who has invested crores of rupees. They are developing the industry, they have carried out the assembly line for the car, and the Government write that it has never been their intention to withdraw the permission which has been accorded. At the same time when the Committee says that there is no scope for any other car if this car is to continue production, then it has to be considered whether the same car is to be allowed or whether a new model is to be introduced or what is exactly the purpose of Government in giving an assurance only about a year and a half back to the manufacturer?

SHRI K. SANTHANAM (Madras): Mr. Deputy Chairman, while I agree with the previous speaker that this Committee has gathered much useful information, I think that it is one of the most unsatisfactory committees and its Report one of the most unsatisfactory reports which I have seen for many years. Sir, the Committee have shirked coming to definite conclusions on specific points of reference. I am not going to cover the whole Report because there is no time for it. I shall only take up two terms of reference. One is

"To recommend measures to be taken to reduce the cost to the consumer of different vehicles under manufacture by the automobile industry and suggest the most appropriate pattern of organisation of the future expansion of the industry to ensure low-cost production."

They have made a specific finding that so long as the production of each unit is so small, the cost cannot be materially reduced, but they have not come to the natural conclusion. Sir, I think in regard to this automobile industry the Government have made a great mistake. There was never a chance for more than one single unit of automobile production. In America a single unit has to turn out millions of cars in order to be economic. In Europe they turn out at least 200,000 or 300,000 or half a million, and in India where the total demand is less than one lakh, they have allowed six concerns, and they are now allowing separate concerns for scooters, for motor cycles, and so on. Here the pull of the vested interests has won the day. I think if the Government had said that there should be only one automobile factory in this country—maybe in the public sector or private sector, it is a matter of minor importance—if they had said that there was scope for only one good concern, all the problems relating to low cost and high cost would not have arisen. But they have now allowed six. What is to be done? I say, take courage in both hands and amalgamate

all of them into one corporation. Let all the existing producers combine, and Government also will be one partner. Let them combine, let them manufacture some parts in each factory, they need not scrap any capital equipment. The whole thing will become the capital of a new corporation. You can ration out the parts to each unit, the whole thing can be done economically, and the question of a low cost car will not come up because the existing cars, the Fiat and the Hindustan, can all be combined into one small car model. We do not want a smaller car in the sense that it will be so small as to be useless from the point of view of accommodation. This small car can be produced at Rs. 6,000 or Rs. 7,000 if you amalgamate all the automobile concerns and make them into one large corporation with Government as one of the partners. That is the only 4 P.M. logical thing to do with the automobile industry. This

Committee have not even discussed this. They are afraid. In fact, in every page you see that they are afraid of the Government, they are afraid of the vested interests, they are afraid of the Tatas, they are afraid of the Birlas and every other motor concern. I see their feelings here, in almost every chapter of this Report. They were also given a specific term of reference, "to examine the feasibility of producing a low-cost passenger car within the price range of Rs. 5,000", etc etc, and this Committee was asked to give us specific recommendations. And what have they said? They have said that it had become a complicated question and so let some other committee decide it. This is a fit illustration of Parkinson's Law for committees. Every committee wants to perpetuate itself in committee after committee. I think this is a most unsatisfactory precedent. Why do we want a small car when everywhere all the leaders are crying for savings? Let us have more savings. We want more savings. Our resources are very limited. When such is the case, they also ask people to go and buy cars and spend money on it. I have made a rough calculation and I think that if you produce only

10,000 small cars and you want to induce the people to buy them even at Rs. 6,000, it will come to Rs. 6 crores and to a further Rs. 2 crores every year for running cost so that, during the Third Five Year Plan, the middle-classes will have to invest Rs. 16 crores in cars while you are frantically asking them to save. Our friend Mr. Sapru was saying that everybody wants a car. Who can afford a car? The friend who spoke before me has already said that it is only the people in the income group of Rs. 1,000 or Rs. 900 or Rs. 800. There are already two cars which they can go in for, the Fiat car and the Standard car. Now you want to have a third car. Who will be the people to buy them? Do you want those people who are buying the Standard and the Fiat to buy the new cheap car, or you want new people? If it is the old people, then you will have to scrap the two factories making them. If it is the new people, then you divert the savings of the nation into something which is an obvious luxury.

DR. H. N. KUNZRU (Uttar Pradesh): It is a necessity, not a luxury.

SHRI K. SANTHANAM: Even as a necessity how many people can have private cars, these low-cost passenger cars? Why should it be a necessity for 10,000 people while there are millions and millions of people steeped in poverty? I think, Sir, there should be only taxis. Each taxi can be used to the extent that ten private cars are used, since a person buys a car, uses it for half an hour a day and then locks it up in his garage. It is, I think, the greatest sign of snobbery in this country. If you say that there will be only two types of motor transport for passengers, the buses and the taxis, then there will be an element of socialism in our economy. With the high cost of living prevailing already you want people on Rs. 600 and Rs. 700 to go in for a car, spend all their money without any savings and then complain that their salaries are not sufficient. I am not charmed by the idea that the public sector can do it or the Government factories can do

it. Of course, the public sector can do it in Rs. 5,000 or in Rs. 6,000 since many things will be written off or accounted for in other ways and therefore by an accounting process you can produce a Rs. 5,000 car or a Rs. 6,000 car, but cost-accounting will show that the new small car will cost as much as the Fiat car or the Standard car. Instead of that we should say that these people, the Fiat people and the Standard people, should reduce their prices by Rs. 500 every year, till they sell them at Rs. 5,000 or Rs. 6,000. If they cannot do it, you may say, "Get out of production." I am sure that both the Fiat people and the Standard people will be able to reduce their cost by Rs. 500 every year till we get it at Rs. 5,000 or Rs. 6,000. This will maximise our resources and reduce this wastage of funds employed to cater only to those classes who have benefited the most by the Plans—this has been the complaint all over the country—the people who can afford to have cars, to have refrigerators and air-conditioning equipment. These people are increasing while the poverty of the lower middle-classes and the masses is increasing, and so I protest at this idea of the low-cost passenger car. I think that the prices of the existing two cars must be drastically reduced and this idea of the low-cost passenger car must be given up.

Thank you, Sir.

DR. R. B. GOUR: Mr. Deputy Chairman, Sir, I must, to start with, congratulate my friend Mr. Bhargava who has initiated this debate and brought a back-bencher's wisdom to bear on such a vital subject. But I am afraid the entire question of the automobile industry in all its aspects has now tapered off into the question of a Rs. 5,000 car in the public sector. The terms of reference of the original Committee, the Jha Committee, were so many; it was not merely the question of a Rs. 5,000 car or a Rs. 6,000 car that was referred to the Jha Committee, and it is not that subject only that had been referred to in the earlier Resolu-

[Dr. R. B. Gour.]

tions of the Government of India. The thing that I would like to suggest is that this question of the automobile industry in all its aspects is to be constantly attended to by the Government and Parliament. It is not merely a question of a Rs. 6,000 car for the middle classes. In fact, Sir, if this car is to be had at the reduced price of Rs. 6,000 through a direct or indirect subsidy, a subsidy by hook or by crook, by writing off so much of the cost price, as my friend, Mr. Santhanam suggested, then let us not have it. But at the same time I would like to have an automobile industry in the public sector for various reasons, because that would mean a certain capacity in the public sector which, in times of necessity, could be switched over to certain other production. It is a strategic industry, and it would cushion the entire automobile industry if we have such a production installation in the public sector. So it is from that angle that I welcome the idea of having such an installation in the public sector. I am not enamoured of a Rs. 6,000 car, because that is only just an immediate thing, perhaps a very good objective to show off, but the real thing is that we will have a certain heavy production capacity, such installation in the public sector, which may be switched on to certain other production in times of need. But the point that I would like to make at this stage, Mr. Deputy Chairman, is this. What are you going to do to reduce the cost of the other vehicles, the trucks, the jeeps and the other cars that are being manufactured? They are selling a car at Rs. 11,000; they are selling another car at Rs. 9,000 odd—manufactured in the private sector. Of course, certain concerns were very magnanimous in reducing the prices of some of their manufactures by only Rs. 200. And they are only two according to their own Resolution. Now, the whole point is this. It is that problem that must be gone into with equal emphasis. We need trucks, we need jeeps, and we need the buses and they are all required for public use. Our road transport industry is growing;

our goods traffic is growing. Now, this point has been looked into by the Jha Committee from the point of view of ancillary industries. Now, you are not attending to those things. There is a tendency in a certain manufacturing house in the country to produce everything in their plant. Here is an instance. Some time back I was in Bangalore and some of the gentlemen of the Hindustan Machine Tools told me that they could easily manufacture the gear for certain car-manufacturing companies in our country, and they also told me that the gears manufactured by that particular car-manufacturing concern were not up to the mark. I do not want to give the name of the concern and spoil the goodwill of that concern. But it is a fact. Why should they manufacture the gear also in their concern, in their plant and thus not utilise the entire gear-manufacturing capacity of their plant? The tendency is to manufacture everything, to have the capacity for everything, which is half used or partly used. This means you are raising the overhead charges of your plant. That is all. This thing has to be gone into. Some concerns are not placing their orders for certain components with others existing in the country, whether in the private or public sector or in the small-scale sector. Therefore, their overhead charges are increasing and the cost of their manufacture is increasing.

The second thing is that some of the major concerns also hold the ancillary concerns directly or indirectly again and ask the ancillary concerns to charge more. Thus they are increasing the price of the components. This has been pointed out by the Jha Committee. That has to be very seriously scrutinised. Have you evolved any machinery after receiving the Committee's Report to scrutinise how the ancillaries are charging prices or how the major industrial concerns are paying to these ancillaries which are directly or indirectly linked with them? These may be small things but they go to form the bulk of the price. You have said about training. Well, training,

lay-out, deployment of working cadres—all these are important. Some of the manufacturers may not know the technical know-how as to how to deploy the working cadres. Too much supervising may be there, too many ladders may be there. One supervisor may come and give one order and another may give a contrary order. All these have to be gone into but these, to my mind, are minor things. Of course, they are important but these can be done by expert advice given to these concerns but what about the other aspect—the hard cash that is paid by hook or crook through dubious means? I would request the Minister, who is of course a very dynamic Minister in many respects, to tell us what is the machinery at his disposal to see that this hoodwinking is no more adopted.

There is the price question. That meant the prices of jeeps and trucks will be brought down to whatever extent is possible. It is here that the State has to intervene by rendering advice to the private sector in the light of the Committee's Report. The automobile industry is a very important industry and we have been clamouring for it. In fact, the complaint against the Government was that the Government had not been paying the attention necessary to the automobile industry in the light of the growing requirements of goods and passenger traffic. When you have appointed a Committee with so many terms of reference and they have given you certain material—may be they may not be very conclusive recommendations but some directions they have given and some things they have laid before you—in the light of that Report what is required is firm executive action on the part of the Government to see that our automobile industry is developed on healthy lines, that the ancillary industry is also developed not only for the small cars but for the manufacture of components also. I would request the Minister and through him the Government to consider how far and to what extent our workshops in the State Road Transport

undertakings are also capable of producing some of these components because they have the machinery and the talent and they have the necessary equipment. It may be that certain items of equipment may have to be given to them and certain foreign exchange may have to be allotted to them. That question should be gone into. We have also workshops in the public sector. It is not a question of having small cars. I am one with the Government that the small-scale industries have to be encouraged and they may be encouraged as ancillaries but let us not forget these workshops in our own public sector whose capacity can be used and, if necessary, expanded.

With these words, Mr. Deputy Chairman, I conclude my remarks at this stage on this debate.

SHRI DAHYABHAI V. PATEL (Gujarat): Mr. Deputy Chairman, Sir, I have listened carefully to the previous speakers. I am grateful to the mover of the Resolution and I congratulate him on his good luck, on being able to raise this debate, myself having failed on several occasions in trying to do it either in the form of a question or in the form of a half-an-hour discussion. Sir, the attitude of the Government in this matter raises many suspicions in my own mind. The manner in which questions are answered, the manner in which the decisions of the Government are announced just when the session is ended or about to end, leads one to suspect that the Government is trying to hide something in this matter.

DR. R. B. GOUR: What can they hide from the capitalists, Mr. Patel?

SHRI DAHYABHAI V. PATEL: You ask the capitalists, not me. Just as the last session of the Parliament was ending, we received, along with the papers, a Resolution dated the 6th September, from the Government regarding its policy in the matter of small cars. This House had no opportunity to discuss it. The Jha Committee

[Shri Dahyabhai V. Patel.]

Report was published. We did not know what decisions the Government had taken until this document was placed in our hands and I should say that the document does not clearly enunciate the policy of the Government in this matter. There is a certain lack of firm policy on behalf of the Government. I would like to go back to a little past history in this matter. I would refer to the remarks of Mr. T. T. Krishnamachari on the 30th December 1952. I happened to be the Chairman of the Automobile Association of Bombay and at a dinner I asked him what the policy of the Government in the manufacture of cars was and he said:

"I entirely sympathize with the aspirations of the nascent automobile industry and, in fact, one of the reasons for my present visit to Bombay was to visit the factory of the Premier Automobiles to see for myself what progress the industry has made on its manufacturing side. We are committed to give all possible encouragement towards the promotion of this industry. I believe that by 1956-57 we will be able to produce the first India-made motor vehicle and you may take it from me there will be more than one make."

This was in 1952. Where are we today? Therefore, I say that the Government's policy lacks firmness.

There are several existing plants in this country. I think three were mentioned during the course of the debate. In Bombay we have the Premier Automobiles plant, in Calcutta there is the Hindustan Motors and I think there is one in the South. All these plants have got capacity. They have technicians but is our country able to take the capacity of these plants? Are we able to find a market outside for these? One of the primary reasons why there is not much demand in this country no doubt would be the low income of the average citizen of this land but I

would say that the reason is the very large amount of taxes that the Government draws from the automobile industry. It is very nice of Ministers to say that the automobile industry is necessary and the automobile is a necessity of the day but what is their outlook? Their outlook is more or less like that of friends like Mr. K. Santhanam who was sitting on those Benches a few years ago. Everybody on those Benches looks upon an automobile as a luxury. I say that that outlook is a wrong outlook. Even if they say orally that an automobile is a necessity, look at how they behave. There is tax on the car. If the car is costing Rs. 10,000, how much of it is tax? When you talk of producing a car and making it available to the people at Rs. 5,000 and you say that to-day's price is Rs. 10,000, will you find out how much of that Rs. 10,000 is tax, direct or indirect? How much is tax on petrol? How can you use an automobile without having to pay such heavy taxes? And then you say that the automobile industry does not progress in the country. The automobile industry does not progress in this country because of the high taxes that are levied by the Government at every possible source that they can, direct or indirect.

Sir, Mr. Desai has made a very good point in giving out the economics of car-manufacturing. The demand in this country is comparatively small and for a substantial reduction in the prices of cars the minimum amount of production should be 50,000 cars. That cost would go down by about 40 per cent. if instead of 50,000 cars the units produce twice that number of cars. But one of the greatest deterrents to our being able to reach that degree of production is the taxation policy of the Government. There is tax on cars, there is tax on petrol, tax on tyres. Indeed, what is not taxed about the car?

Sir, apart from this small car, I may point out that the question of the transport industry depends upon the development of not only the small

car but on the bigger car and the truck. The transport system of the country is entirely dependent upon this, apart from the railways. We have very little transport by rivers, as you know. Of course, in certain places we have that also. And there may be road transport by bullock-cart also, if we can have them still in these days. I think this House will recognise that we have passed the bullock-cart age and we are coming to the age when mechanical propulsion is necessary and therefore, we need cars and trucks. Unless we produce a larger number of cars and trucks, their prices are not going to come down. But what is being done in this respect? What is the policy of the Government? We have got three or four manufacturers. Is any effort being made to see that certain types of components may be common so that they may be produced in large numbers and thus the prices may be lowered? It may be difficult to find a type of common component for the small-size car because of its size. But perhaps it would not be so difficult to evolve common components for the heavier vehicles. Is anything being done about that?

Sir, my fear is growing more and more, and particularly after the publication of the Jha Committee's Report. Some months after its publication, the Government suddenly appointed another committee, and just as we were dispersing at the end of the last session, quite simultaneously, there was an exhibition held by the Defence Ministry. What did they show us there? They showed us some crude things that they called motor cars. And side by side with them there were elegant-looking small cars, one imported from Japan, one imported from Germany and two more imported from two other countries. Sir, this leads me to the belief that it has been the policy of the Government from the beginning to slowly take over the production of the small car in the public sector. Knowing that perhaps the industry would protest or perhaps the people would

make noise about it, they have been going about it in this roundabout manner, stifling the progress of the automobile industry, quite contrary to the declarations made by responsible persons, by Ministers, with this one and sole object of taking over the production of the small car into the public sector. Sir, this country is progressing more and more towards 'State-ism' and here I would like to utter a word of warning to the Government and say that they are going too far. They are regimenting our life in every matter. They want everything to be done by the State and without calling it 'State-ism', they are dragging the country towards 'State-ism'. And this here is one more example of it and therefore I consider it most objectionable. We have three or four units in this country and they are capable of producing these vehicles. Why is the Government not doing anything about it? There are several under-developed countries around us and with them we may very well enter into contracts for the export of some parts at least. Other countries also would like to develop their industry. Why not enter into some agreement with them if we are serious about this business? Sir, I feel that the Government have not tackled this problem seriously. They talk of giving the poor man his car; but with this policy of the Government, I do not think that will ever come. You have seen the models exhibited here at the end of the last session. Small countries which have not got a large export trade, they have developed their trade and they have started making their own cars for their own use. What are we doing? Sir, I accuse the Government of utter negligence in this matter.

THE MINISTER OF INDUSTRY (SHRI MANUBHAI SHAH): Mr. Deputy Chairman, I am very grateful to the mover of this motion for bringing forward this important subject and for a discussion on the Jha Committee's Report. As a matter of fact, I was surprised when my hon. friend, Mr. Patel, mentioned that the Government was trying to hide something.

[Shri Manubhai Shah.]

If anybody welcomed this opportunity more than anyone else it is Government, and we are very happy to have this discussion on such an important subject.

SHRI DAHYABHAI V. PATEL: Then why was not my short notice question accepted or the half-an-hour discussion?

SHRI MANUBHAI SHAH: I can say with full truth that there was no question which we had turned down. If the hon. Member had brought up such a motion earlier, we would have gladly accepted it. He missed the opportunity and so he should not blame us for not having given him an opportunity. The Report of this Committee has been before us for several months now.

SHRI DAHYABHAI V. PATEL: I do not know why a half-an-hour discussion on this matter was not accepted.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Now you are having it.

SHRI MANUBHAI SHAH: Not only has he had it, but he has had his say on this matter and I welcome all the views from the different sections of the House

DR. R. B. GOUR: This debate had been postponed from the last session. Notice of it had been given by my hon. friend quite a long time back.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. P. BHARGAVA: Sir, a word of explanation. I had given notice of this motion in the last but one session and in the last session actually a discussion was fixed. But it was postponed to this session at my request. Therefore, Mr. Patel's complaint is not very much justified.

SHRI DAHYABHAI V. PATEL: What about my request?

DR. R. B. GOUR: Mr. Bhargava requested on somebody else's request.

MR. DEPUTY CHAIRMAN: Order, order. Let him go on.

SHRI MANUBHAI SHAH: Sir, I need only repeat that we would always be happy to have an opportunity to discuss this very important subject, quite apart from the Jha Committee's Report, because as every section of the House knows, this is a very essential industry. The automobile industry, whether it be the making of cars, or vehicles for commercial transport, jeeps, passenger buses or heavy and light haulers or scooters, is essential for transport in the modern world, particularly so in a developing country like India the transport industry is one of the most essential industries in the country. Therefore, on such an important matter we certainly would always like to exchange views and also have the benefit of the experience of hon. Members. Here I may assure the hon. mover that there is no deliberate delay or any delay due to lack of activity in the Neogy Committee submitting their recommendations. There is nothing of that sort. This subject of rail transport, road transport and water transport is of a complicated nature and this Committee, under the chairmanship of Shri Neogy, want to make a very thorough and scientific approach to the whole problem and so the matter is taking a little more time.

SHRI AKBAR ALI KHAN: When can we expect it?

SHRI MANUBHAI SHAH: I hope their Report would be soon out. It will not take much time. And when the Report is available, I am quite sure this House will be satisfied and the country will be satisfied that it is a very thought-provoking study and a Report of very far-reaching consequence.

DR. H. N. KUNZRU: Has the hon. Minister seen it in advance?

SHRI MANUBHAI SHAH: No, we know the labour put in. They are deliberating and meeting people and

studying the whole subject and the experience throughout the world.

SHRI DAHYABHAI V. PATEL: Are you advising them?

SHRI MANUBHAI SHAH: That gives us the indication that the matter is in experienced hand.

What I would like to urge is this: For the last several years, since this Government came to power, it has been the policy to encourage all modes of transport, and we do not find any hostility between one mode of transport and the other. We think that there is enough room in this country for diverse modes of transport to be so revolutionised or accelerated that every mode is made available to the consuming public both for the carriage of freight as well as for passengers.

Coming to the historical background of the automobile industry, some hon. Members referred to the need of a small number of models while others said that we do not have sufficient number of models. Before independence, every maker of cars of every country used the Indian consumers to his purpose as it suited him, and more than 135 recognizable types of automobiles were to be found in this country. My own estimate is that it was more than 135, perhaps in the region of two hundred to three hundred, and India was a veritable jungle for every country of the world to display its manufacture to the detriment of the Indian consumers as well as the Indian automobile industry. It was a very deliberate and far-seeing policy of this country's national Government after independence that from the 135 to 200 models by 1953 we had brought down the number and we had only 12 assemblers of cars and trucks in 1953. We have further rationalised the pattern and now there are only three car manufacturers, three truck manufacturers and one Jeep manufacturer as compared to the veritable jungle of models and makes. For the future, there would be only

three manufacturers of cars for the passengers, three medium-size truck manufacturers, one big-size truck manufacturer and one jeep manufacturer. This, I do hope, would be considered as a very scientific and rationalised way of approaching this problem.

Now, the question that comes before us is this: What are the different recommendations that this Committee has made? One important recommendation to which Government attaches considerable importance is the aspect of the training and inspection which the mover rightly emphasised. More than anything else, if the future of this industry is to be assured, if development has to be made on the basis of scientific and technological advances, then the greatest attention will have to be paid by the industry to training, cost accounting and inspection. Even in the past, before this Committee made this recommendation, we had lost no opportunity to remind the manufacturers to train as much of the personnel as possible and to so evolve the system of cost accounting and inspection that the after-sale service and the service to be rendered to the consumer, whether a truck operator or a passenger car user was established as in every developed and advanced country which had motorised to a considerable extent. I want to assure the House that we are laying the greatest possible emphasis on this aspect of the question and we want to see that both in respect of the private sector and the public sector, when it comes out as a manufacturer, the greatest attention is paid to giving proper facilities for cost accounting, training and inspection, training of the staff at all levels, the floor managers, the middle managers and the top managers, the technicians at all levels and so on. We also want to see that at every point of the different production analysis, every component whether in the ancillary industry or in the large-scale industry, is properly costed and inspected through statistical quality control and all the modern

[Shri Manubhai Shah.]

methods of productivity to ensure that the customer is served right.

There is one other aspect to which I would like to draw attention. The highest priority is given to the commercial vehicles by this Committee as has been done in the past by the Tariff Commission. In the discussion of small cars, there are many other aspects which are far more important than even the car, which of course is undoubtedly important, and which have not been given attention to even by the reading public or by the hon. Members of this House. I would like to draw attention to this aspect which is a basic fact. The development of commercial vehicles and the production of commercial vehicles is far more important for the development of the country's transport than anything else and it should be given the highest possible attention.

The question that arises next is as to what we are doing about the ancillary and spare parts. I would like to place a few facts before the House Five years back, there were only a dozen units making ancillaries and that too not in a very scientific manner. The annual production was worth less than a crore of rupees. The House would be glad to know that as a result of the continuous developmental policy and guidance both technical and otherwise being rendered by the Government, the Development Wing and also by the industry, we have now been able to establish more than 100 units to produce ancillary parts all over the country. This figure relates to the last year and about twenty or thirty more units would have come into the picture since then. The annual production of ancillaries is not a low one, as my friend, Mr. Bhargava, suggested and it comes to a little more than ten crores of rupees worth. This is a very welcome development. I would like to assure the House and the Jha Committee have pointed out this thing—and I would like to reiterate it also

--that our automobile industry is not over-centralised, for instance the Hindusthan Motors, the Premier Automobiles or the Tata Mercedes—all these six or seven units are not manufacturing all the items. All these concerns have been very considerate right from the beginning and whatever could be produced scientifically and technically under their supervision is undertaken by them and the rest of the ancillary products are taken up by small units. In the third Plan, it is our intention that more than the efforts made so far we should develop what are called functional industrial estates and more than half a dozen functional industrial estates have been planned. They are to be made suitable and designed to the manufacture of automobile ancillary components. Every automobile has got about 4,000 to 5,000 parts and components. We want to group them on a scientific and technical basis and want to create 100 or 50 units in each of the functional industrial estates which would manufacture these ancillary components on a small-scale basis. This will give a real and sound basis for the future development of the ancillary products so far as the automobile industry is concerned. This is in line with our policy that all the industries must develop ancillary and small-scale units as a feeder to the large-scale manufacturing units. Therefore, in the future, we shall have a far more firmer basis and a more scientific basis as far as the small-scale industries manufacturing ancillaries, spare parts, various components, etc., for the automobile industry are concerned.

The next question that would arise is as to why the Government took the decision to manufacture this low cost car in the public sector. I am glad that most of my hon. friends who participated in the debate have supported the Government's view as well as the decision to make the cheap car in the public sector. The reasons are obvious. It is not as if we are sort of completely dissatisfied with

the progress of the automobile industry. On the contrary, for an underdeveloped country, the automobile industry of this country has done really good and satisfactory work in the last thirteen years. It is no use running down a particular industry in order to justify the manufacture of a car in the public sector. The manufacture of a car in the public sector has its own tremendous justification and there is no need to throw a little blame here and there in order to justify production in this way. Apart from the question of manufacturing a small car in the public sector, the private sector of the automobile industry both in the case of truck manufacture and in the case of car, jeep and such other types, for example, diesel and petrol engines, has done very well and it can stand comparison with any complex industry of the world in any underdeveloped part of the world, whether it is South East Asia or Africa or Western Europe wherever it was started. This is a very complex industry, high precision and high quality industry. After all, when a vehicle goes on the road, it is not like a stationary article, like an electric pump or an electric motor. It has to undergo several stresses and strains which modern technology alone could control. Therefore, Sir, I must take this opportunity to congratulate the private automobile manufacturers on the good performance that they have recorded, and I may tell them, as a friend of that industry, that much more could be done if they would only take up the recommendations made in the Jha Committee Report, recommendations which are of a far-reaching character. It is in their own interest, in order to earn a better name, in order to earn better profits, whether it is a car that they manufacture, a jeep that they manufacture or a truck that they manufacture, that they should take these recommendations to heart. Government's fullest co-operation will be made available to the private sector at every step that it takes to see that our automobile stand in competition with

other makes throughout the world. I would say that every help, whether it is in the scientific field or in the provision of foreign exchange or technical guidance and advice or special help in securing special collaboration and inspection—whatever field it is—will be made available by the Government whenever the industry so desires. Now, Sir, with all this development that has taken place in the private sector, the fact clearly stands out that we are priced out of the world market and we are priced out in our own country. Year to year in spite of all our care we find that the prices go up. What my hon. friend, Mr. Santhanam, said that if anybody could give a contract that every year they would reduce the price by Rs. 500 then in a period of ten years, the car of Rs. 12,000 could be made available for Rs. 7,000 is not, I think, realistic. It is not possible at all, with so much of indeterminate and imponderable factors governing the industry, that anybody can give an assurance like that and say that the prices could be reduced that way and to that extent. It is not realistic.

Now, this question of amalgamation has been thoroughly considered at all levels in the Ministry and in the Government. It is not as if a mere amalgamation will remove all the troubles that the industry is facing. The method of production of a standard vehicle is quite different. The method of production and the machine tools required by the Premier Automobiles are distinctly different from that of the Hindustan Motors. Therefore, by merely merging the management at the top, these various types of production methods cannot certainly be integrated or rationalised.

SHRI K. SANTHANAM: Does not the hon. Minister know that these things have to be renewed or replaced after five or six years and when the replacements come they will become standardised?

SHRI MANUBHAI SHAH: No, Sir. This is the same type of suggestion a

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the one that he was making that somebody could give a contract for reduction of the price. I would request him humbly to study more carefully some of the models which have been frozen in other parts of the world in order to make a success of mass production of cars and not merely suggest that amalgamation would solve all the problems. Certainly, if all the managements had joined hands, things would have been somewhat better than what they are today; that one can easily concede. But still merger is not going to solve the problem. Firstly, to make all these diverse bodies merge, as he himself knows, is not very easy. It is not so easy to make two private entrepreneurs to sit together and carry out a common policy, much less sink their financial interests and those of their shareholders, for any objective, even for selecting one single model and scrapping all others. All these aspects of the problem have certainly been considered and we came to the conclusion that merger is not the solvent of this problem and as the House has rightly upheld our decision, I was very glad to see my hon. friend, Shri Sapru, pleading and pointing out the urgent necessity for manufacturing a cheap passenger car in the public sector at early date. We have felt that a section which is now growing up in the country, the lower-middle class, has become more transport-minded because of their professions and vocations of a technical and administrative nature and a cheap and sturdy type of transport, a speedy type of transport, is now being desired by all. We can see it from the larger consumption of motor cycles; we can see it from the larger offtake of scooters and we can see it even from the larger and larger consumption of mopeds and bicycles. Even the small man has taken to this bicycle and as the Prime Minister has observed we have come to the bicycle age in India. From nearly less than 85,000 cycles at the time of independence today we are consuming 1.5 million cycles annually and

that itself is an indication that gradually a strata of society is coming up—the middle class and the still lower-middle class—which wants to use fast vehicles for transport. As we can see from the views which have been expressed here, there is a feeling both here and also in the other House as I know and elsewhere also, that there is need for a low-cost cheap passenger car. That need is widely felt and it has been widely accepted and, as my hon. friend Shri Sapru has mentioned here, it is very necessary that a cheap vehicle should be provided to the common man in this country. It was in this context of the inability of the three private manufacturers to bring down the cost over a certain number of years since they started, of the inability to freeze a model and scientifically produce all ancillary components as early as possible in an integrated manner so that within a period of two or three years we can make a fully indigenous Indian car, minus perhaps a few proprietary parts, and the inability of so many manufacturers to determine a price policy which is a social objective—after all, the shareholders of a private company have not so much responsibility, though they have in a distant way, to the consumer and the community itself—when the need has been felt for a cheap mode of vehicle, that this decision was taken. And I was very unhappy to hear my hon. friend, who was in charge of a very large section of public enterprise, say that he felt that by some manipulation of accounts the cost could be reduced. I know of none; I have been a Minister for the last 13 or 14 years and I know of no Government department where by theoretical accounting you could for years and years go on selling products at a low cost. I do not know whether in the railways . . .

SHRI K. SANTHANAM: I was referring to the Defence department.

SHRI MANUBHAI SHAH: I do not exclude any Government department

when I say that. All Government departments are one to me. We all work with a joint sense of responsibility. There is no department where this might be possible. Maybe one can fool somebody somewhere for some time but you cannot fool all the people all the time. It is impossible with the Public Accounts Committee, with the Comptroller-General and with the sense of public responsibility for a Government and all that. You cannot produce a cheap vehicle—whether it is the Defence department or the Commerce Ministry—with a reasonably low cost about a hundred thousand or so per year by manipulating accounts.

SHRI AKBAR ALI KHAN: Is the Defence Ministry also trying to produce a cheap car?

SHRI MANUBHAI SHAH: I may clarify that point also. There is absolutely no difference of opinion between any Ministry as far as this is concerned. It has got to be a separate commercial corporation. A vehicle has to be produced in a cheap manner, scientifically and technically in a proper way. And the car has to be one with considerably creditable performance record over some years in large numbers and to be of a durable nature with proper strength and it has to undergo all types of tests. Only such a car should be produced. We do not prevent anybody else from designing any model or doing any research work on this. Therefore, one should not mix up the various experiments being made in different sectors of the country's economy and in different Ministries including the Defence Ministry. What we are going to manufacture will be a well-tried model for the use of the consumers in this country. And I have no doubt that this Committee presided over by Mr. Pande which has been charged with the specific responsibility to contact the various manufacturers will select a suitable and sturdy model of a passenger car which could be produced within the price range of an ex-factory cost of about Rs. 5,000 which we hope with

various taxes—and as my friend Mr. Patel said they would naturally be commensurate with the cost of production—would cost the ultimate consumer something between Rs. 6,000 to Rs. 6,500. These are the broad reasons; it is not that we had any escapism in this matter; not that we wanted to blame any particular sector of our economy with utter negligence. We had to keep in mind the needs of an integrated production and the cost consciousness of the community and, as Mr. Sapru said, the urgency of this question that the car should be available as early as possible. The appointment of this Pande Committee was not to put off this subject but it was to clinch and concretise our final decision. If you examine the terms of reference you will find that they will decide also the location. If we were making any hanky-panky or if we just wanted to pass time, we need not have asked them to fix the location. As it is, they will advise about location; they will advise about collaboration and they will report on how best to produce a cheap car. Therefore, there is ample proof of the earnestness of the Government to undertake such a task at the earliest possible opportunity and it is my hope that the Committee when it finishes its work will not find it difficult to select a good model so that we could produce it within the next two years or may be two and a half years, so that by the beginning of 1963 if not by the end of 1962 we could make available to the Indian consumer a good low-cost economic car. As Mr. Sapru said, it should not only be cheap so far as its price is concerned but the running expenses should also be cheap and economical. Then only it will prove valuable to the lower-middle class consumer.

SHRI AKBAR ALI KHAN: Is there any time fixed for the Pande Committee?

SHRI MANUBHAI SHAH: Yes; four months; it is given in the Resolution. If you read the Resolution, the time

[Shri Manubhai Shah.] has been specified; the location question has been specified; the quantum has been specified and I do not think any Resolution could have been more explicit and more purposeful than this Resolution appointing the Pande Committee. Then, the persons who have been appointed have considerable experience in diverse ways of the engineering industry and automobile industry.

SHRI DAHYABHAI V. PATEL: Who is the expert in automobile industry on the Committee?

SHRI MANUBHAI SHAH: You have to simply see the names to find out that they are all experts—the Senior Industrial Adviser and then Rear Admiral Shankar and others.

SHRI DAHYABHAI V. PATEL: I asked: 'Who is the expert in automobile industry?'

SHRI MANUBHAI SHAH: It is not always necessary to have a person who has spent his time only in one enterprise. There are others able to advise. After all these people are guided by experts, experts in the automobile industry all over the world and all over the country. They will take into account the views and suggestions and the experience of other automobile experts available in the country and even abroad. Therefore, it is a Committee which is competent to give a proper recommendation, make a judicious study, technically valuable and financially and administratively possible. In view of the fact that all of them have considerable experience in technical and administrative matters connected with the Government, the Committee could be well relied upon. Therefore, broadly speaking, I am glad that the House has more or less accepted the approach which the Government has made in this Resolution. I only want to clarify some of the points raised by Shri Desai when he read out from the Jha Committee's recommendations that there was no need or that this

would hurt the existing companies. Both, I think, are over-stretched assumptions that he has made. If he reads the Resolution of the Government, in para. 9 the Committee's recommendations are very clear on this matter:

"In regard to the production of low cost car, the Committee's main conclusions are:—

(a) There would be sufficient demand to sustain the economic production of a low cost car, without jeopardizing the production programmes already approved.

(b) There is little prospect of any of the passenger cars at present being produced coming down to the price range of Rs. 5,000 to Rs. 7,000 indicated in the terms of reference to the Committee. It is doubtful if economies of this order could be achieved even if the entire machinery in these factories are changed and the production programme made very much larger.

(c) To have a cheaper car, therefore, a more modest vehicle will have to be chosen and its manufacture will need to be started from the very beginning with the latest machinery to ensure economic production."

None could have been a clearer indication of what the Government should do than what we have summarised as the conclusions in para. 9 of the Government Resolution. It is not easy for those people technically and organisationally connected with such a vast and big enterprise to have an investment of ten to twelve crores, as this project is likely to need, so that we can have 20,000 cars to begin with, going up to 50,000 in the shortest possible time. We must so arrange socially that the consumer gets several facilities, various types of instalment payment and other things for which it would be premature for me to suggest anything here. But when the community undertakes

to take up this job, it can easily consider that the social objective is far more important, even though the economic and commercial objective is no less important or necessary in a public-sector enterprise. I want also to assure the House that we are taking all steps to see that right from the beginning we do have an integrated approach to the manufacture of a low-cost car. While steps to establish the main shops for manufacturing and assembling the normal basic model and various other attachments to it are taken, for the ancillaries, the components and various things connected with this car, steps should be taken simultaneously, so that without loss of time we manufacture almost 90 per cent. or 95 per cent. of all the parts and components and everything of the car within a period of 2½ to 3 years. That also we have specified to the Pande Committee.

I may reassure the House and I am happy that on all the matters there has been great support which we very much welcome, because the support that this House can give is of a valuable character, more valuable than the technical or other advice we receive from our experts. The last point which I would urge is that there has been some misunderstanding about the taxation on this industry. Now, it is not true to say that that much of the cost of this car or vehicle today is because it is taxed. There are two types of taxes. One is the excise duty which one pays after the car is finally manufactured. The other duty is the duty on the components which are imported. Now, if my hon. friend contacts any of the manufacturers, he will find that it is a protective duty, which is the import duty. It is levied so that our manufacturer here gets a measure of protection and the moment these parts are made in the country, the import duty vanishes but the cost of production almost goes up particularly because of limited volume of production in our country. Therefore, hardly any benefit accrues to the Indian users because they are indi-

genously manufactured, excepting the saving in foreign exchange which is a very valuable thing. Only I want to emphasise on this aspect, the cost aspect, that it is not the particular portion of the duty or tax by the Government which really loads up the ultimate price of the consumer. It is true that the excise duty is there. I have full sympathy with the excise duty. After all there are many other consumers whom we have to serve. These consumers, the general public deserve much more consideration than even the lower middle class users of these cars.

We are quite sure that the method of production, the model to be selected, the technique to be adopted will be in the best interests that the public sector can bring about. And I need not plead for the public sector in this country which has already established its name in its well-earned glory through the Hindustan Machine Tools, through the Hindustan Antibiotics, through the three giant steel plants of which there is no parallel in the whole world, that within a period of five years any country has endeavoured to establish and implement a programme of 3 million tons, and which could undertake a further expansion programme.

SHRI DAHYABHAI V. PATEL: Half of which is lying idle.

SHRI MANUBHAI SHAH: Let him run a shop. He will see how many things lie idle, even though it is a shop which is very carefully and personally managed.

SHRI K. SANTHANAM: What is the volume of production of small car contemplated in the public sector?

SHRI MANUBHAI SHAH: That is also in the Resolution, 20,000 cars to begin with and 50,000 cars as it expands. I think it is possible that if the manufacture is really efficient, we might even be able to think of an export market, but that is not an aspect which I would like to emphasize or mention at this stage. When

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the production of steel and everything else in the country is expanding, over a period of five or ten years it should not be considered beyond the capacity of the Indian people and Indian technicians and Indian manufacturers to envisage that we can export. With various advantages that we have by way of labour and other things and when the production goes up, we can think of it. That is, of course, a very distant thing and I do not want to divert the attention of the country to that aspect. It is not due to any antagonism against the private sector, as the hon. Member opposite tries to suggest. It is only with a view to humbly serving the lower middle-class and the lower-income group consumers, by having a cost-conscious unit which will deliver the goods that this decision has been taken. I once more welcome the very valuable suggestions which hon. Members have made regarding the automobile industry and I would like to convey the good wishes of this House to the private automobile industry, which has done good work. I do not see any sort of contradiction in their developing the higher medium type of cars—the Hindustan Ambassador, the Fiat, the Standard Ten and the trucks. They are themselves getting into such an integrated economic units that while they expand motorising, the industry is going to get a fillip by the low-cost passenger cars. It is not going to undercut them to any substantial extent. The experience of the whole world is that. I have been reading many books on the motor industry, not only one book from which Mr. Desai read out, but many others also. The experience of motorisation throughout the world is that a low-cost car acts as a fillip to the growth of the industry. They do not retard it. We have the same phenomenon. I should like to say that the small car will lead more and more to the use of medium cars and other bigger vehicles and cars gradually. Once you take it to the people, they cannot leave it. This is one major contribution that the low-

cost car in the public sector will make to the entire automobile industry. Thank you.

SHRI M. P. BHARGAVA: Mr. Deputy Chairman, after the speech of the hon. Minister there is nothing much for me to say except to straighten some facts. The notice for the motion was first given in the Budget Session in March. It was actually fixed for discussion in the last week of August. Just as it was about to come for discussion, I learnt that the Government had taken a decision and a notification was likely to be issued in a week's time. So, I thought that no purpose would be served by having a discussion at that stage and therefore the discussion was postponed to this session. As far as questions are concerned, I may inform Mr. Patel that I myself put three or four questions, once in December 1959, then again in March 1960 and again in April 1960.

None of them was disallowed. As far as half-an-hour discussion is concerned, as I understand the rules, it can only come as a result of a reply to a question of public importance. As far as I can see, no such occasion arose and there was no point in having a half-an-hour discussion. Moreover half-an-hour discussion on such a wide subject would have no meaning. Therefore, there has been no delay.

SHRI DAHYABHAI V. PATEL: It would have meaning only when a Congress Member raised it.

SHRI M. P. BHARGAVA: As far as I know, I have been giving notice of this motion and there has been no delay.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at one minute past five of the clock till eleven of the clock on Wednesday, the 30th November, 1960.