

SHRI D. A. MIRZA (Madras): May we know the idea behind this Bill?

MR. CHAIRMAN: No, no.

SHRI A. K. SEN: I have no doubt that the Bill is sought to be brought in with the best of intentions, with the best . . .

SHRI BHUPESH GUPTA: It is difficult to understand the idea of the hon. Member behind the Law Minister.

SHRI A. K. SEN: It is brought forward in the best of faith and I am not here casting any doubt on the hon. Member's bona fides or the motive behind the introduction of the Bill. But what I am saying is that the intention as expressed here is that after the lapse of two years the composition of the House may not really fit in with the person who occupies for the moment the office of Deputy Chairman. My answer is, if it is, otherwise, if it is not a reflection of the majority view or majority opinion of the House, then he will be removed. That safeguard is there. The Constitution-makers provided for fixity in the term of the Deputy Chairman, but at the same time for a change in the composition of the House. It is not lightly that we should deal with any change in the Constitution.

SHRI BHUPESH GUPTA: But the

MR. CHAIRMAN: No debate on this. The question is:

"That leave be granted to introduce a Bill further to amend the Constitution of India."

The motion was negatived.

**THE COMPANIES (AMENDMENT)  
BILL, 1959—continued.**

MR. CHAIRMAN: Mr. Bhupesh . Gupta, you were talking about something somewhere?

SHRI BHUPESH GUPTA (West Bengal): Yes, Sir, I am always talking something somewhere.

MR. CHAIRMAN: You have already taken five minutes yesterday. You have only fifteen minutes.

SHRI BHUPESH GUPTA: But you understand under what circumstances I am here today. Anyway . . .

MR. CHAIRMAN: Go ahead.

SHRI BHUPESH GUPTA: I am going ahead.

SHRI V. K. DHAGE (Bombay): He may be given five minutes more.

MR. CHAIRMAN: Why should he?

SHRI V. K. DHAGE: Because yesterday . . .

MR. CHAIRMAN: Yes, yesterday he has taken five minutes.

SHRI BHUPESH GUPTA: But since .

MR. CHAIRMAN: Don't discuss it. Let us proceed.

SHRI BHUPESH GUPTA: I know you will give it.

Sir, dealing with companies I was pointing out yesterday the concentration that had taken place and was trying to show that there was a tendency in the country to transform public limited companies into private limited companies with a view to circumvent the provisions of the Company Law. I need not go into very many facts here, for they are in the Report. I will just give one fact. In 1956-57, according to the Report of the Company Law Administration, 227 public companies converted themselves into private limited companies; this shows that there is this trend here and it is growing for some years, this unfortunate tendency in the country of transforming public companies into private companies. Again, if you look at the figures of registration of new companies, you will find that in 1956-57, 84 public companies were newly registered, accounting for a total authorised capital of Rs. 54:13 crores,

whereas in the same year the number of private companies registered newly was as many as 764 with an authorised capital of Rs. 156·52 crores. Next year, that is to say, in 1957-58, the public companies came to 65—which is a decline—with an authorised capital of Rs. 52·74 crores. The private companies also show a decline, but as against 65, new companies registered numbered 896 with an authorised capital of nearly Rs. 50 crores.

What do we gather from this? It appears that the capital investment has taken place not only in the private sector but only in that very section of the industry where control by families is there, where a few individuals control the whole show and where public control is extremely limited and we find that the company law does not operate here. I think this should be taken note of and the amendments proposed do not offer any remedy to this rather unhealthy trend in our economic development.

From the new registrations, Sir, you will notice that all these things are happening only in areas which are industrially advanced /comparatively speaking, West Bengal, Madras, Delhi and Bombay. The backward areas are lagging behind and are not being looked after, areas like Assam, Rajasthan and Kerala. There are very many other places like this and they should come up in industrial development. This has not been done because money operates where profit is easy, exploitation is easier and there are other amenities. Industrial development is not taking place having regard to the overall national requirements of our economy. That, I think, is an unhealthy trend because we are intrinsically interested in the development of the backward areas Industrially speaking, although I come from an industrially somewhat advanced State. States like Andhra, Orissa and others need to be developed industrially.

Then, Sir, I come to another matter. the interlocking of companies. This is another alarming feature and the amendments do not offer any solution. In 1957-58, 1051 special resolutions were passed by 764 companies under section 314 of the Companies Act for the appointment of directors and their relatives to offices of profit in the companies. The year before, there were 3,650 such resolutions; some of course, were renewals but, what does all this show? This shows that directors of one company become office bearers of another company, friends and relatives of directors are taken in and so on, and financially speaking a coterie is created in order to keep the company finances in the grip of a handful of persons. These figures are telling in this respect. If you look at it, you will find that 27 per cent, of the directors are holding offices of profit through remunerations of Rs. 1,000 or above per person, that is to say, highly salaried persons. They take hold of one company, go to another and so on thus creating a sort of domestic internal arrangement of some families in order to keep the company finances in their grip.

Relatives of directors drawing a salary of Rs. 1,000 or above per mensem come to 12%. This thing goes on. In this connection, there are also the friends and *benamdars*. This thing is going on on a very large scale. I brought it to the notice of the House as to how big industrialists in the country carry on business in the name of people who do not exist, people who could not be traced at least in India. Some address in Park Street was given. I searched the whole of Park Street but could not find the party there. Such things happen. Like the false voter who goes to the Congress polls, there are also false shareholders and directors but then, Sir, we are living in many ways under a false regime. The result is that the Birlas, the Tatas,— mind you, Sir, it is in plurals—the Dalmias, the Jains, the Thaoars and

[Shri Bhupesh Gupta.]

the Singhania's control the entire industrial and commercial structure in our country-and how they function is a very interesting thing. I shall just read out from the current Annual Report of the Company Law Administration:

"In a group of 13 sister companies, some companies had borrowed from others and had, in their turn, lent to other companies in the group. The company which had borrowed most heavily had invested the amount so borrowed in fixed assets thereby blocking the funds of other companies. The amount lent in one case was as high as 96 per cent, of the lending company and was in no case less than 33 per cent, of the assets of the lending company."

Now, Sir, coteries will be created. You find money being\* taken to the extent of 96 per cent, of the total assets of the company. One sister comes, takes away from another sister—this is how things are happening. This is a serious situation and the Joint Committee should consider as to whether we can strike against this interlocking. Now, Sir, the Government of India is encouraging this, interlocking. You know, Sir, a gentleman has been fined Rs. 55 lakhs but he is still the Chairman of one of the biggest banks in India, the Punjab National Bank. It will be interesting to note here that we have no regulatory power. Mr. Dalmia is under prosecution; in another place, Mr. L. N. Birla has come under enquiry and on Mr. Jain a penalty of Rs. 55 lakhs has been imposed but no steps are taken by the Company Law Administration to set matters right.

Now, Sir, let me come to the managing agency system. The hon. Minister did not give any assurance in the other House and nothing has been said in this House. Something has been said very vaguely but it seems that they are interested in continuing

this system of managing agency which is part of the system of economic concentration, a system of monopoly, machination and malpractice. This is how I view this matter. This has to be looked into. I wish the managing agency system were scrapped here and now. There should not be any prevarication and there should not be any delay in the matter. This system was never of any utility in our country and it has become a hideous phenomenon in our country today and we look forward to our economic development not through the managing agents but through expansion of the public sector. Let us see how things happen under the managing agents. Take, for instance, C.E. Morton and Co, a company which was featured in connection with the Mathai enquiry. I am not concerned with it. Mr. Mathai sold the orchard in Kulu to this company and the sale deed was actually registered at Kulu on the 20th March 1953, but the purchase money was paid to Mr. Mathai by cheque OZ 8866592 on November 14, 1952, drawn on the Imperial Bank of India; and seven months before the property was legally transferred, money was paid. This is how company finances are administered by this company. Nobody knows what money was paid but after seven months we hear that such and such transaction has taken place. You have seen how the Express group behaved in Madras, lock-out and other means, in order to avoid the obligations under the Wage Board and in order to avoid the legitimate demands arising from that Wage Board by the employees. Now, in order to brow-beat them, all the papers are closed that come out from Madras. Similarly, Sir, Amrit Bazaar Patrika closed down, as you know. This paper is also run by the system of managing agency. They keep two accounts but what is the Company Law Administration doing? They have got one account in Calcutta and two accounts in Allahabad. This is how they keep on doing things, "Heads we win, tails you lose". You cannot catch them. This is how they talk to the employees when some\* points are raised.

This is what Mr. Tushar Kanti Ghorh is reported to have said to the employees. In my family everyone considers me as God. He said it to the U.P. Working Journalists in Allahabad. If you people do not consider me as God, you will have to reckon me as equal to at least Mahatma Gandhi. This is how they talk. You have double book-keeping. Accounts are suppressed. And then they want to be treated at least like Mahatma Gandhi, if not God. I do not know, some day Mr. Tushar Kanti Ghosh might claim that he is a God-newspapermagnate like the God-king. Nobody knows. This is the position. I can give another example of a company, the National Sugar Mills. For instance, here is an interesting case that the company law should take into account. Here the money was advanced by the Central Government. They got Rs. 21 lakhs. While getting the sanction from the Central Government for the loan of Rs. 21 lakhs, the National Sugar Mill, which figured in the Bengal Assembly debate in connection with the motion against the Speaker, took the loan. The rule is that loan should be given to the extent of fifty per cent., of the assets. Now, what did they do? They got the loan. Then, with that help they opened a letter of credit in the bank, and then ordered machinery. The machinery had been ordered and then they said, these machineries are mortgaged as a security against the loan. Which came first? If a company were to take loan in this manner, it must show that it has got assets. After that, loan should be given. Nothing of the kind. It took the loan first and then used this loan to open a letter of credit and then got the assets. They were in transit and showed that the loan was secure. This is how they behave. Now, I have got the agreement with me. According to the terms of the agreement, within sixteen months of the loan, they should have fulfilled the objective, the objective of rehabilitation and so on. I think the loan was granted on the 5th March. Before

the commencement certificate even, this loan was granted. And sixteen months have passed. Now, Mr. Khanna stated in the House the other day that the National Sugar Mill had not fulfilled this objective. Now, the company takes a loan by giving an assurance that the objective will be fulfilled. If the objective is not fulfilled, what happens? I understand from the papers that I have got that it does not have sufficient assets with it. All kinds of transactions take place. I do not know how these things have been handled. Sir, it appears from the balance sheet of the Company that the letter of credit was not opened on the basis of assets, but on the basis of a letter sanctioning a loan of Rs. 21 lakhs and on the assurance of the West Bengal Government. This is before us from the statement. Such is the position I think this thing should also be looked into by the Government.

Now, I come to political donations by companies. Although I made a speech—we all spoke on the subject—nothing has come out of it. As if we are children, we are told now that names will be published, names of the donors will be published in the balance sheet. How does it console us? Now, I wish the Vivian Bose Report was here before us. That Report, I am told, says that one of the considerations is . . .

MR. CHAIRMAN: Why do you say: "I am told"? You know it.

SHRI BHUPESH GUPTA: I am told by the newspapermen in their reports—I am told—I want to be exact, because I do not vouch for it—that one of the considerations is that money was given to Mundhra, Rs 1J crores, against one lakh donation to the Congress.' So, with the political donation, political obligations came and I am told that Vivian Bose could not find any other reason for this handsome bounty . . . (*Time bell rings.*) ...to this gentleman, but for the fact that he was donating

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money to the Congress Party for the election fund. That story We shall come to later on on some other occasion. Therefore, this is another factor which has to be gone into. Political donations of this kind should be stopped from the company finances.

MR. CHAIRMAN: Yes.

SHRI BHUPESH GUPTA: One minute, Sir. *(Interruption.)* I do not know when you rang the bell. I do not know exactly.

SHRI V. PRASAD RAO (Andhra Pradesh): They are bitter about it.

., MR. CHAIRMAN: Go on.

SHRI BHUPESH GUPTA: Sometimes to restrain me, you, Sir, ring the bell a little earlier.

MR. CHAIRMAN: Please go ahead. Conclude. Now, comes the peroration.

SHRI BHUPESH GUPTA: No peroration, hard facts. Now, in regard to the companies' behaviour, Government's attitude is very important. I say the Government encourages the managing agents, the big business concerns. Instead of controlling and regulating them, they give money with both hands to them. When the Home Minister goes to Jamshedpur, he incites the Tatas against the trade union and we find many hon. Ministers living with them, encouraging them and helping them in very many ways. We find the officers of the Government taking jobs in big industrial undertakings despite all the lectures by the Prime Minister. Now, connections are created. People are planted. People go there. Traffic takes place. And you have seen how a Cabinet Minister, a member of the Council of Ministers, goes on from the lobby in 'order to write immediately to Shri B. M. Birla in New York . . .

MR. CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: Therefore, these things have got to be stopped.

Today if we are in a bad situation, in a mess in the matter of company finances, I would not blame the Company Law Administration. I will hold the Government policies responsible for it, because in very many ways the Government is favouring them. It is the big managing agents and the big business in the country that should be put a stop to.

MR. CHAIRMAN: That will do. Mr. Karayalar. The Minister will reply at 12-30. Mr. Karayalar, Mr. Lingam and Mr. D. P. Singh each to have not more than 15 minutes.

SHRI V. PRASAD RAO: I have also given my name.

MR. CHAIRMAN: Your name is there, but we have no time.

SHRI S. C. KARAYALAR (Madras): Mr. Chairman, I rise to support the motion for reference of this Bill to a Joint Committee. In the Statement of Objects and Reasons attached to this Bill, it is stated that the amendments proposed in this Bill are of a threefold character.

[MR. DEPUTY CHAIRMAN in the Chair]

Certain amendments are designed to rectify the defects found in the working of the original Act. Certain amendments are designed to be of clarificatory nature and other amendments are designed to bring about the objectives of the original Act. On going through the various amendments I find that at least some of them do not fall under any of these characteristics. I shall illustrate my point by a reference to some of the clauses which have been incorporated in this Bill. Let me refer, in the first place, to clause 15 of the Bill. Clause 15 of the Bill proposes to introduce a new section 43A under which certain private companies will be automatically converted into public companies. The condition is that if 25 per cent, of the paid-up capital of a private company is held by one or two corporate bodies, then the private company will be automatically converted into a public company. This is a provision which I cannot

easily understand or appreciate because to me it seems that it goes against the very definition of private companies. You will find that in the definition of a private company in the Act, certain special characteristics are laid down. If you look into section J of the original Act, you will find that the special characteristics of a private company are these. The company has the right to limit the number of its members to fifty, of course, excluding certain persons. It restricts the right to transfer its shares. It also prohibits any invitation to the public to subscribe for any shares in, or debenture of, the company. Now, it appears that these are special privileges given to the holders of shares in private companies. In so far as the present amendment embodied in clause 15 seeks to take away, it means actually the taking away of privileges granted to the shareholders of private companies; it cannot be justified. This seems to go against the definition of the expression private company, and I feel, Sir, that it is not justified because it seems to go against the very principles embodied in the original Act. An amending Act cannot interfere with the principle of the original Act. One of the principles embodied in the original Act is a clear distinction between private companies and public companies. This amendment seeks to take away that distinction practically, and to the extent to which it seeks to interfere with the definition—it means a provision in the original Act—I cannot reconcile myself to the validity of this particular provision.

Again in the same clause you will find that if a private company is converted into a public company by virtue of this sub-clause, then the company has got to pass a resolution amending its articles in conformity with the present provision. Suppose the private company in a general meeting is not able to pass this resolution. It may be that the majority of the shareholders in the private company are unable or do not want to effect this change. What happens?

Are the officers and the managers and the directors of the company to be found fault with for not passing a resolution which is not acceptable to the general body of the shareholders? As a matter of fact they are penalised for something which the shareholders are not able to pass. This clause which imposes a penalty on the officers and management really is imposing a penalty on people who are not responsible for a certain act. In these two ways I find myself unable to reconcile myself to the provisions contained in clause 15. That is one of the illustrations which I wanted to point out.

Then I come to clause 38 of the Bill. This clause deals with the question of closure of registers. It proposes to introduce a change to the effect that a company shall not close the register of members for a period of fifteen days next following the date on which dividends are declared. The object of this amendment seems to be to secure that transferees of shares, subsequent to the date of the annual general meeting or the date on which dividends are declared, should be entitled to participate in dividends. Sir, this amendment will not really secure that object, because you will find that in companies the dividends are declared at the annual general meeting by the general body of shareholders. The form of the resolution which is adopted by the general body is that dividends shall be paid to shareholders or members who are registered in the books of the company on the date of the annual general meeting. That is the form of the resolution. This amendment seeks to amend that position and say that dividends shall be made payable to shareholders who shall be registered subsequent to the date of the annual general meeting. This is really an impossible position for the shareholders, because the shareholders can declare dividends only to people who are registered in the books of the company on the date of the annual general meeting. They cannot say that dividends shall be paid to people who shall be registered on a future

[Shri S. C. Karayalar.] date in the books of the company. That is a provision which I really cannot understand, and it is impossible and it is incompetent for the general body to say that dividends shall be paid to people who shall be registered on a future date. That is what it amounts to. This is a position which I cannot really understand. This requires special scrutiny, and I hope that it will be a subject matter of special consideration by the Select Committee.

Then I come to clause 54. Sir, clause 54 deals with the question of maintenance of the minutes of the proceedings of the annual general meetings and other meetings and the minutes of the meetings of the Board of Directors or committees. Sir, the amendment that is sought to be made here is to the effect that such minutes shall be kept "by promptly making entries in books kept for that purpose with their pages consecutively numbered, each such page being signed and the last page of the record of proceedings of each meeting being dated and signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting". The object of this amendment is to ensure the authenticity of the minutes of general meetings and of Board meetings. Sir, how shall we ensure the authenticity of these minutes as between the date of a particular meeting and the next meeting, because the minutes are usually signed only at the next meeting either of the general body or of the Board? How about the authenticity of the proceedings during the interval between the date of one meeting and the date of the next meeting? The object underlying this will not really be served by making an amendment of this nature.

Then I come to clause 63. Sir, clause 63 of the Bill relates to the manner in which dividends declared payable by companies shall be paid. In sub-clause (1) it is stated: "Every company shall, within fourteen days of the declaration of a dividend,

deposit in a Scheduled Bank in a separate account the total amount of the dividend payable; and warrants in respect of such dividend posted by a company shall be made payable out of that separate account." Sir, this seems to be a very curious provision which is not warranted either in the interests of the company or in the interests of the shareholders if they have got separate interests. It may be that companies, almost all companies, have got overdraft accounts with banks, and it may be that a company has got to draw on the overdraft account in order to pay the dividends. Then you are unnecessarily requiring the company to draw moneys from the overdraft account and put such moneys in a separate account in a Scheduled Bank for the purpose of paying dividends. This is wholly unnecessary. I do not think that such a provision is warranted, nor do I think that there has been any demand for such a provision from the shareholders either. Sir, in the interests of both the company and of the shareholders this provision seems to be not justified.

Sir, I should like to make a reference to various other provisions but for want of time I stop here. But I wish to make one or two general observations in one or two sentences. One special feature of this new Bill is that the distinction between private companies and public companies is gradually sought to be removed. As a matter of fact I should say that the distinction which has been kept up in the Act is part of the scheme, and it may be said to be a principle underlying the existing Act. In so far as this Bill seeks to remove the distinction between the private companies and the public companies, it is out of order and an amending Bill of this nature cannot seek to do away with the distinction between the private companies and the public companies, which is a principle underlying the existing Act. If you want to remove the distinction, it should be done by way of a consolidating Act.

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Another feature of this Bill is that more and more power is being concentrated in the hands of the Government and the Registrar. This will create a very embarrassing situation for the companies. The companies should have scope of freedom to act within the sphere allotted to them. If you take away this freedom from the companies, it will not be in the interests of the development of the economy of the country.

I hope, Sir, that these observations will be kept in mind by the members of the Joint Select Committee and that they will make the necessary changes in the Bill.

With these observations, I support the motion.

SHRI D. P. SINGH (Bihar): Mr. Deputy Chairman, Sir, the Companies (Amendment) Bill, 1959, which is before us marks an improvement on the existing Companies Act in many respects. This amending Bill was necessitated on account of certain experiences which were gathered in the course of the working of the Companies Act. As a result of this amending Bill, some changes will be introduced in the Act. . Certain obscurities have been clarified and some provisions have been added, which are also on the whole to be welcomed.

Sir, the power which has been given to the Registrar to enter the premises of a company for the purpose of search and for the purpose of seizure of papers and documents belonging to the company is very much to be welcomed. I also welcome the provision which makes it possible for the private companies to be treated as public companies for the purpose of this Act provided they utilise public funds.

But, Sir, after having welcomed the Bill, I propose to say something in Tégard to certain provisions which do not seem to me to be very satisfactory—for instance, about the repre-

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sentation of the minority of shareholders on the board of directors. As it is, the majority of the shareholders will be represented on the board of directors and the minority will be left out. Those holding 51 per cent, of the shares will get representation on the board of directors, but those holding 49 per cent, will not get any representation. This seems to me to be somewhat unfair, and something should be done to make it possible for the minority of the shareholders to be represented, because it is in that event only that the interests of the minority of shareholders can be protected and they will also be able to get inside knowledge of the working of the company from within the board of directors.

There is another point which strikes me as deserving our attention. It is true that the powers and functions of the managing agents have been curtailed to some extent. So far as this curtailment is concerned, I welcome this Bill. When a shareholder goes to court against the managing agent, the managing agent spends money over the litigation from out of the funds of the company. He is in a position of great advantage. Therefore if something is put in, in this Bill which makes the managing agent liable for the recovery of the money which he spends over the litigation in case he loses, then I think that will be a very healthy check on the managing agency system, and then it may not be possible for the managing agents to be as careless about the interests of the ordinary shareholders as they are at present. There is no doubt that the shareholders have got to be protected against the managing agents. The managing agents do the whole thing, as we all know, in their own interests or in the interests of the very small number of shareholders who control the business. So far as this is concerned, we have got to be very careful.

Now I should like to refer to clause 84 in the Bill. It is true that this clause is an improvement in the sense



[Shri D. P. Singh.] that Government have been empowered to curb the voting rights in case they think that it is necessary to do so in public interest. This voting right accrues to a handful of people as a result of cornering of shares. Transfer of shares takes place in a very surreptitious manner or in a manner which is not proper or desirable and the ordinary shareholder is placed in a position of very great disadvantage. His interests are not at all protected. So by giving this power to the Government, some kind of a curb has been brought in.

I would suggest, as I have said before, that this is not enough. It is necessary that the minority of shareholders get some kind of a representation. How that can be done, it is for the Joint Select Committee to find out. I have not thought about it very deeply—how that can be done. But it occurs to me that it is necessary that some kind of a representation to the minority of shareholders on the board of directors should be given.

There is only one more point with which I would like to deal. The hon. Minister has assured the other House — and I think this House also when somebody raised a question—that in the matter of donations made by companies, in regard to the clause which provides for it, his mind is open. I personally feel very strongly on this point. Donations by public companies to political parties must not be allowed. I say this for this reason that it is generally the ruling party—whichever party is in power—which is placed in a position of very great advantage as a result of large donations made to it by the public companies. In the interests of democracy that advantage they must not get. It happens that there are many parties in this country which are democratic parties, ■which do not have any great source of income. Companies will not contribute if they feel that for the time being they cannot derive any advantage out of any donations that they might make to these parties, and not being totalitarian parties, they do

not have other sources of income also. So these democratic parties in our country are necessarily put in a position of great disadvantage vis-a-vis the ruling party. If the ruling party is anxious to build up democracy in this country and to ensure the smooth functioning of democracy, then it is absolutely necessary that this disadvantage which the poor parties—but democratic parties—in this country suffer from is removed as far 'as possible.

I should think, Sir, that the ruling party should depend more on the work and sacrifices of its members than on the large donations that they receive for winning the elections, because it happens that when you receive donations, apart from the advantage that you get *vis-a-vis* other parties in elections, you are inevitably soft to the companies which advance those donations to you, and the result is that some advantages are given to these companies which they do not deserve. I do not suggest that in most cases this is done deliberately. But it so happens that when you receive large amounts of money from a company you are bound, whether you like it or not, unless you are very careful, to be soft to it and to do something for it. In view of this consideration I would urge upon the Government and I would certainly urge upon the Joint Select Committee to go into this matter very deeply, to ponder over the implications of this provision even though it has been provided that the donations made should be publicised so that everyone knows that such and such company has made donations to such and such a political party. Even though that provision is there, which, I think, is some kind of improvement upon the previous position, yet it is not sufficient. Our country is not economically so much developed that it does not matter very much whether one party has so much of money and another party has not got so much. It does matter a great deal; If democracy should function very smoothly.

thn all these disadvantages, which are caused as a result of this provision, must not be there. In view of this, I feel that this provision should be altogether removed to make it impossible for the companies to make any donations to political parties. Thank you.

SHRI N. M. LINGAM (Madras): Sir, I support the motion for reference of this measure to a Joint Select Committee. It is a very important matter but it is unfortunate that I am speaking practically to an empty House.

Sir, as the Statement of Objects and Reasons puts it, the measure could be divided into three parts: (i) amendments relating to practical difficulties which are sought to be removed; (ii) amendments of a clarificatory nature, designed to remove drafting defects and obscurities; and (iii) amendments considered necessary to ensure the better fulfilment of the purposes of the Act and to remove lacunae in the existing provisions. I attach the greatest importance to the third purpose which made Government bring about this measure before the House. But, I feel, Sir, that this Bill does not spell out this purpose. The objective behind this measure should be "to ensure the better fulfilment of the purposes of the Act \_\_\_\_\_"

What are the purposes of the Act? Government have not been pleased to say what the basic principles underlying the Act are. And it is very precisely this complaint that I have to make before the House now.

Sir, the old Act, *i.e.* the Act prior to 1956 was a legacy of the past. Then we were industrially underdeveloped, and all possible encouragement was given for the growth of industry in the country, and one of the methods was to encourage the managing agency system. It is no wonder that in the initial stages Government did not want to interfere with the working of the companies, with the result that all kinds of malpractices crept in. Then, Sir, for the

first time, perhaps, a comprehensive amendment was sought and the result was the 1956 Act. Even then some of us felt that the amendments were not radical enough to be in tune with the new tempo of industrial activity and the ideology we have placed before the country. And our worst fears have come true. Within a year or two of the working of the new Act Government have come to the House with another big measure. But, even here I feel, Sir, as I said at the outset, the basic purposes have not been spelt out.

Sir, the basic purpose, as the hon. Minister was pleased to say in the other House, is to see that concentration of economic power by cornering of shares and interlocking of companies is prevented. It is true this measure does contain provisions to prevent such unhealthy developments. But my point is that the measures are not clear enough or comprehensive enough. I shall first deal with the question of managing agency.

Sir, this question was discussed even when the 1956 Bill was before the House. Then, Government took the stand that unless by 15th August, 1960 the companies renewed their application for continuing the system, the managing agencies would automatically cease. Now the present policy seems to be for the Government to keep an open mind and to be guided by the Advisory Commission on the company law in these matters.

Sir, the Government expect that the Advisory Commission would guide them as to which categories of industries should be allowed to have the managing agency having regard to various aspects of the question. But, I feel, Sir, it is a basic issue and Government has to be guided in this matter by the House, and if I sense the feeling of the House in this matter, I think, it is almost unanimous that this system should go. It is not desirable to leave a basic question to the hands of the Advisory Commission. The House in fact—if I understood the debate in the other House properly—

tahn N. M. Lmgam.J

both the Houses, which represent the country, are of the view that this sys. tem is a relic of the past and it should go.

Sir, in the other sector—agricultural sector—we are thinking of imposing ceiling on lands. We are trying to bring about an egalitarian society. But at the same tune we are giving every possible incentive to the private sector for the development of industry. Sir, one of the reasons for the continuance of the managing agency system is that the provision of finance, expert knowledge and technical know-how will be affected if this system is discontinued. Now, Sir, as the hon. Minister is aware, we have taken steps to build up an Industrial Management Pool. We have the Administrative Staff College. We send our men for training abroad in industrial undertakings, and Government themselves have set up innumerable finance corporations for industries of various kinds. So, I feel, there is absolutely no justification for the continuance of this system.

Sir, even with regard to matters like plantations, a foreign owner has told me that he is surprised that after independence the Government has thought it necessary to continue this system. The position is that the managing agency has complete grip over the affairs of the company. I am not speaking of the remuneration paid to them, I shall come to that a little later—that is one aspect of it.—but its grip over the management of the company is so complete that there is no healthy development of the company. They come in various ways, they come as selling agents, they come as buying agents and they have the final say in everything that affects the working of the company. Sir, there is nothing sacrosanct in it and I for one fail to see why the hon. Minister, Shri Sastry, has not been able to make up his mind with regard to this question. At least he has not taken the House into confidence as to what makes him feel

nesnant m tnis matter, u. ne tens **the** House that the pace of development of certain industries is likely to be affected by the abolition of the system or there is going to be any other adverse effect, it is up to him to say so before the House but the Government has not said anything of the kind. They simply say after the 15th August 1960, only such of the companies as apply for the continuance of the system will be considered, and the Government in this matter will be guided by the Advisory Commission.

SHRI AWADESHWAR PRASAD SINHA (Bihar): That is what the Act says.

SHRI N. M. LINGAM: Now we are thinking of amending the Act. Sir, that is the first aspect of the matter that I wanted to place before the House.

Sir, let me not be misunderstood here that I am not for giving incentive to the private sector or I am not for developing it. We only want that it should develop in a free atmosphere and there should be no subterfuge about it, no secrecy about it and there should be no distinction, and there is none between the private sector and the public sector in these affairs and if anything, the responsibility of the public sector is greater. I say reasonable profit be allowed to **the** companies in the private sector, **let** them be given incentives, let them be given technical know-how and **let** them be given all the help but to cling on to the old privileges that **the** companies were having is neither feasible nor necessary.

Sir, this takes me to the other aspect of the company management. It is true that the present Bill gives power to the Registrar to seize documents and also to inspect documents of companies. With regard to a vital matter, with regard to remuneration, which is connected with the system of managing agency, the proposed measure is not specific. It is true that the Government is thinking of reducing **un-**

conscionably high remuneration but I would like to know from the hon. Minister how precisely they propose to limit profits to reasonable proportions.

Sir, I would make a suggestion here which may seem to go beyond the scope of the measure but which, I submit, is worthy of consideration by the Joint Select Committee. Sir, the companies have their auditors. I would in this connection commend to the House the proposal put forward by Shri Khandubhai Desai that audit should be nationalised and only Government auditors should audit the accounts of the companies. Sir, if that is done, much of the suspicion that the public has with regard to company matters will disappear.

Then, Sir, company management is inextricably associated with the situation in the stock exchanges. If we have a healthy stock exchange and honest stock brokers, many of the evils and risks to which company management is subject will go. We have enacted a measure to improve the stock exchanges but it is for the Ministry to see how far the changes that we have made in this respect are adequate to ensure a proper working of the companies.

Sir, a mention has been made by hon. Members opposite about contributions to political parties. Sir, it will not be edifying either to me or to the House to mention or to give details of these contributions whether to the ruling party or to the opposition parties. But I am glad to note that the hon. Minister has said that he is going to be guided entirely in this matter by the Joint Select Committee. Sir, I personally feel that there is nothing wrong in companies making contributions subject to the condition that they make the contributions public and we know that no one party has been the beneficiary of the system of contributions from companies and it is also stipulated that the contributions should not exceed Rs. 25,000 from any one company. So, Sir, I

think the stand taken by the hon. Minister on this question is a sound one.

Sir, I would only conclude by saying that the hon. Minister would be pleased to say that this measure would be sought to be made an instrument for the fulfilment of our objectives, of our social and economic objectives. As one commentator has put it:

"It is inevitably also an incident of the democratic system that private business and industry are continually under challenge from one quarter or another. The answer to these challenges must be found in terms of greater social responsibility and in improved public relations. That the conduct of an industry or business is essentially a service to the community no different from the running of the railway or the post office by the Government, that profits are a legitimate reward for capital invested and for the risks taken, and that higher productivity alone can provide for higher wages, higher taxation and lower prices for the consumer, are ideas which must be intelligently and constantly put across to the public if private enterprise is to survive with dignity."

I endorse this sentiment. I feel that such a sentiment should permeate the measure before us. I am afraid the Government will come before the House very soon to make further changes in the Company Law because they will find that the measure before the House is inadequate to meet the demands of the times. If the Select Committee is empowered to make more radical and drastic changes, we would welcome it. But in any event it is the duty of this House to point out the deficiencies in the measure while at the same time welcoming the salutary provisions in it. Thank you.

MR. DEPUTY CHAIRMAN: Shri Lai Bahadur.

SHRI H. P. SAKSENA (Uttar Pradesh): Sir, just five minutes. I have carefully studied the speech that the hon. Minister for Commerce and Industry made in the other House and then I was simply surprised when I found that a friend on my right side, belonging to the P.S.P. perhaps, said that he was not yet clear about the question of contribution or financial assistance by the companies to political parties. There he gave us a sermon on what democracy is and democracy ought to be and I listened to all that very patiently and carefully for my own benefit, in order to learn what democracy is and what democracy should stand for and in order also to compare whether our democracy was conforming to those tenets or not.

DR. K. B. GOUR (Andhra Pradesh): But you are not young enough to learn.

SHRI H. P. SAKSENA: I am never too old to learn. I have come to the conclusion that, inextricably and inseparably wedded as I am to the ruling party, which I do not deny, I do not know where the difficulty lies because we see in our day to day practice in this House that we have also taken care to see that members belonging to all parties are included in the Committees that we form day after day, and the most important of all Committees formed by the Parliament is the Public Accounts Committee of which my friend Shri Khandubhai Desai is a Member. With that team of watch-dogs . . .

DR. R. B. GOUR: Mr. Desai is not a Member of the Public Accounts Committee.

SHRI H. P. SAKSENA: . . . over financial matters I don't see any reason why there should be any difficulty or any apprehension that the funds will be wrongly utilized. Therefore this was the only point that I wanted to make.

I THE MINISTER OF COMMERCE AND INDUSTRY (SHRI LAL BAHADUR): Mr. Deputy Chairman, Sir, Shri Bhupesh Gupta specially, and a few other Members of the House have criticised to an extent the working of our Company Law Administration, and Mr. Gupta quoted a few instances of the way the big companies have functioned and the bad practices they have indulged in. I cannot go into specific cases and they will have to be looked into carefully and the Company Law Administration is meant for that purpose. But hon. Members have to appreciate the fact that *there* are approximately 28,000 companies in the whole country and approximately 5000 managed companies and perhaps about 4000 managing agencies. So the Company Law Administration has to supervise the working of such large numbers of companies, and as the House is aware, very recently, in the year 1956, the Companies Act was amended by both the Houses and the discussion on the amending Bills which took a pretty long time. The Administration has been trying to gear up, it has tried to strengthen itself, and it has been able to inspect over 1200 companies; prosecutions were launched in a large number of cases. So instead of giving credit to the Administration for what they have done during this short period, it is being criticised. The first year was taken in setting up the organisation itself, but during the last six or eight months, the Department has been very active and it has taken adequate action. The Bill which is now placed before the House has been brought specially for two purposes. One of course is to give additional powers to the Administration, to the Government, so that they can function more effectively, which is generally the wish of the House, the wish of hon. Members. We will have to strengthen our organisation. We may have to have senior Registrars, more senior inspectors etc., so that with the additional powers that they

will get, they are able to check and supervise the companies better. I would therefore merely say that it is our wish and desire that we should be able to do our work more effectively and in a better manner.

Secondly, we are trying to get *more* legal powers, more sanction from the House in various directions, whether it concerns the interlocking of companies or inter-company loans •ox inter-company investments or other transactions. Also we want to take more powers for the Registrars and others so that they can implement the provisions of this Bill in a more quick and efficient manner. It was said by some Member that the additional powers proposed in the Bill for the Registrars may prove risky. He had a fear that these powers may not be exercised properly. Well, of course, we have to take care that the power taken by the Government is utilized with the utmost care, but the hon. Members is not here who mentioned about it and he has to realize also the fact that these companies—I am not blaming all, but quite a big number of companies—have not been cooperative at all. They have not been submitting their accounts in time. They have not been giving the necessary documents which were asked for by the Registrar, and they in fact thus bring all the work to a standstill and the Registrar has to sit tight practically doing nothing.

SHRI H. P. SAKSENA: May I know if there is any penal clause in this Bill?

SHRI LAL BAHADUR: There is, but up till now the Registrar, if he •wanted to ask for documents besides the balance sheet and accounts, had to go to the High Court and take the power from the High Court. Unless the Court authorised the Registrar, he cannot ask for other documents. Except for the balance sheet and accounts etc. he could

not ask for the other documents, and if any action had to be taken for police search, he had to be also authorized by the High Court. Now we have proposed an amendment in this Bill suggesting or making provisions for the Registrar to approach the magistrate and take the necessary authorisation from him, which will undoubtedly reduce delay. We have taken this power because we found that it was not possible to get adequate co-operation from the companies themselves.

As regards the delays, under clause 166 of the Bill we are taking power to reduce the delays in launching prosecutions.

Much has been said about the managing agency. Just now Mr. Lingam also made a reference to that. I have already said something in the other House on this matter and I have made it clear that under the present Act we have got the power, we are empowered, to take action in regard to any industry where the Government might decide to bring the managing agency to an end. And I have, in fact, said in the other House some time back, when there was a discussion on the Commerce and Industry Demands, that we are not, as a Government, enamoured of the managing agency system but we have also to look to the other side of the picture. We are still backward industrially in many ways and what is important at the present moment is that nothing should be done which will come in the way of higher production.

Every effort should be made to increase our production, whether it is in the field of agriculture or in the field of industry. The managing agents have been there for a long time of course. The amount of profit that they may have been making is a different matter, but the managing agents have been helpful in developing

[Shri Lai Bahadur.] industries in the various fields. They have put up new industries.

DR. R. B. (JOUR: Does the hon. Minister mean that without the managing agents, industries would not be put up?

SHRI LAL BAHADUR: Not now. I am talking about the old days, the days through which we have passed, during the last few years and through which we may have to pass for a few years more. They had the resources and they had the finance. They had the resources to employ the necessary technical personnel. All this they were able to do because they had been in the field for a long time. Things have changed now, but five or ten years ago, it would not have been possible to get through all these things without their help. Of course, conditions have and are changing very fast. There are other agencies which want to do things, for example the Government itself is there, who want to help new entrepreneurs, by loans through the State Bank and other banks. They have made it a policy to give loans or other help to solvent people. So there are now other agencies which can take up the work which the managing agents have so far been doing. But the change-over should not be done in a huff. The change-over has to be done, very carefully. There must be some alternative arrangement. Otherwise, we will not progress, for we cannot simply function in a vacuum. I am quite clear that we will have to make careful enquiries into the case of those industries which are fully established, the old industries. We will find out whether the managing agencies who may still be there, should be there or should come to an end. I need not mention the names of the industries. But I have got something in my mind. However, it is better that some action is taken before any particular announcement is made. I might tell the House that I was a bit surprised and pleasantly surprised

to know from one who is a big industrialist that he felt that this institution of managing agency will have to go, at least in the case of certain industries. One of the big managing agents met me only three or four days ago and told me that he would very much like his managing agency to be brought to an end, that it should be abolished, and he felt that there should be a board of directors which should run the concern. So that kind of a development is there. Coming as it does from the industrialists or managing agents themselves, this is something which should be welcomed. If they feel like that, then of course, the House can easily understand what the attitude of the Government would be in this regard.

I have not put forward any amendment in this Bill. As I said, we have got to take action sometimes, slow action if it is steady, will be much better than something which is rushed through, and precipitate action might end in adverse results. It is better that experiments should be made with regard to certain industries and then the country will see and Members of the House will also see that other managing agencies will automatically come to an end. If in certain big industries managing agencies come to an end, how long will other managing agencies continue, We are clear in our mind and having got the power, it was not considered necessary to go into this matter again in so far as this Bill is concerned.

I need not add that in between also, during this period, as the House may know, I made certain policy announcements in which I said that the commission of the managing agents **will** be reduced. It need not necessarily be 10 per cent, the maximum provided in the Act. With regard to the period also, instead of being ten years in every case, it might be reduced to five years. So we have made this policy announcement also. As regards the Advisory Commission to which Mr. Lingam made a reference, I might

tell him that we do not consult the I Company Law Advisory Commission | on policy matters. They are there and when applications for renewal of managing agencies are put in, those i applications are sent to this Commission for considering the various aspects, whether the managing agency has been functioning properly, whether the managing agency consists of proper and suitable persons, what should be their remunerations and so on. These things they consider and ultimately they pass it on to the Government and the final decision is that of the Government. But in so far as the policy is concerned, the Company Law Advisory Commission has nothing to do with it and it is ultimately for the Government to make decisions and act accordingly.

I need not say much on the question of concentration of funds in the hands of a few. Mr. Lingam might have seen in the Bill that we -have | made a special provision to tackle ! the question of interlocking or intercompany loans or other transactions. Provisions have been made in the Bill to prevent such transactions. Similarly provisions have been made and powers are being taken to impose restrictions or to hold enquiries in the case of even holding companies and public companies will also now have to take the approval of the Government if they want to convert themselves into private companies.

Similarly, Sir, it has been provided in clause 15 that where not less than 25 per cent, of the paid-up share capital of a private company is held by one or more corporate bodies, such a private company shall in future be treated as a public company. I hope the House will see that every effort is being made to curb the evil practices and to give a fair deal to the shareholders. The most important thing is to see that money is not concentrated in a few hands. That is the reason why all these provisions have been made in the Bill.

SHRI N. M. LINGAM: At this stage may I know whether the Sastri Committee has made any assessment of the extent of concentration of economic power after the Act was passed in 1956. If so. I want to know whether the evil has been reduced or is it on the increase?

SHRI LAL BAHADUR: I am told that this was not referred to that Committee and so they have not said anything on this subject in their report but it is for the Government to make an assessment and probably the department will, to an extent, do it.

Reference was made about certain newspapers, in regard to new companies being formed, perhaps with almost the same shareholders transferred to the new company. Reference was made to the Amrita Bazaar Pat-rika, perhaps by Shri Bhupesh Gupta, and to a few other newspapers also in the south. I shall not say much so far as the Patrika is concerned. I am told that the matter was handled by the Labour Ministry. The Labour Ministry told the Board of Directors —the proprietors—that they will set up a national tribunal to go into the whole matter. The people concerned with the Patrika also said that they will pay the dues of the workers and that they will not retrench anybody. I have not seen any report on that but I am told that it was an amicable settlement between the proprietor and the workers. That is a separate question but as regards . . .

DR. R. B. GOUR: In this particular Patrika case, the problem is not one of settlement being arrived at between the proprietor and the employees but is a question of . . .

SHRI LAL BAHADUR: I follow it. It is not only a case of one paper. We have read about other papers in the south and about a paper in Delhi where this kind of formation of new companies is taking place, which has undoubtedly created uneasiness in the minds of the workers, and the ques-



[Shri Lai Bahadur.] : tion has to be examined as to whether it could legally be done. Under the present law, I am given to understand that legal action is not possible because there might be some lacunae. There is no provision in this Bill, but if the Joint Committee would like to give thought to this matter, I shall have no objection. The whole matter will have to be carefully examined. At the present moment, we do not feel that we have the legal sanction to take action in such cases where a new company is formed that way. However, this matter may receive the attention of the Joint Committee. There is no doubt that the workers will have to be paid their dues. We have taken powers under this Bill to see that when a paper closes down or is wound up the dues of the workers receive very high priority. Payment of their dues, in any shape or form, will receive high priority.

I have nothing much to say except that both the aspects of the questions have to be borne in mind. On the one hand, we should not be excessively harsh on the companies, especially the new companies which are coming up. We have the private sector as well as the public sector. In the public sector also, the provisions of the law should operate fully and strictly. There have been delays in some cases, delays in the submission of balance sheets and accounts in the case of public sector corporations also. We have dealt with them and we will deal with them in future. In the private sector, various types of firms and concerns are coming up, concerns producing engineering goods, whether it is radio, electric fans or other items which we are able to export. Goods are produced not only for our internal consumption but for export also. We are able to export goods because the quality is good and we are able to compete as regards price also. If, as I said earlier, production is our objective, higher and greater production, well, let us do as

much as we can in the public sector but if in the private sector there are concerns which are functioning successfully, then nothing should be done to discourage them and our laws and the administration should function in a way which will not discourage them in any way. In fact we should try to give them as much help as possible. Of course, we will have to be careful to see that they do not indulge in any kind of evil practices. Such practices must be curbed and stopped. We have to take a balanced view and function in this manner but, Sir, whatever laws we might enact, the most important thing is that we should be able to arouse consciousness amongst the shareholders of the companies. They are the real people. If the shareholders are conscious—and I am glad that the shareholders now have started realising their duties and also their privileges—then everything will be all right. It is all the more necessary in the future that we should be able to rouse consciousness amongst them so that they are able to see that the board of directors does not work in a way which goes against the concern itself or against the interests of the shareholders. We must try to increase that consciousness amongst the shareholders and I consider that to be the duty of the Company Law Administration as well as, especially so, of the Members of this House to create that consciousness so that the companies are able to function much better. Laws can be evaded; there are so many subterfuges but if the people concerned who are there on the spot are clear and careful, they can prevent many of these evils.

DR. R. B. GOUR: If the employees bring to your notice some such things, will you give them protection from victimisation?

SHRI LAL BAHADUR: Most certainly, but it is not possible every time. Those who complain must also share some responsibility but still, it

will be our duty to protect them as much as we can. We have recently received complaints from workers and from unions in regard to one or two mills. We have taken action and we propose to take drastic action; perhaps very soon. I do not think the workers will in any way suffer on account of that.

I shall conclude by saying a few words about political contribution. I have already said enough in this House before and I do not want to repeat it again. If you will permit me, to say, Sir, there is no political party in the country which is not getting funds from the big people and if Shri Raj Bahadur Gour will not be very much upset, I would not like to exclude the Communist Party also.

DR. R. B. GOUR: But we want to (I exclude the Communist Party also.

SHRI LAL, BAHADUR: But they are getting funds already.

DR. R. B. GOUR: I do not know.

SHRI LAL BAHADUR: I think everybody knows that, the hon. Member may not know it.

SHRI AKBAR ALI KHAN (Andhra Pradesh): He also knows it.

SHRI LAL BAHADUR: I personally do not consider it a sin. I am not afraid of taking contributions from anybody who wants to offer but, of course, they should be voluntary contributions. That is all. There should be no compulsion involved in it.

DR. R. B. GOUR: Unfortunately, it is not a contribution but an investment.

SHRI LAL BAHADUR: A contribution of Rs. 10,000 is no investment at all, and the hon. Member knows how these big people have suffered at the hands of this Government. Now, Sir, I shall not go into those details. I would merely say that the Sastri Committee has made a recom-

mendation that disclosures should be made in each and every case, whatever contribution is made, it should be disclosed. We have made that provision in the Bill and it is for the Joint Committee to go into this matter further. I would merely say that those who speak against the Congress should look within first and it is for the Joint Committee and the House to give a verdict which should certainly be acceptable to us.

Thank you, Sir.

MR. DEPUTY CHAIRMAN: The question is:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the Companies Act, 1956, and resolves that the following Members of the Rajya Sabha be nominated to serve on the said Joint Committee:

Shri Khandubhai K. Desai

Shri T. S. Avinashilingam  
Chettiar

Shri P. D. Himatsingka

Shri Babubhai M. Chinai

Shri J. S. Bisht

Dr. R. P. Dube

Shri Akbar Ali Khan

Shri Awadeshwar Prasad Sinha

Shri P. T. Leuva

Shri M. P. Bhargava

Shri R. S. Doogar

Shri J. V. K. Vallabharao

Shri H. D. Rajah

Shri V. K. Dhage

Shri Rohit M. Dave."

The motion was adopted.

Ms. DEPUTY CHAIRMAN: The House stands adjourned till 2-30 P.M.

The House then adjourned for lunch at one of the clock

The House reassembled after lunch at half past two of the clock, MB. DEPUTY CHAIRMAN in the Chair.

## RESOLUTION RE RECOMMENDA- TION OF THE RAILWAY CONVEN- TION COMMITTEE

THE MINISTER OF RAILWAYS (SHRI JAGJWAN RAM): Sir, I beg to move the following Resolution:

"That this House resolves that the period for the continuance in force of the recommendations of the Railway Convention Committee 1954 approved by this House by a resolution adopted on the 21st December, 1954, be extended by one year up to the 31st March, 1961."

Sir, this is a very simple Resolution and I do not propose to take much time of the House. The House is aware that Railway Finance was separated from General Finance on the basis of a Resolution passed by the then Legislative Assembly in 1924 in the following terms:

"In order to relieve the General Budget from the violent fluctuations caused by the incorporation therein of the railway estimates and to enable railways to carryout a continuous railway policy based on the necessity of making a definite return to General Revenues on the money expended by the State on Railways . . . . ."

Pursuant to this Resolution, the Railway Budget became a separate entity and Railway Reserve Fund, Depreciation Fund and later on Development Fund were created. Periodical Convention Committees of Parliament are set up and they make their recommendations. The last recommendations of the Convention Committee were in 1954, which were approved, as is clear from the Resolution that I have just now moved, on the 21st December, 1954. In the ordinary course I would have approached Parliament for setting up another Convention Committee, so that the recommendation of the Convention Committee would have been

available well in time before the expiry of the present Convention. The last Convention Committee itself thought that it would be proper if all aspects of Railway Finance were before the next Convention Committee, so that it could make very objective recommendations. There are one or two factors which are at present rather uncertain. The new freight structure was introduced only in October last and the full impact of the new freight structure could not be assessed at present. Some time will have to be given for that, so that realistic estimates of the results of the new freight structure could be made.

Then again, as the House is aware, the Pay Commission is sitting and we are expecting the recommendations of the Pay Commission also. It is very difficult to say what the recommendations of the Pay Commission will be, but in any case they will have a bearing on the Railway Finance also.

Apart from this, another advantage in giving one year extension to the present recommendations of the Convention Committee will be that the recommendations of the Convention Committee and the Plan period will be coterminous. That will be a great advantage. Therefore, taking all these factors into consideration, it was thought that it would be desirable and advantageous if the period of this Convention is extended by one year and, therefore, I have come to the House with this Resolution.

Sir, I move.

MR. DEPUTY CHAIRMAN: Motion'  
moved:

"That this House resolves that the period for the continuance in force of the recommendations of the Railway Convention Committee, 1954 approved by this House by a resolution adopted on the 21st December, 1954, be extended by one year up to the 31st March, 1961."

DR. R. B. GOUR (Andhra Pradesh): Mr. Deputy Chairman, when the hon.