

been stated that the Members are informed that the current session of the Rajya Sabha has been extended by one day up to Saturday, the 10th of May, 1958, and the sitting will commence as usual. In that particular list . . .

MR. DEPUTY CHAIRMAN: I know it. Yes, Dr. Kunzru.

**DISCUSSION REGARDING AWARD OF
A CONTRACT TO MESSRS.
ENGLISH ELECTRIC COMPANY
OF THE U.K. BY THE NANGAL
FERTILIZERS AND CHEMICALS
(PRIVATE) LIMITED.**

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, it is my painful duty to raise a discussion on the award by the Nangal Fertilizers and Chemicals (Private) Limited of the contract for the supply, and supervision of erection of electrical equipment to Messrs. English Electric Company of the I.K.

[THE VICE-CHAIRMAN (DR. R. B. GOUR) in
the Chair.]

Sir, the form of the motion is such that it may be thought that I was opposed to the English Electric Company. But I am not, Sir, opposed to, or in favour of, any particular company. I am concerned only with the terms of the contract, which I propose to examine presently. Sir, is there anybody belonging to the Commerce Ministry who is present here?

SHRI AKBAR ALI KHAN (Andhra Pradesh): Yes, Mr. Satish Chandra is there.

SHRI H. N. KUNZRU: Sir, the Nangal Fertilizers and Chemicals (Private) Limited invited tenders last year for the supply of the electrical equipment for the electrical sub-station and for the rectifier. They were to do two things. They were

to manufacture fertilizers and also to manufacture heavy water. These two equipments, namely, the electrical sub-station and the rectifier, were wanted for these two purposes. The tenders were to be received by the 5th July 1957. Fifteen tenders were received from different countries. When they were opened exactly, I do not know, but they were not opened publicly. Now I should like to know why it was that the tenders were not publicly opened. Sir, the tenders, after being opened, were examined by the N.F.C.L. engineers, the Atomic Energy of India engineers and the consultants of the N.F.C.L. and the Vitro Engineering Corporation of New York. They examined the tenders separately. And subsequently they examined them together. Well, discussions were held with individual firms, and as a result of those discussions, four firms, one of which was an Italian firm, one a Swiss firm, one a Swedish firm and one a Belgian firm, were invited to be present on the 30th September when the Board of Directors was to select the best tender. It is understood that after considering the technical matters and the terms of credit, the Technical Committee of the Board of Directors, which consisted of the engineers whom I have already referred to, selected the tender of the Italian firm. Now the name of the Italian firm in English is 'The General Electric Company'. According to its Italian name, 'C.G.E.' would be the abbreviation of its name. I shall, therefore, refer to it as 'C.G.E.'. But the Board of Directors who considered the question on the 30th of September, it is understood, arrived at no final decision on that day. So far as I have been able to ascertain the position, they could not do so because the representative of the Finance Ministry insisted that the offer of the English Electric Company, which had been apparently rejected by the Technical Committee, should be reconsidered. The four firms that I have already referred

[Shri H. N. Kunzru.]

to, namely, the Italian, the Swiss, the Swedish and the Belgian firms, were told that the matter would be considered again on the 9th October by a Sub-Committee of the Board, which would decide the matter finally without any reference to the Board. Now the Sub-Committee, I understand, met on the 9th October and accepted the tender of the 'C.G.E.'. On the 24th October, however, the C.G.E. and the English Electric Company were asked to extend the validity of their tenders up to the 15th November. I think the tenders were originally valid up to the 15th October. In the beginning this was done probably because the Finance Ministry was unwilling to accept the tender of the C.G.E. and wanted to have some time for further negotiations with the English Electric Company. Well, Sir, in the beginning of November 1957, the C.G.E. was told that the Finance Ministry wanted it to reduce the sterling payment demanded by it as soon as the contract was signed. The C.G.E. had asked for a payment amounting to 10 per cent, of the order broken up into 3.5 per cent, to be made in rupees and 6.5 per cent., that is about £ 93,000 in pound sterling. The Finance Ministry wanted the C.G.E. to reduce this sterling payment demanded by it on the placing of the order. The C.G.E. agreed to do so and reduced its demand from 6.5 per cent, of the order to 5 per cent, of the order but asked that the balance of 1.5 per cent, should be paid 20 months after the placing of the order. Till 15th November, however, no decision was arrived at and the companies concerned, that is the C.G.E. and the English Electric Company, were asked to agree to extend the validity of their offers up to the 15th December. The C.G.E. was told that the Finance Ministry did not want to be required to make any payment in foreign exchange for 36 months but that it was prepared to pay a higher price, that

is, it was prepared that the total demand should be raised in return for the postponement of any payment in sterling for 36 months. On the 21st November, the C.G.E. agreed to accept the 10 per cent, payment, that it had demanded partly in rupees and partly in sterling, entirely in rupees provided the total sum to be paid by the Government of India was raised by 5 per cent, and provided also that the Government agreed to transfer 65 per cent, to Italy in 24 months. The Finance Ministry, however, still insisted that no foreign exchange payment should be demanded for 36 months and seemed to have said again that the price demanded by the firm could be increased and the period for which it was prepared to give credit could also be reduced from 65 months to 50 or 51 months. The C.G.E., on the 27th November, seems to have made two offers. One was that the price should be increased by 6 per cent., that the period for which credit was to be given was to be reduced from 65 to 51 months, and the advance payment to be only 3.5 per cent, in rupees in 36 months. The other offer was that the price should be increased by 10 per cent. Then there would be no reduction in the period for which the company was prepared to give credit and the advance was to be only 3.5 per cent. in rupees. Negotiations went on and various offers were made by the C.G.E. On the 4th December it agreed that the increase of 6 per cent, in price which it had demanded should be reduced to 5 per cent. Again, in spite of all these things, the Finance Ministry could not make up its mind. On the 13th December the companies were asked to extend the validity of their offers by one week. The C.G.E. agreed to the extension and reduced the price that it had demanded formerly as follows. The first offer was that the increase in the price may be reduced from 5 per cent, to 4 per cent, and that the period of credit should be 51 months, The other was— corresponding to the

second offer which it had made earlier—that the price should be reduced from 10 per cent, to 7½ per cent, and that the total period of credit should be 65 months, and in either case no foreign exchange was to be demanded for 36 months.

As I have already said, this was the offer made by the C.G.E. along with its consent to the extension of the validity of its offer by a week. But it was told on the 14th that its offer was received too late and that the Finance Ministry had already arrived at a decision in favour of the English Electric Company. I would like to draw the attention of the House again to the fact that both the English Electric Company and the C.G.E. were asked on the 13th December to allow the validity of their offers to be extended by a week. Yet on the 14th, the following day, when the C.G.E. made a better offer than any that it had made till then, it was told that it had made its offer too late and that a decision had already been arrived at in favour of the English Electric Company. Now I would like the Government to explain this as to how is it that before the expiry of the period for which the validity of the tenders was extended, a decision was arrived at in favour of the English Electric Company. The natural thing to do would be to wait till the extension was about to expire in order to see how far the companies concerned were prepared to go till the eleventh hour and then to make a decision but here at the very commencement of the period of extension, the Government arrived at a decision in favour of the English Electric Company. Now I shall examine the terms—that were originally offered, that were offered by the C.G.E. to begin with, and the terms offered by the English Electric Company which apparently have been accepted. We shall know the facts only when the Minister of Commerce and Industry places the contract entered into with the English Electric Company on the

Table of the House and I ask that this contract should be placed on the Table of the House.

According to the information that I have, the final price demanded by the C.G.E. was about £ 1,430,000 while that demanded by the English Electric Company was roughly about £ 1,489,000 and odd or £ 1,490,000. But there was a price variation clause in the terms offered by the English Electric Company to the effect that if prices rise, it would be entitled to increase the price demanded by it, by not more than 5 per cent. I do not know whether the English Electric Company has actually increased the price originally demanded by it, by 5 per cent. But if my information is correct, it has already made it clear to the Government of India that its original offer should be increased by 5 per cent, on account of increase in prices. Therefore, the total sum that the Government of India will have to pay to it will amount to about £ 1,560,000. Not all of this certainly will have to be paid in pounds sterling. Some of it will have to be paid in rupees. The C.G.E. wanted only 3½ per cent, of the payment to be in rupees. The English Electric Company was prepared to accept 20 per cent, of the payment of the advance in rupees. It may, therefore, be said that there was here a very important factor in favour of the English Electric Company. Well, let us, Sir, examine this thing. It is clear from the terms that I have quoted that the English Electric Company was prepared to accept 16½ per cent, and after taking into account the preparedness of the C.G.E. to accept 3½ per cent, of the price in rupees, the English Electric Company had an advantage over it in respect of a payment of 16½ per cent, of the price, because it was prepared to accept 16½ per cent more of the price in rupees. Now I want to examine this with the aid of such figures as I have been able to collect.

[Shri H. N. Kunzru]

I have already informed the House that the price demanded by the English Electric Company was originally higher than that demanded by the C.G.E. Subsequently as I have already pointed out, the price demanded by the English Electric Company was raised by 5 per cent. These two factors are very important and must be kept in mind in comparing the terms offered by the two companies. But this is not all.

There is another factor too which should be considered. I understand that the English Electric Company will be paid freight and insurance charges in sterling, while the C.G.E. was asked, to accept payment for these charges in rupees. So how much more will the Government have to pay, I cannot say. But this again is a very important factor that ought to be borne in mind in comparing the relative merits of the two offers.

I think that there are some other features of the terms offered by the two companies to which I should draw the attention of the House. I have already said that the C.G.E. demanded advance payment of 10 per cent, of which 6.5 per cent, was to be paid in pounds sterling. But the next payment demanded by it was to fall due 39 months after the placing of the order, and that was 10 per cent, of the total cost of the order. That means that after making the advance payment of 10 per cent, of which 6.5 per cent, was to be in pounds sterling, the Government was to pay 10 per cent, more in sterling 39 months after the placing of the order. The English Electric Company was prepared to accept an advance payment of 20 per cent, in rupees. This has to be considered in relation to the factor that I have already pointed out. But the additional factor to which I want to draw the attention of the House is that an additional payment of 10 per

cent, was to be made in pounds sterling 30 months after the order was placed. The Finance Ministry which was insistent that no foreign exchange payment should be demanded for at least 36 months, agreed to pay 10 per cent, of the total cost of the order in pounds sterling after 30 months.

Then take, Sir, some other features of the terms offered by the two companies. I have already said with regard to the offer of the C.G.E. that 10 per cent, of the price was to be paid in pounds sterling 39 months after the placing of the order. The next payment of 20 per cent. In sterling was to be 54 months after the placing of the order. But the English Electric Company demanded 10 per cent, in pounds sterling 30 months after the placing of the order; 10 per cent, in pounds sterling 42 months after the placing of the order, 15 per cent, in pounds sterling 48 months after the placing of the order and 15 per cent, in pounds sterling 54 months after the placing of the order.

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Therefore, while only 20 per cent, more of the payment was to be made in pounds sterling to the C.G.E. 54 months after the placing of the order, about 50 per cent, was to be paid to the English Electric Company within 54 months of the placing of the order. Now, Sir, let alone the increase in price agreed to by the Finance Ministry, are the terms offered by the English Electric Company as regards payment in foreign currency really better than those offered by the C.G.E.? A comparison between the figures that I have already mentioned would be enough to show that here again some extraneous considerations seem to have influenced the Government of India. I say "extraneous" because there is nothing in the terms of the two companies which would incline any one in favour of the English Electric Company. I

want, therefore, to have a full explanation of the matter from the Ministry of Commerce and Industry.

There is one more fact, Sir, which I should like to place before the House. I do not want to weary it with facts and figures but the point that I am going to raise now is so important that I do not think I should omit to mention it. I understand that the English Electric Company was paid ten per cent, of the price before the letter of instructions and the contract were finalised. I believe that this ten per cent, of the price would amount to about nine or twenty lakhs. I should like to know whether my information is correct. If it is, how did it happen that before the letter of instructions and the contract were finalised the company was given so large an advance?

Finally, Sir, I should like to know how it is that the Finance Ministry took so much of interest in this matter. Is it really customary for the Finance Ministry to decide on its own responsibility which offer should be accepted when any contract is to be placed by the Commerce and Industry Ministry? If that is not the procedure and the Commerce and Industry Ministry has the right to decide 'finally, of course,, after consultation with the Finance Ministry, which offer should be accepted, how did this happen? I can understand, Sir, the anxiety of the Finance Ministry in the settlement of the terms of the contract. I can understand its anxiety to secure terms that would not place a strain on the foreign exchange resources of the Government of India but the facts that I have cited do not show that the final acceptance of the terms of the English Electric Company had anything to do with the temporary saving of foreign exchange. The Technical Committee, as I have already pointed out, approved of the offer made by the C.G.E. Then, the sub-committee of the Board of Directors confirmed its

choice. Normally, I suppose that when the decisions of the Board and its Technical Committee are forwarded to the Government of India, they are accepted. How is it that the normal practice was departed from in this case when the terms of the contract did not justify it?

, I am sorry to have had to bring this matter before the House. I have done so because I think it is a matter of great public importance that our contracts should be placed in such a way as to create no feeling of anxiety in the public mind. We ought to be sure that the question would be decided on its merits and that everybody would be able to see that the negotiations were carried on in a fair and frank manner. In this particular case, it seems—my suspicion is—that one company was asked to alter its terms in favour of the Government. When it agreed to do so, the other company was asked to reduce its terms further. If it did not do so, perhaps it was told that it would lose this contract. This kind of thing went on but, in the end, in spite of the prolonged negotiations that took place, prolonged and somewhat surprising negotiations that took place, the choice seems to have been based not on the total amount to be paid or on the amount to be paid initially in sterling but on some other considerations. I say, "on some other considerations" on a comparison of the offers made by the two companies which I have placed before the House.

Now, I hope, Sir, that the Minister of Commerce and Industry, when he replies, will think much more of the necessity of raising the prestige of the Government of India in the eyes' of the people than in trying to protect a Ministry from criticism. Only a full and frank statement of the facts in this case will satisfy the House. Unless this is made, I am

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[Shri H. N. Kunzru] sure suspicions will linger in our minds and the effect may be as bad as that of certain other transactions has been.

THE VICE-CHAIRMAN (DR. R. B. GOUR) : Dr. Kunzru has raised a discussion on the award by the Nangal Fertilizers and Chemicals (Private) Limited of the contract for the supply; and supervision of erection of electrical equipment to Messrs. English Electric Company of the U.K. It is just a discussion, and let me make it clear that after the Minister's reply, it will end. ' Any hon. Member who would like to make observations on this is at liberty to do so.

THE DEPUTY MINISTER OF COMMERCE AND INDUSTRY (SHRI SATISH CHANDRA): Mr. Vice-Chairman, ' it' is for this House to consider to what extent we should go into the minute details of a company transaction on the basis of some information which has been privately supplied to an hon. Member. I have got highest esteem for Pandit Kunzru and whatever falls from his lips has always great appeal to me, but I must say that on this occasion he has taken up a case on the basis of facts which are not correct. It is difficult for this House to follow all the details, all the Statistics that he has given and it will be unfair if this House forms some impressions which may or may not be correct. I am quite sure that the facts cannot be easily understood if they are narrated in the way he has done.

Anyway, Sir, it has become my duty to say a few words. In the very beginning of his speech, Pandit Kunzru said that the la'st date for receiving tenders was 5th July and that 15 tenders were received. This information itself is not correct; he started with that. The last date for receiving tenders was 15th July and 21 tenders were received from firms in various countries.

SHRI H. N. KUNZRU: I did not say 5th July.

SHRI SATISH CHANDRA: That is how I understood him; 5th July and 15 tender's.

SHRI H. N. KUNZRU: Not 5th July.

SHRI SATISH CHANDRA: Anyway, these tenders were very carefully considered first by a technical committee appointed by the Board of Directors of the Nangal Fertilizers, then by a sub-committee of the Board of Directors, by another sub-committee of the Board of Directors and then again by the Board of Directors, before their recommendations were made to the Government. An important point arises, here. On many occasions we are told that we interfere too much in the autonomy of the various companies and corporation's which have been set up by the Government and yet on several other occasions we are called upon to examine everything that is going on in those companies. A detailed examination of the tenders is not an easy matter in the case of large orders of a technical nature placed from time to time by these companies. The recommendation made to us by the Board of Directors on 12th October 1957 was based on the tenders that had been received and fully examined. The figures about ...

SHRI H. N. KUNZRU: -What is the date?

SHRI SATISH CHANDRA: 12th October 1957. That is the date on which either the Government received the recommendation from the Board of Directors or maybe that the letter was dated the 12th and we got it on the 13th. We in the Government proceeded on the basis of the recommendations received from the Board of Directors. In this connection I would like to point out, Sir, that it is not correct to say that the technical committee and the sub-committees of the Board of Directors had all recommended C.G.E. and the

Government turned down the proposal and made a choice in favour of English Electric Company. In fact the technical committee which had examined and found the equipment of some manufacturers equally satisfactory from a technical point of view, had made several suggestions, including a few combinations and permutations such as recommending one company for Part A of the order and another for Part B company. All these recommendations were not examined by the Government. They were examined by the Board of Directors and the Board of Directors finally recommended to the Government three combinations : C.G.E. for both Part A and Part B and English Electric Company for both Part A and Part B. The third combination they suggested was the A.S.E.A. of Sweden for Part A of the order and the Oerlikans of Switzerland for Part B. These were the recommendations made to us. Their first preference was for C.G.E. because their offer in terms of value was the lowest. But there were several other factors to which I will come presently and which had to be taken into account.

[MR. DEPUTY CHAIRMAN in the Chair]

The letter of recommendation said that though the offer of the English Electric Company was slightly higher in value it had offered more favourable foreign exchange terms and the Government might consider whether, from the point of view of foreign exchange it would not be better to place the order with the English Electric Company. It was not an unequivocal recommendation for C.G.E. and rejection of the English Electric Company altogether. They said that the offer of the C.G.E. was the best but all the same, the Government might consider the offer of the English Electric Company which had given better foreign exchange terms. The latter company has offered to take 20 per cent, of the price, which comes to about Rs. 50 lakhs or so, in rupees and invest it in India.

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Here I would give the figures and like these figures to be compared with the figures which Pandit Kunzru had given. The f.o.b. price quoted by C.G.E. in their tender was Rs. 1,91,42,965. My figures are in rupees and it is difficult to compare them because the figures of Pandit Kunzru were in pounds. The statement before me gives all figures in rupees. Their quotation was Rs. 1,91,42,965. Erection and supervision charges to be paid to C.G.E. were Rs. 6,35,460 making a total of Rs. 1,97,78,425. According to the deferred payment terms the interest charges worked out to Rs. 35,93,413.

SHRI M. C. SHAH: (Bombay): What was the percentage of interest?

SHRI SATISH CHANDRA: I could not give you straightway. We worked out on the basis of the terms offered to us.

SHRI H. N. KUNZRU: I should like to have more information about the rate of interest because I suppose the Bank of England rate at that time was 7 per cent, and so I suppose this company also demanded seven per cent. Therefore I should like to know the rate of interest charged by the C.G.E.

SHRI SATISH CHANDRA: I suppose, it was not the percentage that was mentioned in the tender, but the financing charges were included as a lump sum.

SHRI M. C. SHAH: So far as deferred payments are concerned, there must be some rate of interest. If a certain sum is to be paid by 1960, then there will be so much interest; if it is to be paid later on, say, in 1961, 1962 and so on, there will be so much interest.

SHRI SATISH CHANDRA: That would be correct if we were to lend money to others and prescribe our terms. Financing charges were included in the tender along with the

[Shri Satish Chandra.] particulars of deferred payment terms They had perhaps calculated it on the basis of the rate of interest they wanted to charge on their money . . .

SHRI M. C. SHAH: Government are not lending. But the company was lending to Government on deferred payment basis and, therefore, there must be the rate of interest.

SHRI H. N. KUNZRU: Noi Sir, this is an important matter. Did! not the Government of India ask the two companies at what rate they computed the interest?

SHRI SATISH CHANDRA: These rates I would certainly find out.

MR. DEPUTY CHAIRMAN: He says it is financing charges, not interest.

SHRI M. C. SHAH: Financing charges must mean the interest rate. It is common knowledge that from the financing charges you can find out what is the interest rate.

SHRI SATISH CHANDRA: I will have to get the tenders from the Nangal Fertilizers and examine the basis on which they have calculated the financing charges. As I said, I have not got the figures now.

MR. DEPUTY CHAIRMAN: What they want to know is after you have looked into it, can you give that information to the House?

SHRI SATISH CHANDRA: I can certainly place a statement on the Table of the House, after making enquiries as to whether they have mentioned the rate of interest in the tenders or if the figures are available.

DR. R. P. DUBE (Madhya Pradesh): In which year this tender was accepted?

SHRI SATISH CHANDRA: I shall find out the figures and place them on the Table of the House. They must have calculated it on some basis. But I have got the total figures ...

SHRI H. N. KUNZRU: This will have relevance to the period for which the credit was given and we should, therefore, know what was the period in either case.

SHRI SATISH CHANDRA: I will come to the period also a little later. Pandit Kunzru has mentioned the period and I will give him exactly what the position is. Now, out of this total amount of Rs. 2,33,71,838, in the case of C.G.E. a sum of Rs. 4,01,129 only was to be paid in rupees. Rs. 1,93,77,296 was payable in foreign currency out of the f.o.b. price, and the erection and supervision charges. The entire amount of Rs. 35,93,413, i.e., interest charges, was also payable in foreign currency. Therefore, the total amount payable in foreign currency worked out to Rs. 2,29,70,709.

SHRI H. N. KUNZRU: Now, since the hon. Minister has given the interest charges, can he tell us now the period to which this amount related, and the rate of interest?

SHRI SATISH CHANDRA: I shall be coming to the period. This sum of Rs. 2,29,70,709 was demanded in the tender in foreign currency and only a sum of Rs. 4 lakhs was acceptable to the firm in Indian currency. Ten per cent of both the sterling portion of the f.o.b. price and some advance payment in respect of interest charges—amounting to Rs. 18,95,153 and Rs. 351,593 respectively—were demanded as downright payment. The balance was payable in instalments from 1st November, 1958 to 1st December, 1963. These are the tender figures.

Now, the tender figures of the English Electric Company were: f.o.b. price Rs. 2,09,73,142. This

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was higher than that of C.G.E. Erection and supervision charges, Rs. 4,21,000, were lower than those of C.G.E., making a total of Rs. 2,13,94,142. The interest charges for English Electric Company were Rs. 26,74,000, which was about Rs. 9 lakhs less than that of C.G.E.

My hon. friend referred to an increase in price by five per cent demanded by English Electric Company after these negotiations had taken place. I may correct his impression. In the tender itself the English Electric Company had stipulated that if the prices of raw materials and other costs went up in their country, the price that they are quoting could be varied to the extent of 5 per cent. They could increase it by five per cent. We have calculated that figure. The 5 per cent escalation came to Rs. 10,48,000. Therefore, the total, including this five per cent which was mentioned in the tender and was not an after-thought of the company came to Rs. 2,51,16,142. They demanded 10 per cent on order in rupees; 10 per cent on 1st May, 1957 in rupees; and balance, 80 per cent, in foreign exchange from 1st May, 1960 onwards. The first payment in foreign currency therefore fell due on 1st May, 1960. The rest was to be paid in instalments up to 1st November, 1962. These were the figures quoted in the tender. After that the managing director and the board of directors . . .

SHRI M. C. SHAH: How much in excess the English Electric Company's quotation was when compared with the other company?

SHRI SATISH CHANDRA: The English Electric Company's figure was more by about Rs. 22 lakhs . . .

SHRI M. C. SHAH: That too including those interest charges—less as you say.

SHRI SATISH CHANDRA: I am sorry. The total payment that I mentioned for C.G.E. was I

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Rs. 2,33,71,000 and here the total was Rs. 2,51,00,000. So, about 18 lakhs more.

SHRI M. C. SHAH: That means that includes less amount of interest. Interest was less in the case of English Electric Company. The bank rate was 7 per cent. So, it must be 7 per cent.

SHRI SATISH CHANDRA: I have included interest charges in the figures I am giving. At this stage the negotiations started with these companies and both of them offered reductions. English Electric Company made an offer according to which their prices were reduced and the original figure of Rs. 2,51,16,142, including interest charges and escalation came down to Rs. 2,39,48,363.

SHRI H. N. KUNZRU: May I suggest to the hon. Minister that he should drop the thousands and hundreds when he gives the figures. Otherwise it would be impossible to follow him.

SHRI SATISH CHANDRA: I would be very glad to do it, but sometimes there are objections that the correct figures are not given.

SHRI M. C. SHAH: Lakhs would be quite all right.

SHRI SATISH CHANDRA: I will give the figures in lakhs now. So, this Rs. 2,51,00,000 which was* the original offer of the English Electric Company was reduced to Rs. 2,39,00,000, in which the foreign exchange commitment was Rs. 1,88,00,000. It is not exactly 80 per cent. % of the total amount because the erection charges and several items are to be paid in rupees. So it would not work to an exact 80 per cent. It is 80 per cent, of the f.o.b. price for plant and equipment. This is the final offer which we have considered.

Now in the case of the C.G.E., they came out in quick succession with several offers in the month of Novem-

[Shri Satish Chandra.]
ber. Almost every third day or fourth, they would put up a fresh proposal, and the proposals were complicated—"we reduce the foreign exchange but our price will be so much", "we reduce in this item but we will increase in that item" and so on. The first quotation in the tender was these figures are taken from the original offer of the C.G.E.—"f.o.b. price Rs. 1,91,00,000"—I have already read out those figures. Now, the offer that we got from them on 27th November, 1957 was the last of the series before us when a decision was taken. This offer was also in two forms. They said "either accept mode first or mode second". According to the first mode the price of equipment was Rs. 2,10,00,000. According to mode second the price was Rs. 2,02,00,000. Erection and supervision charges were the same, Rs. 6,35,000. Interest charges were Rs. 42 lakhs in mode first and Rs. 28 lakhs in mode second. The money payable in rupees according to the first alternative was 5 per cent, of the f.o.b. price, and that worked out to Rs. 7,37,000. According to mode second it was Rs. 7,10,000. The erection and supervision charges were to be paid to the other company in rupees only. Here they said that they would take 33 per cent, of the erection and supervision charges in rupees and the rest in foreign currency. Therefore, the amount payable in foreign currency including interest charges worked out to Rs. 2,50,00,000 according to the first alternative, and Rs. 2,28,50,000 according to the second alternative.

As far as the deferred payment terms were concerned, they were also different for the two alternatives. They offered to take in blocked rupees 3 per cent, of the f.o.b. price, the balance payable between 1st November, 1958 and 1st December, 1963; but payment of foreign exchange costs on f.o.b. price would start 36 months after order; in the second alternative, the balance payable between 1st November, 1958 and 1st December, but payment of foreign exchange

costs on f.o.b. price to start 36 months after order and to be completed in 51 months after order. This was the offer which we were comparing with the offer of the English Electric Company when it was decided on 10th December, 1957 to place the order with the English Electric Company.

SHEI H. N. KUNZRU: Did you ask for an extension on the 13th December or not, extension of the validity of the offers?

SHRI SATISH CHANDRA: Government did not ask for any extension. Government had taken a decision on the 10th December. I can assure the hon. Member that the decision was finalised on the 10th December, 1957, and the decision had been taken at the highest level. The Minister of Commerce and Industry and the Minister of Finance had both concurred and passed orders and decided on the 10th December that the order should be placed with the English Electric Company. Now, comparing these two latest offers which we were considering at that time, the offer of the English Electric Company, which was Rs. 2,39,48,000...

SHRI H. N. KUNZRU: Please drop the thousands.

SHRI SATISH CHANDRA: I have to give them at this stage because I have to make out a case. This is the last one I say so because the difference is not even Rs. 2 lakhs. It has been said that the difference is Rs. 15 lakhs or more. The difference between the offer of C.G.E. and the one we were considering was less than Rs. 2 lakhs—Rs. 2,39,48,000 of English Electric Company and Rs. 2,37,70,000 in the case of C.G.E. As against this, the foreign exchange payable to the English Electric Company was only Rs. 1,88,00,000 as compared to Rs. 2,28,00,000 to C.G.E., making a difference of Rs. 40 lakhs. As far as the Ministry of Commerce and Industry concerned, we would have been happy if the order

went to either of the companies. But the Finance Ministry which was at that time greatly worried on account of the foreign exchange shortage considered it wiser to pay extra svim of about Rs. 1,75,000 than spending extra foreign exchange to the extent of Rs. 40 lakhs in placing an order valued at about Rs. 2,37,00,000. I have stated the facts and request the House to consider the matter in this context. If any other explanation is wanted, I am prepared to give it. But this sum of Rs. 1,70,000 or whatever the difference may be has been over-paid to nave foreign exchange of Rs. 40 lakhs, in good faith. The English Electric Company which were to be paid 20 per cent, initial amount in rupees were asked as to how they would utilise that amount in India. They replied to us that they had already been licensed for putting up a switch gear factory near Madras and that they would invest this amount there as the capital issue had already been sanctioned. They would invest the amount in an Indian industry and manufacture electric goods in India. That was an additional factor. We were satisfied that this amount would not go out, that the 10 per cent, which has already been paid has been utilised by them as the initial capital of the company, and that the next 10 per cent, would also go towards the development of their factory.

SHRI H. N. KUNZRU: May I interrupt? The information that he has given is very interesting. If the English Electric Company were going to put up another factory for the manufacture of Switch gear, were they not prepared to get money from England, that is, to sell sterling to the Government of India in order to get the rupee if they wanted it? If it was so, then what has the Government of India gained by giving them rupees without getting any foreign exchange from them? I do not see that on the total transaction there is any advantage to the Government of India. ff''

SHRI SATISH CHANDRA: The hon. Member has got a lot of experience and he knows that in any industrial enterprise that is set up, even if we have to import all the plant and equipment from a foreign country, about 50 per cent, of the money has to be found in India for rupee expenditure for land, buildings, etc.

SHRI H. N. KUNZRU: The hon. Member has not understood my point. Would the switch gear factory belong to the English Electric Company or is it going to be put up on behalf of the Government of India? If it is to belong to the English Electric Company, then it cannot get rupees in India without paying Sterling to the Government of India in exchange for the rupee currency wanted by it in India. This was the basis of my question.

SHRI SATISH CHANDRA: In any new industry that is set up now, we try to impose a condition that the Indian capital must be associated with the foreign firm if it wishes to establish a company in India. In this case ...

SHRI H. N. KUNZRU: I am sorry to interrupt him, but my question has got nothing to do with the investment of Indian capital in the factory. I was not on that point at all. I wanted to know how this company, the English Electric Company, which was going to set up the switch gear factory was going to get rupees at all for expenditure in India, without paying a corresponding amount of Sterling to the Government of India.

SHRI SATISH CHANDRA: A separate company has been registered for the purpose and a factory is to be established with the technical collaboration and financial participation of the English Electric Company, but Indian capital is also to be associated with it.

MR. DEPUTY CHAIRMAN: What he is saying is, by making this concession to this company, you have lost

[Mr. Deputy Chairman.] some Sterling which they would be bound to pay to your credit in London if they had to import that machinery into India. I think I am right.

SHRI H. N. KUNZRU: Yes, Sir. I think so.

SHRI SATISH CHANDRA: They would have to bring here the equipment required for that factory. The rest of the capital was to be raised in India. They will still bring the plant and equipment to India. They were unable to raise from internal resources the rupee capital. They were finding difficulties in raising capital in Madras from Indian entrepreneurs. Therefore, they said, that they would utilise this sum for the development of the industry in India. Am I clear, Sir? May I proceed?

I have mentioned these things because my esteemed friend said that there was some extraneous consideration weighing with someone in the Government of India. Well, if this could be regarded as an extraneous consideration, we could say that it was there. For a very small amount, we were getting a saving in foreign exchange and we were expediting the development of a new industry. Taking all these factors into consideration, the Government thought it fit that the order should be placed with the English Electric Company and not with the C.G.E. I may say . . .

SHRI H. N. KUNZRU: I may apologise to the hon. Member for interrupting him. I am indeed very sorry to do so. But, suppose the Government of India had not given the English Electric Company the rupees that it has done, where would this factory have got the rupees from? The hon. Member did not listen to me. Here is a certain amount of money which the English Electric Company will get from the Government of India in rupees. Suppose it had not got this money from the Government of India, where would it have got it from?

SHRI SATISH CHANDRA: The project was held up for that reason. We would have waited and waited till they perhaps earned some rupees out of their sales of plant and equipment to our projects. Probably, this factory might have come into existence a few years later. That is all that I can say. Or they had to find out some Indian partners who were prepared to finance their scheme. The licences had been issued but the project was not making any progress, and this factor was considered. We were facing foreign exchange difficulties and their terms were better from this angle and therefore we considered their offer favourably. We thought by doing so, a double purpose would be served. I have mentioned . . .

MR. DEPUTY CHAIRMAN: Perhaps, it is a mutual bargain. India gains some Sterling money and England gains some rupee money. I think . . .

SHRI H. N. KUNZRU: I do not fully understand him, but I do not want to interrupt the Minister any more.

SHRI SATISH CHANDRA: Pandit Kunzru also said something about the shipping freight and insurance charges. Well, that matter did not escape our attention and it was examined. We were advised that the freight amount could always be remitted by any shipping company or any airline in foreign exchange to any country. The more important thing is whether the plant and machinery is brought to this country in Indian ships or foreign ships. Even if C.G.E. says that it is prepared to take the freight charges in rupees, that offer is immaterial because that freight amount in any case can go out of the country. Even in the case of the English Electric Company, an attempt is being made to see that, if we are able to get Indian ships, the plant and machinery should be brought to India in Indian bottoms. How far we shall succeed in that, I do not know.

Sir, I do not want to take much time of the House. The offers of the English Electric Company and the C.G.E. were sent to us. The offer of C.G.E. was recommended. There was an indication that we might consider the offer of the English Electric Company if the foreign exchange position made it necessary. In the light of what I have said, I can assure the hon. Member and this House, that decision has been taken in good faith and it is in *no* way disadvantageous to the country except to the extent of the amount of Rs. 1,70,000 which shall be paid in excess *to* the English Electric Company over and above the money that we would have paid to C.G.E. This has been done in view of the considerations I have mentioned to the House.

The frequent changes in the offers of C.G.E. in quick succession, indeed, also slightly disturbed us. If there had been firm offers, we would have had enough time to consider them more fully. Pandit Kunzru mentioned about some subsequent offers received by us; they came to the Government's notice after a decision had been taken at the highest level.

He referred somewhere to the extension of the offer. I have not heard of it nor do I know about it. As far as the Government is concerned, it was not done. I will be prepared

to give any other information in this connection if that is desired.

Thank you, Sir.

SHRI H. N. KUNZRU: Will the contract entered into with the English Electric Company be placed on the Table of the House?

SHRI SATISH CHANDRA: The contract has not yet been signed. The advance amount which was to be given with the placing of the order for plant and equipment has been paid—10 per cent, in the beginning. The letter of instruction is being finalised. It has to take into account numerous details about shipping, inspection and other arrangements. All these negotiations take a little time. Legal advice has to be taken. It is to be vetted by appropriate authorities. It has not been finalised yet. As soon as it is signed, I think there should not be any serious objection to placing it on the Table of the House.

MR. DEPUTY CHAIRMAN: The discussion is over. There is no other business before the House.

The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at fifty minutes past four of the clock till eleven of the clock on Saturday, the 10th May, 1958.