

FIRST ANNUAL REPORT OF THE NANGAL
FERTILIZERS AND CHEMICALS (PRIVATE)
LIMITED AND THE AUDIT REPORT
THEREON

THE DEPUTY MINISTER OF COMMERCE AND INDUSTRY (SHRI SATISH CHANDRA): Sir, I beg to lay on the Table, under sub-section (1) of section 639 of the Companies Act, 1956, a copy of the First Annual Report of the Nangal Fertilizers and Chemicals (Private) Limited for the period ending on the 31st March, 1957, together with a copy of the Audit Report and the comments of the Comptroller and Auditor-General of India thereon. [Placed in Library. See No. LT-383/57.]

NOTIFICATIONS UNDER THE EMPLOYEES'
PROVIDENT FUNDS ACT, 1952

THE DEPUTY MINISTER OF LABOUR (SHRI ABID ALI): Sir, I beg to lay on the Table:

1. Under sub-section (2) of section 7 of the Employees' Provident Funds Act, 1952, a copy each of the following Notifications of the Ministry of Labour and Employment:—

- (i) Notification S.R.O. No. 3374, dated the 10th October, 1957, publishing an amendment in the Employees' Provident Funds Scheme, 1952.
- (ii) Notification S.R.O. No. 3375, dated the 10th October, 1957, publishing an amendment in the Employees' Provident Funds Scheme, 1952;
- (iii) Notification S.R.O. No. 3376, dated the 10th October, 1957, publishing further amendment in the Employees' Provident Funds Scheme, 1952;

[Placed in Library, See No. LT-386/57 for (i) to (iii).]

2. A copy of the Ministry of Labour and Employment Notification S.R.O. No. 3411, dated the 16th October, 1957, extending the Employees' Provident Funds Act, 1952, to the coffee curing establishments.

3. Under sub-section (2) of section 4 of the Employees' Provident Funds Act, 1952, a copy of the Ministry of Labour and Employment Notification S.R.O. No. 3067, dated the 19th September, 1957, adding the following industries to Schedule I to the said Act:—

- (i) The Industrial and Power Alcohol Industry;
- (ii) The Asbestos Cement Sheets Industry. [Placed in Library. See No. LT-365/57 for 2 and 3.]

THE INDIAN TARIFF (AMENDMENT) BILL, 1957—continued

DR. R. B. GOUR (Andhra Pradesh): Mr. Chairman, yesterday we heard the good speech of the hon. Minister commending the Indian Tariff (Amendment) Bill as passed by the Lok Sabha. I would feel satisfied if my speech at this stage could provoke him to deal with certain of the bad aspects of the proposition under discussion. I think the protection policy and the tariff policy of the Government of India is part of the planned economic activity of our country, and the hon. Minister had told us yesterday that the purpose of this Bill is to extend protection. He dealt with the question of the automobile industry to a great extent. Now this Bill does not cover the automobile industry only. To the other things I will come a little later on. It is true that the protection afforded to this industry is part of the tariff policy of the Government, but at the same time let us know whether the purpose for which protection is extended is served or not, whether there are lacunae in certain other policies of the Government and certain other activities of the Government that nullify the protection given to these industries under the various Acts. So far as the automobile industry is concerned, I think it is also dealt with by the Transport Ministry. So far as the transport industry is concerned, the State Governments also come into the picture. May I refer

the hon. Minister, through you, to the 1954-55 Annual Report of the Ministry of Transport? On page 26 of that report it is said:

"The Transport Advisory Council in its meeting in November 1954 in New Delhi decided that certain measures shall have to be taken for the development of the automobile industry. The State Governments have been requested to take steps for implementing the recommendations of this Conference."

Therefore, when a certain kind of protection is granted to the automobile industry, when the Advisory Council attached to a certain Ministry has taken a certain decision for the development of this automobile industry and its recommendations have already been submitted to the various State Governments because the automobile industry is part of the transport industry and the States have also nationalised the transport industry, we would like to know what steps they are taking, whether they have done anything in this connection or not. I think that the difficulty in our country is not that we have a mixed economy, a public sector and a private sector. We have a mixture of planning and anarchy both. If there is planning on one side, there is anarchy on the other. There may be planning in production, but there is anarchy in prices. There is planning in the Planning Ministry, but anarchy in the Commerce Ministry. There is planning in industry but anarchy in agriculture. There is planning in irrigation but anarchy in land reforms. There is planning in the Centre but there is anarchy in the States except one, Kerala. This is the sad situation facing us today. I would like to tell the hon. Minister that Andhra Pradesh has a very strong State Transport, a very good workshop, but we are faced with a certain problem there. Certain small parts are not manufactured by us, they have to be imported by us and that is adversely affecting the cost of production. May I know whether the Andhra Pradesh Road

Transport Department has entered into any such agreement with the United Kingdom exporters of buses that they have to purchase these small parts from the sellers and they should not manufacture these parts in their own workshops even if they could? I have the information that way but I would stand corrected if the hon. Minister has better information in this regard. I am told that there are certain small parts that could be manufactured in the Road Transport Department workshop in Hyderabad but we are not able to do it because we have entered into certain engagements, if I could use the Foreign Ministry term, with these foreign partners and so we cannot do it. There is certain other information also. For example, the Hindustan Motors have entered into an obligation with Morris Motors in U.K. that if they wanted to manufacture any small parts in this country, they will have to take the prior approval of Morris Motors. We do not know, the Parliament does not know and I do not know whether the Government knows what sort of understandings, engagements or documents pass between these various parties in India and abroad in relation to these developments under the partnership. We would like to know that when we are advancing this protection to an indigenous industry in order that the industry stands on its feet and is able to cater to the requirements of the country and compete with foreigners. Let us examine the question whether the foreigners are getting the benefit or taking away the lion's share of this protection that is accrued to the industry through this legislation. We have these various automobile and certain other industries. In the case of glass it is the Hindustan Pilkington Glass Company. We would like to know what is the arrangement. Because every industrialist may have certain arrangements with foreign partners or with foreign concerns.

THE MINISTER OF INDUSTRY
(SHRI MANUBHAI SHAH): I would not like to interrupt the hon. Member but

[Shri Manubhai Shah.]
as he is dilating on the agreements, I can assure him that all agreements, whether for import or for manufacturing, are well scrutinised by the Government of India and then only approved and they come into force. So such fears as he entertains are not warranted because of those arrangements.

DR. R. B. GOUR: He told us yesterday that some time back there was a wrong policy adopted by the Government in allowing too many models of cars. I would like to know whether in those days any such agreements have been entered into, which are dangerous for our industry? Some time back when the policy of the Government of India was to allow too many models of motor cars to be manufactured adversely affecting our automobile industry itself, in those very times, was it not also Government of India's policy to allow so many technical arrangements? I would like to give retrospective effect to his scrutiny because the protection is to be given to those industries also which have entered into such understandings with foreign countries long before the hon. Minister came into the Ministry that he is now holding. So my doubts are not dispelled even with the hon. Minister's intervention. I do see that yesterday he said that certain requests for increasing the prices have been turned down by his Ministry because he, on careful scrutiny, found that those requests were wrong or not necessary, but I would like to know how many clauses of similar technical arrangements between Indian and foreign parties have been turned down by his Ministry because they had adversely affected our national economy in the past 10 years because we have to very seriously examine this question of this particular automobile industry, particularly when he says that on so many occasions it has to import small parts. About the deletion percentage, he himself complained that foreign parties adopt an attitude which is not helpful to prices of the

commodities we are producing. When such problems are there in relation to the dealings of the foreign parties with our concerns, we shall have to examine the question whether our protection really benefits the indigenous industry or the foreign partners of this indigenous industry.

In this connection I am sorry that I should differ from the Hon. Minister. It is not a question of whether we should have an Ambassador Cruiser car of this type or that. The problem is that the question of *automobile was raised in the country* in relation to our transport industry in general. We have got the nationalised road transport department in every State practically. We have to cater to those departments. We have got a planned road transport allocation for the Second Plan. We want buses and trucks for passenger and goods traffic. So long as goods traffic remains in the private sector, I don't think the State Government will have to deal with trucks except for the P.W.D. where they are the biggest purchasers of trucks. When the State itself, the Government in the State or in the Centre, have to make purchases of the production of the industry for the road transport and P.W.D., then it is incumbent on the State Governments and the Central Government, to see that this automobile industry is encouraged by the States in their own sector. I would like to ask whether the road transport department workshops could be upgraded.

I would like to ask this regarding the small parts. I must say that the modern tendency in the industry is not to manufacture everything in the same workshop from A to Z but to purchase them from some other workshops or industries. This way they have a co-ordinated approach among the various industries. It is more economical for them. For example, the Alwyn Metal Works at Hyderabad are raising the question that if they could get the locks from elsewhere, their safe would be cheaper and if they

have to manufacture the locks, their safe will not be cheaper. Similar is the case with the automobile industry. So, can the hon. Minister tell us if there is one single forging mill in this country which is so important for any iron and steel industry or the automobile industry? Does the Minister or Government not know this, that lack of a forging mill in this country is costing so heavily to even such concerns as Kirloskars, Mahindras or even the Praga Tool Factory in Hyderabad? It is a basic industry. What steps are being taken to encourage such a heavy industry like forging mill, to see that the automobile industry which is given protection under this Bill gets the necessary industrial raw material? My whole complaint is that there has to be a co-ordinated approach not only in the particular department of the Commerce Ministry in the Government of India but also in the other departments as well as the purchasing department of the Government and the State Governments more particularly.

I would like to draw the attention of the hon. Minister to one single point. A forging mill could be established in Andhra Pradesh. There is a company that has already been floated with an authorised capital of Rs. 1 crore and an issued capital of Rs. 80 lakhs but the Government of Andhra Pradesh has not got more than Rs. 5 lakhs. They could mobilize only 25 lakhs. What steps are you taking . . .

SHRI MANUBHAI SHAH: Can you give the name of that factory?

DR. R. B. GOUR: It is not a factory. It is the newly floated company.

SHRI V. K. DHAGE (Bombay): Have they got the permission from the Government?

DR. R. B. GOUR: Yes.

SHRI MANUBHAI SHAH: If he refers to Praga Tools, that has been taken over.

DR. R. B. GOUR: I am saying that a company has been floated with its prospectus printed. The Government have given the necessary licence etc. but the factory is not there. They have the prospectus printed with an authorised capital of Rs. 1 crore and Rs. 80 lakhs issue capital. They could mobilize only Rs. 25 lakhs but the Andhra Pradesh Government gives only Rs. 5 lakhs, the Central Government has no money and Shri T. T. Krishnamachari has not brought anything . . .

MR. CHAIRMAN: Order, order.

DR. R. B. GOUR: Therefore forging mill cannot be started. So the question is not merely this . . .

SHRI AKBAR ALI KHAN (Andhra Pradesh): There is some forging in it.

MR. CHAIRMAN: Order, order. Be a little more slow so that they can appreciate it.

DR. R. B. GOUR: The difficulty is Dr. Dube, being a medical man, does not know the difficulties. He does not know that a forging mill is needed for the automobile industry.

DR. R. P. DUBE (Madhya Pradesh): I think you are going at automobile speed. Whether we understand or not does not matter . . .

DR. R. B. GOUR: The requirements of the Second Plan want us to speed up.

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This is the position. Even in this connection I would say that you will have to coordinate the activities of the various departments. You cannot afford to neglect this industry which is being protected by legislation. That is my complaint.

Sir, coming to another thing—these are very inconvenient corners of the problem into which, of course, the hon. Minister would not like to probe. Sir, he has laid on the Table

[Dr. R. B. Gour].

of this House Tariff Commission's Report on sheet glass industry. It is also protected. In Hyderabad, Sir, there is one factory, Taj Glass Works, which has got a very big sheet glass manufacturing machine but that is closed. You cannot take necessary steps; the State Government does not take the necessary steps; the Central Government does not come to the aid of this factory. Hon. Minister mentioned only four factories in relation to glass industry, whereas we have one very important factory and I am told if encouraged properly, it would be one of the biggest factories in Asia. On the one side, you are protecting an industry, on the other that very industry is being closed. I tell you the State Government has got a number of shares in that industry but proper steps are not taken. What is the use of this protection when you have kept wide openings for ruining the industry, when things are being neglected at some other levels? Take the example of the sugar industry. It is a protected industry. You want the sugar industry should stand on its own feet. We have been complaining to the Food and Agriculture Ministry about corruption in Nizam Sugar Factory in Andhra Pradesh for the last so many months. It is dangerous because the Food Ministry has to deal with sugar industry technically, Commerce and Industry Ministry has to give the protection. The technical problem has to be taken up by the Food and Agriculture Ministry and management has to be run by some other gentleman. These are things which are ruining the industry.

SHRI MANUBHAI SHAH: We are also looking after it.

DR. R. B. GOUR: Think of the factory in which Government has 72 per cent. share. It is not giving as much rate of profit even as a small sugar factory in Andhra Pradesh is doing. It is being mismanaged; it is being badly dealt with. When things are brought to your notice you pass

on the baby to the State Government which passes it on to somebody else. You advance protection, somebody else ruins the industry. If this situation has to continue, then what use is your protection and your Tariff Act?

Sir, I would like to touch upon another point—about the prices—one more point in the automobile industry. The Tariff Commission says that it did not have the necessary time or equipment to go—if I remember correctly, I am quoting from memory—into the technical aspect of each unit. My friend, the hon. Minister, yesterday said that they had investigated the technical side also but they themselves say that they have not investigated the technical aspect in every unit. So, in this case, Sir, I think when the protection is advanced, the whole thing shall have to be gone into in detail. What will be the obligation not merely of the Railway Department or this Department or that department but even of the other State Governments etc., in relation to encouraging that particular industry which is protected?

Sir, then I come to the question dealing with production and price trends in this protected field. The review of work of the Tariff Commission from October, 1956 to September, 1957 was circulated to us during this Session. On page 8 it is stated that the production of cotton belting, which is again a protected industry, has gone down. Elsewhere in this very report it is said that the price of cotton belting has risen. Obviously it is no small thing. What we should do? Why protect the industry? Why has production gone down and why has the price increased? In relation to automobile industry, on page 13 of this Report, it is said that—yesterday he eloquently paid tributes to the good work that this industry has done—the wholesale price of piston rings etc. has increased by about 7 to 10 per cent. during the first quarter of 1957. Why these prices have increased?

Therefore, Sir, it is not merely a question of affording protection to an industry which is facing competition but when the nation is affording a certain protection, the nation has a right to go into the full details about the protection as to how it is being utilised in the development of the industry and to make it stand on its feet. It is not merely a Tariff protection or the protection afforded through this Act, it is a question of an overall policy and coordinated approach, a general policy of encouragement to a particular industry which is being protected under this Act. Even if you give this protection for 25 years but if there is no check on the waste and other things, what is the use of this protection if the Industrial Development and Regulation laws are not brought into force and proper management is not there? I am telling you in relation to the particular factory that I have mentioned. You did not take even the trouble of applying Section 15 of Industries Development Regulation and investigate the whole matter as to what is to be done. They are protected industries. Therefore, Sir, when protection is demanded from a patriotic angle, I think a probe into the affairs of the industry is also demanded and it is absolutely necessary that every step is taken and if necessary you should even force the State Government to take certain steps in relation to the protected industries.

With these words, I conclude at this stage of the discussion.

PROF. A. R. WADIA (Nominated): Mr. Chairman, I must say that I find it extremely difficult to follow this Bill for the simple reason that this is an amending Bill and the main clauses have not been supplied to us. We have to do some little research and go back to the Indian Tariff Act, 1934. I think it will help our work if along with the amending Bills the original clauses which are

sought to be amended either by way of addition or omission are also given to us. Sir, I hope that the Government will be a little merciful to us and in future give all the necessary information.

SHRI H. N. KUNZRU (Uttar Pradesh): The original Sections will be equally unintelligible.

PROF. A. R. WADIA: We might at least try to make them intelligible but at the present moment it is absolutely unintelligible.

We are actually in the dark. I should like to speak on only one point and that is about the protection given to the automobile industry. The automobile industry is an extremely important industry although I do not know on what grounds it is sought to be classified as a luxury. The motor cars are classified as luxury goods but I am quite certain that no Minister, no industrialist and no Government officer of any status could possibly do without a motor car and at this stage it has become an absolute necessity. Because it is a luxury article or is supposed to be a luxury article, it is taxed very heavily, petrol is taxed every time and it has become very difficult for any car user to make both ends meet. I do wish that Government would be clear in their mind as to what constitutes a luxury. I can understand lipsticks being classified as luxury items. I am perfectly certain that a beautiful woman would still remain beautiful without a lipstick but it is not possible for any important person or officer today to do without a motor car. Now, what is really wanted in India at the present moment is cheap cars, the sort of cars Ford had in mind in America, to supply a cheap car and he attained that end and Hitler had the same idea when he tried to produce very cheap, what were called, I believe peoples cars. Now, if the Government of India would concentrate their attention on the production of such a cheap car for the

[Prof. A. R. Wadia.] benefit of Indians at large, we would welcome any amount of protection being given to the automobile industry. We would not grudge it. The Government of India should give them subsidies. Of course, the subsidies must ultimately come out of the pockets of the tax-payer and if the cars were to be sold at a comparatively reasonable and cheap price, it might be a great encouragement to us to go in for Indian cars. As things are, we find that the Indian cars are not cheap. The cheapest Indian car is almost as costly as the cheapest foreign car and I am afraid I have heard so many complaints—it would not be fair to mention any names—about these cars that even the taxiwalas try not to use these Indian cars. The result is that we are forced, as a matter of necessity, to go in, if not for the luxurious foreign cars, at least for the cheapest foreign cars.

SHRI KISHEN CHAND (Andhra Pradesh): No, it is not possible. It is absolutely and completely banned as otherwise protection would be meaningless.

PROF. A. R. WADIA: At the moment it may not be. I do not know how it is meaningless.

SHRI KISHEN CHAND: Foreign cars cannot be imported because it is simultaneous with the granting of protection.

PROF. A. R. WADIA: Then take away the protection and make them as cheap as possible not only to the manufacturers of the Indian cars but also to the users of Indian cars. I do feel, Sir, that it is a necessity for India to give as much protection, as much encouragement, to the automobile industry as possible. It should be done and I am sure Parliament would not be against it but, at the same time, it is the duty of the Government to see that the protected

parties do not take advantage of it and produce cars at a high price making a good deal of profit for themselves and making it very costly for an ordinary man like myself to go in for that car. I do not think I am competent to speak on the other topics because I have not been able to follow them at all.

SHRI C. P. PARIKH (Bombay): Mr. Chairman, it is very good that for the first time the growth and development of the automobile industry can be discussed in this House on account of this Tariff Amendment Bill. As Prof. Wadia has pointed out, this industry is of national importance and we cannot let go this opportunity without offering remarks which may be palatable or unpalatable to the Government benches. I want to point out here that till 1953, there had been a great deal of bungling in matters of giving permissions for the assembly of cars to various concerns. That has been fortunately stopped. There has been some progressive development after 1953. Government have laid down the programmes for the various six units but even in this regard there has been bungling. I say that this industry is important and that it is of a highly complicated and technical nature. It requires precision and it requires mass production. As Prof. Wadia pointed out very well, we must have increasing demand if the cars are to be manufactured on a mass scale and offered cheap. With the present level of Rs. 10,000 and over, we cannot increase the demand. It must not be forgotten, Sir, that the main object of any programme that is laid out for the development of the automobile industry should be the making of cheap cars which should be available to the common man. There should also be the manufacture of cars on a mass scale. At the end of five years when we have all the steel mills working, it should be possible for us to manufacture cars in such numbers that we may be in a position to export them. We are at present importing cars worth Rs. 50 crores

and, at the end of five years, I think the position should be the reverse and we should be able to export cars worth Rs. 20 crores. We should be able to do this by 1962 and this must be the deadline that must be thought of by the Government. Sir, this target is capable of being achieved.

I would now explain as to how the bungling has been made. This was done by giving permission to three firms to manufacture light cars, the Hindustan Motors Ltd., the Premier Automobiles and the Standard Vanguard. I say that only one car should be allowed to be manufactured in the country. We have neither the capacity nor the finances, nor even the technical manpower to man three units which we are having at present. If we have only one and concentrate on one model, I think by 1961 we shall be able to export and make the cars cheaper. I may here casually point out that the baby cars should also be there costing about Rs. 6,000 to Rs. 7,000. The present price of Rs. 11,000 for the Hindustan cars also be brought down to Rs. 9,000 and the baby car can be priced at about Rs. 6,000 or Rs. 7,000 and only these two cars should be allowed to be manufactured in this country till 1961. We have permitted the manufacture of three cars, the Ambassador by Hindustan Motors, the Fiat 1,100 by the Premier Automobiles and the Standard Vanguard. I can elucidate the matter very well by quoting the figures of investment and the resources of these units to find out which of the three we should prefer. Hindustan Motors have Rs. 656 lakhs capital and the gross blocks are Rs. 437 lakhs. This is the concern which has the highest paid up capital and reserves and its gross block is also fairly good. Then the second comes the Premier Automobiles. Its capital is Rs. 217 lakhs and its gross blocks is Rs. 206 lakhs. I am giving the figures from the latest balance sheets available. Now this concern comes second but not the kind of second that we want. If we want to make the cars cheap, we shall have to

go in for mass production and we shall also have to export these cars to other countries. How could we not do it especially when our steel is fifty per cent. cheaper than the steel produced in other countries? So we must manufacture cars with a long-term range in view. We should not dissipate our energies, our technical skill and our financial resources by going in for the manufacture of three different types by three different units. Unfortunately, I have not got the figures for Standard Vanguard but I am quite sure, Sir, that its capital would be somewhere around one crore of rupees and its gross block would also be one crore of rupees or even much less than that. Sir, that it may not be too late for Government to amalgamate some units and have, if possible, only one unit for the manufacture of light cars of the Hindustan type and one baby car of the Fiat type or of the Standard type. We should have only two models for manufacture and if we stick to this programme, I am quite sure—and it is my very emphatic opinion—that by 1962 the prices of our cars will be reduced by 25 per cent., and we shall be able to export them also. These two objectives should not be forgotten. My whole argument is based on these two points. Now, Sir, with regard to the trucks, what is the position? Tata Locomotives are manufacturing trucks. They have resources. Of course, their resources are largely employed at present in the manufacture of railway locomotives. Even then their resources are such and the financial management of the concern is such that they can raise more capital. We must understand, when we are talking of this problem what concerns can raise the capital, and I say at the present moment of capital shortage few concerns can raise the requisite capital. Out of these six no more than two can raise the capital. We must understand that very clearly. So unless Government gives liberal assistance, this industry will not develop to the extent that

[Shri C. P. Parikh.]
we desire. And do we not desire this industry to develop to the extent that is necessary?

Then, the third company is Ashok Leyland. Its capital is Rs. 98 lakhs and its gross block is Rs. 70 lakhs. These concerns will manufacture big trucks and trucks are required to the extent of forty thousand. I say we are dissipating our energies; we are dissipating our financial resources without understanding the problems that are ahead, because we are at present importing and we are therefore again bungling in the matter. I say that amalgamation may be made on the lines on which the Indian Iron and Steel Company and the Bengal Steel Company were amalgamated. On those lines there must be amalgamation and to meet more competition one factory or one concern should manufacture light cars of the Hindustan Ambassador type and another company one baby car—two types only.

With regard to trucks, three types of trucks should be manufactured—one-ton, three-ton, and five-ton. If we concentrate on the manufacture of trucks in this fashion, I am sure we will be partially able to solve the problem of rail and road transport in our country. Otherwise, whatever we may do, I think, with these resources they will not be able to progress. They cannot raise any further capital. They cannot increase the production. I think we must open our eyes and give concrete suggestions to the Finance Minister and the Commerce and Industry Minister, in order that we may achieve this object anyhow, by any means. We do not want to manufacture goods which will be very dear, for which the demand will be less, because the cheaper the goods, the greater will be the demand and you can do this only by having two types. With regard to this it should not be forgotten that at present the bungling has been there in this industry on account of imports of so many luxury cars till now. I do not mean that luxury cars should not be allowed

to be imported. They may be allowed to be imported, but the import duty should be three hundred per cent. If we cannot go against GATT, then a sales tax of 300 per cent. *ad valorem* should be levied on such cars, in order that we may not waste our foreign exchange by unnecessary imports. Luxury cars may be allowed to be imported but they should not be allowed to strain our resources. It has been too late and the Finance Minister has very well stopped it, although the mischief was done. If you go through the streets of Bombay, Calcutta and Delhi you will find that fifty per cent. of the cars are luxury or big cars. There is still scope for mischief which I am pointing out to the Ministers. That is, the embassies and Governors are allowed to import cars duty free and they are buying them. They may do it. That does not matter. But when they re-sell these cars in the country, sales tax to the extent of three hundred per cent. should be levied on such cars. We do not want to encroach on the prerogatives of any one. But at least let them feel the pinch of what they are doing, because in this country we cannot afford to have cars of the luxury type. There are embassies selling their cars after one year's use. Let them sell it, but let buyers pay 300 per cent. sales tax *ad valorem*. About customs I think I have already pointed out that the GATT difficulty may come in. If it does not come in, it may be considered. But what I want is that the car which at present costs Rs. 15,000 to Rs. 20,000 must cost Rs. 50,000. That is my argument. I can travel in light cars as well as in luxury cars. If you want to travel on difficult roads, the jeeps are there and the manufacture of jeeps is conducted by Mahindra. About Mahindra and Mahindra also the Minister said that they have made great progress and about 39 per cent. of the component parts are manufactured by them. I am still not convinced about it. The figures may have been given from the Tariff Commission's Report. What I am saying is that the capital of Mahindra and Mahindra is Rs. 80 lakhs

and their gross block is Rs. 64 lakhs. Its total sales are Rs. 14 crores. The Minister may be right. But I am just trying to point out whether this Mahindra and Mahindra company will be able to carry on and undertake the work which is allotted to it, because with the stoppage of other cars, the demand for jeeps will increase in the country. You can make the jeeps a little more luxurious also by having better seating arrangements because they can go on any roads. So, these jeeps will be sufficient for travel in our country.

As regards trucks, Ashok Leyland are manufacturing trucks: Premier Automobiles are manufacturing trucks—both cars and trucks and the capital is Rs. 200 lakhs. We want to produce goods to the extent of Rs. 100 crores in all, between all of them. I would like to know whether it is possible to do this. That must be first examined—with this company, with this gross block and with these resources and the resources they can raise in the country. There is another factor. Four concerns out of these, and I am dead certain that except for two concerns, the other four concerns cannot raise capital in the country unless Government guarantees; or the loans of the I.F.C. only will help them. I say that all these concerns should be encouraged. Considering the progress that they have made during the last three years we should encourage them by all means. By this means or by any suggestion I do not want to discourage the progress they have made, because in their hands we shall be much better. But I would ask Government to give them liberal loans in order to achieve our objective. Our objective is to have two cars—one light and the other lighter; and one jeep, three passenger cars. And then we should have three trucks, one ton, three ton and five ton. These could be produced on a mass scale and sold at the cheapest price. I think the Government should go the whole hog in the matter of financing these concerns. How can that be done? I say Government should at least have

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25 per cent. equity capital in these concerns. Government should be responsible for the growth and development of these concerns. Therefore, I specially ask that they should invest 25 per cent. of the equity capital in these concerns and the rest may be in loans. And if the concerns are still unable to raise the equity or preference capital required in the market, then Government might go to the extent of fifty per cent., and the management should remain in private hands. These concerns should not be starved of the funds for development. That is the main factor that has to be borne in mind, because if we want to save foreign exchange, if we want to earn foreign exchange, all these drastic remedies and drastic steps will have to be taken.

Now, Sir, about the manufacture of these three cars, it is very well that the Minister said that he would not allow the manufacture of baby cars until the programme of these three light cars is fully implemented by them.

[MR. DEPUTY CHAIRMAN in the Chair.]

That is what I understand. But in the "Hindustan Times" it has appeared that the programme that has been given to these units has been different and they are allowed to manufacture other cars . . .

SHRI MANUBHAI SHAH: That is wrong.

SHRI C. P. PARIKH: I am very glad that it is wrong. I am more glad that the Minister is convinced and he has assured this House that he will not allow it. If he allows it by reducing the three models to two, then only it will be better. That depends on the plant and machinery, equipment, building, etc. The investment at present is less than Rs. 1 crore and it is therefore still worthwhile to consider the amalgamation of the two smaller units into one. Small units cannot run these automobile industries. If we see how the other countries are able to

[Shri C. P. Parikh.] export their cars, we will find that they are manufacturing on a tremendous scale, beyond our calculations and beyond our future hopes. Therefore, at least we must achieve an economic cost of production, and our country is big enough and it can cope with the situation. Our population is daily growing. I think the demand in the next three years may be doubled. If we present the cars at a price of Rs. 6,000, the demand will be doubled in my opinion. So, I say, instead of allowing three models, you allow the manufacture of one light and one baby car and scrap out the three models. That is my concrete suggestion and I think the hon. Minister will give his earnest consideration. Why is this mass production necessary? Because the cars have many component parts. If each model manufactures its own component parts, then it is bound to be dearer and dearer. If one model is manufactured, if ten thousand cars are manufactured of one model together with its component parts, then it will be much cheaper, it will be ultimately cheaper to the extent of 25 per cent. in my opinion. When I am arguing this, I say that by supervising these units Government should exercise great control and regulation, because this is an important industry which we want to build up. We want to make it an exporting industry, and this could be done if we exercise greater control and supervision and at the same time render liberal financial assistance. The two things go together. The concerns will not then complain. The concerns would think that they are existing in the national interest. They are also important for defence. All these factors should not be forgotten. We cannot live in vain hopes. We must know the resources of each concern. We must know to what extent we can develop. I say that out of the resources of six concerns only two concerns can raise further capital. About the rest of the concerns I am very doubtful. I know the investment market, I am myself interested in this. I am conversant with this to a small degree. I know the feeling of the public. I know how they will be able

to raise the capital. For capital they will have to come to the Government.

Now, Sir, Dr. Gour has raised the argument that these concerns are making profits. That is a wrong impression. They are not making profit. I think these concerns are simply striving to stand in competition with products of the foreign countries. They cannot stand. Their securities are quoted at a discount after being contributed by the shareholders for the last ten years. The biggest, viz., the Hindusthan Automobile is quoted at a discount of 40 per cent. They are not in a prosperous condition. They have undertaken to manufacture the necessary requirements in the country, and for that we must assist them, we must give them all financial assistance, we must also exercise control and regulation.

Now, Sir, the hon. Minister has assured us that by 1961 there will be 80 per cent. component parts manufactured in this country. I am very glad to get that assurance, and I am very positive that, if only there is one model instead of three models, the cost of these component parts will be lower, and these component parts will be cheaper. Now, Sir, why am I making these remarks? The Tariff Board themselves have said that the Government have made a mistake in sanctioning three units because they have to manufacture the parts that they require. Government have already sanctioned too many units and they have made that mistake. I think it is not too late to amend the mischief. We must have the boldness to do it. I think if we can acquire a concern, we can very well amalgamate a concern. If we can have power to acquire a concern in the national interest, I think we must have greater power to amalgamate these units in the national interest, and that question should be examined.

SHRI J. S. BISHT (Uttar Pradesh): How will you choose the units?

SHRI C. P. PARIKH: The units which are the lowest and least equipped and whose capital is less than

Rs. 1 crore. Even if you lose Rs. 50 lakhs, it will be a greater gain to the nation to amalgamate them. I have given the figures of investment of each unit. The loss will be more than repaid by the reduction in the cost. That fact should not be forgotten. I am saying, Sir, that we must concentrate our attention on mass production, and mass production will create greater and greater demand in the country. I am quite certain that if this process is followed, if it is accelerated, by 1961 or 1962 we shall be an exporting country.

SHRI MANUBHAI SHAH: Only for the information of the hon. Member, jeep is manufactured by only one firm and that too in an intensive manner, and yet the price is high.

SHRI C. P. PARIKH: It is surprising that one can manufacture intensively merely with a capital of Rs. 80 lakhs; I think those figures are wrong, and the manufacture is not conducted on an intensive scale. Production should be doubled or trebled, and then the price will be cheaper. If it is manufactured on an intensive scale I am unable to admit how it can happen. I think the hon. Minister and the Secretary have to analyse the figures which are given to them. They may have no time to go through them. It requires time to study certain things and to find out loopholes. That is the main thing.

(Time bell rings.)

My last point is this. I am not making these remarks in order to discourage the present industry. I am only making these remarks in order to put the industry in such a position that it develops in the national interest. We should have cars manufactured in such a manner that there is 20 per cent. reduction in price. We may have cars costing only Rs. 6,000 and Rs. 10,000, and we may have jeeps costing a very small amount. If we do this, the demand in the country will be doubled, and the production will be also doubled.

With these observations I finish my speech.

SHRI KISHEN CHAND: Mr. Deputy Chairman, the hon. Minister has introduced this Bill, the Indian Tariff (Amendment) Bill, and I think the whole of his time was devoted really to the automobile industry. We pointed out that the automobile industry was a very important industry and that a protection of 40 per cent. was going to be given to it. I wholeheartedly support him in his statement that the automobile industry is very important. But this protection of 40 per cent. that is being given to the automobile industry is only a show thing, because no automobile is permitted to be imported in our country. The hon. Minister pointed out that protection was given to the sugar industry for so many years, protection was given to the cloth industry for so many years, and so on. That analogy, I think, is not applicable to this industry because no imports are allowed. If imports were allowed, then the market would have had the choice of either purchasing a foreign car or of purchasing an Indian car, and then there would be the comparison in prices. In so far as this Bill really gives protection to the automobile industry, this Bill is an unnecessary Bill. If you do not permit any import of cars, then this does not arise. Supposing after two or three years you are in a position to import, then the hon. Minister could have come to this House and given a protection, but at the moment he is trying to confuse the issue.

I fully support Mr. Parikh when he pointed out that we see plenty of big cars in the cities of Delhi, Bombay and Calcutta, and they are all owned by the diplomatic services and the consular services and those who come here under the Technical Aid Programme. They bring cars duty free into our country. I suppose a good Chevrolet costs Rs. 10,000 or Rs. 11,000. They use it for three or four years and then sell it for Rs. 25,000. They make a profit of Rs. 15,000. So, the an who has come under the Techni-

[Shri Kishen Chand.]

cal Aid Programme not only takes away his fat salary but he takes away another Rs. 15,000 in his pocket. There is a great demand and these embassies do a good sale. They are importing large cars every three years. As soon as the three year period is over, they sell the cars at double the prices and they make a good profit. It is a regular trade for them. So, I submit that, if the hon. Minister is really sincere and he wants really that this protection should be granted, he should make a law that the particular embassies and the people who come under the T.C.M. should sell their cars to the Government at the price appraised and allowed by the Customs Department. They import a car at a certain price every three years and sell it. And only the appreciation price of three years should be allowed.

SHRI MANUBHAI SHAH: This is a matter of foreign embassies in which we have got to observe certain rules and reciprocal formalities and it does not really affect the automobile industry of this country if a dozen or ten or five cars come here. If we can avoid it, the foreign embassy portion may perhaps not be dilated upon.

SHRI KISHEN CHAND: I am simply saying that there are such cases. One hon. Member referred to it. But what I am saying is, while foreign cars are not coming and are not being allowed to be imported into our country, there is no point in bringing forward this Bill at the moment.

Then the hon. Minister said that the Tariff Commission has done a very good job; there is no backlog and that they have gone through all the reports that have been submitted. I am glad, Sir, that there is no backlog. But if it was only a question of submitting a report, I suppose the Tariff Commission can submit all the reports in one day. I should like to know this in the matter of automobile industry. I have gone through their report in

detail about the automobile industry and they have not taken into account the agreements entered into between the Indian producers and the foreigners regarding the price of parts. The hon. Minister intervening in the speech of Dr. Raj Bahadur Gour pointed out that the Government of India scrutinised every agreement that was entered into. I should like to ask him, in the scrutiny, do they realise that the price of parts charged by them is the retail price of parts? You know, Sir, that, if the price of all the parts in a motor car is added, the price of the car will be double that of the selling price, because the parts are always sold at a higher price and the Indian producer is supplied with parts at the retail price rate. I happen to know in detail about this in the case of Lambretta scooter. One Indian party insisted that the price of the parts should be added to the total price of the Lambretta scooter and that then only they would enter into an agreement. Another manufacturer in India comes forward; they are prepared to pay them any price for the parts. The agreement is entered into. The Government of India sanctions it. The result is the Lambretta scooter which costs in Italy £54—that means Rs. 720 or even less; it is the selling price of a Lambretta scooter in Italy—is sold in India for Rs. 2,000. It is natural. They say, "Well, it is the cost price." The Tariff Commission really goes into the details and says, "Well, this is the cost price of the manufacturer and we are satisfied that this is the cost price, and, therefore, this should be the selling price." Then, the hon. Minister comes forward, "Well, the demand is less; the number of cars sold in the country is very small and, therefore, the price goes up." It is not an economic unit. It is not right that you simply go on increasing the size of a unit to make it economical. Of course, I agree with you that, if you have to lower the economic unit, it is certainly costlier to produce a car. In the case of car, the economic unit is 50 cars a

day and if you go on selling, 15 000 cars a year in our country, it will be most economical unit. Beyond that, it is only a duplication of the machinery and the industry will eat into the economy.

So, we want the transport industry to develop. The Second Five Year Plan can only succeed if the transport industry develops, because, it is after all the distribution of goods. The railways are not able to carry all the goods and unless we provide road transport as an alternative, it will not be possible to carry the goods that are being manufactured in our country. Therefore, it is most essential that the hon. Minister should pay due attention to the transport industry. We are all entering into a vicious circle. By allowing indiscriminate production, we are permitting inefficient units to charge any price. The price is high. America is concentrating mostly on Chevrolet and Ford cars. We do not take those cars. We do not take trucks manufactured by Ford and Chevrolet companies. But we are entering into agreement with others. We have got Studebaker trucks; we have got Dodge trucks; we have got Fargo trucks. All these trucks are probably used by two to three per cent. in America. That means, we are always going in for out-dated and outmoded models manufactured by concerns which are not popular in America and in the United Kingdom. We always go in for such types of units. For instance, why are we permitting three models from the Premier Automobiles—Plymouth, Dodge and De Soto? Three cars are permitted from one unit.

SHRI C. P. PARIKH: Stopped.

SHRI KISHEN CHAND: Well, last year, they were manufacturing and the Studebaker is manufactured there. Now, the Government of India has at the last moment realised that the Chevrolet truck is a very good one and they have entered into an agreement with the Hindustan Motors for

the import of Chevrolet truck engines and they say that, later on, Chevrolet cars also will be introduced in the country. I am trying to show that this wavering policy leads to really inefficiency and higher cost.

I am very satisfied with the Land-master car. But what is the reason for bringing out a new model called 'The Ambassador' with slight variations, in the poor country. We will have to standardise things. Unless we do it, there is no use and we should not go on from year to year on some type of model. Of course, there are mechanical advances which really improve the efficiency of a car. You can certainly go in for them. But if there are any other outward improvements, just as a small dent here or an alteration in the shape there, that type of improvement adds to the cost. It is all right in America where they bring out a model every year, because they have got to maintain their sales. Their production is millions of cars and every household has got about three cars. It is all right in that country. But we are also imitating them. We do not imitate other countries which have really gone into the question of automobile industry and which, at a later stage, have specialised on one particular model. I do not want to give the example of Russia. There are several countries where only one make of car is produced.

There are certain foreign concerns who are prepared to give a complete car made in India, provided they are given permission for manufacturing that car. Sir, the Ford Motor Company and the Chevrolet Motor Company offered, in collaboration with Indian capital to manufacture the whole car in India. We did not agree with them. But we gave permission to the Chrysler group and for Dodge, De Soto, Plymouth and Studebaker cars. The result is that the poor taxpayer has to pay a higher price for these.

[Shri Kishen Chand]

You know, Sir, that the price of a car similar to the Landmaster in United Kingdom is about £500 That means Rs 7,000 Our selling price is Rs. 11,200 ex works One hon. Member has the ambition that within five years, we will export cars out of our country Well, it is a very ambitious plan and I feel that, by simply making a variety of cars and models, we are increasing the cost to our consumers and really stopping the progress of our country.

Then, Sir, something has been said about an irrelevant matter, and I want to completely dissociate myself from any reference to the Republican Forging Company which seems to have been started in Andhra Pradesh, because it has a very bad reputation there, and I do not think the Government will take any notice of it

(Time bell rings.)

Then, Sir, at present the consumption of passenger cars is about 8,000 or 10,000 and the Tariff Commission expects that in 1961 the demand for passenger cars will go up to 20,000. Assuming that the consumption will go up to 20,000 passenger cars, with Hindustan, probably later on it may be Baby Hindustan or Fiat and possibly Baby Fiat and the Standard Vanguard and its baby model, it means about six cars, and if these six cars plus possibly that jeep, if these seven types of cars are going to compete for a production programme of about 20,000 cars, well, it is bound to be uneconomic. As I pointed out, Sir, an economic unit is 50 cars a day. The hon Minister just brings forward this protection and appeals to our sympathy for Indianisation and all that, and he makes the poor man in our country, who must use transport, pay a very high price. I do request the hon. Minister, as suggested by another hon. Member also, to have only one make of car. They may have outside bodies of different

shapes, but only one engine and one transmission should be there. If you specialise in one transmission, you can have half a dozen outside shapes with fibre or steel bodies. That is the only way of bringing down the cost. But with the present policy of the Government and the recommendation of the Tariff Commission I do not think that even during the next six years we will be able to bring down the prices of cars.

SHRI P. D. HIMATSINGKA (West Bengal): Mr Deputy Chairman, I have read very carefully the speech of the hon Minister delivered in this connection, and I have a feeling that the different speakers who have spoken have all supported the underlying feeling or idea in the speech, but unfortunately Government is not following the same to its logical sequence or result You will find, Sir, from the report on the automobile industry submitted in 1956 that throughout, their feeling is that it is definitely undesirable to introduce any more models of passenger cars or any more units in the industry, and it will be advisable to reduce the numbers and to reduce the units if we really want to reduce the cost of production As you know, Sir, from the statements made yesterday, the number of cars and commercial vehicles manufactured in 1957 was 31 thousand and odd, and it is expected that by 1960, upto the Second Plan period, this number will be doubled, that means about 65 thousand or so, and if we have all the units to manufacture—the average comes to about 9 to 10 thousand per unit. I am afraid the overhead expenses will be much too high to enable any appreciable reduction to be made in the prices, and the present prices of cars are much too high for any average middle class or even higher middle class people who cannot afford to pay them. And therefore unless the prices can be reduced substantially, the consumption of cars will not increase, and unless the consumption increases, the prices will not come

down. It is more or less a vicious circle. Therefore the Government should try to concentrate on efforts, as has been suggested by my friend, Mr. Parikh, also, which can reduce the number of models of vehicles and passenger cars to as few possible. If we can reduce the number to one, so much the better. But if that is not possible, then let there be two models or so. But the attempt should be to reduce the cost and to make them available at a much less cost than at present. It is beyond the means of almost a large number of persons to go in for a car unless they are ready to pay a much higher price. That is one point to which I want to draw the attention of the hon. Minister, because I find from his own statement that the prices have not declined because of the existence of too many models. Therefore, the natural sequence is to reduce the number of models, reduce the expenses and reduce the price. And it should not be difficult for our Government to find out a scheme whereby they can do so.

Sir, I also understood the hon. Minister to say that the highest indigenous content of Hindustan was 56 per cent. I do not know if he was referring, to the period of the report on the automobile industry, but if my information be correct, the indigenous content at the present moment of Hindustan Ambassador is about 75 per cent.

SHRI MANUBHAI SHAH: The latest is 57 per cent. as I said in my speech yesterday.

SHRI P. D. HIMATSINGKA: I think Sir, the hon. Minister may have to revise his figure, because my information, as I gathered it yesterday, was about 75 per cent. Anyway, the point that I want to make is that steps should be taken by the Government to see that they are able to reduce the prices of the cars and the commercial vehicles by reducing the number of models, because that is the

only basis that can help the Government to reduce the prices. As the hon. Minister pointed out, the increase in the cost of raw materials has been in some cases up to 40 per cent. and still the price raised here is about 9 to 10 per cent. But unless the number of models can be reduced, unless one unit is enabled to manufacture a large number of cars and commercial vehicles, they will not be able to reduce the prices. Therefore, that is one submission that I want to make. What steps are to be taken in this direction, it is for the Government to consider. But to my mind it should not be very difficult for our Government, when they are controlling the whole industry, to take such steps whereby they can bring about some sort of a formula for reducing the number of models and thus decreasing the cost. With these few words, Sir, I support the Bill.

SHRI MANUBHAI SHAH: Mr. Deputy Chairman, I am very thankful to the hon. House for the generous support that I find from the speeches of the hon. Members as far as the broad policy of the Government with respect to the automobile industry is concerned. I am also thankful to them for the valuable comments that they have made in constructive directions as to how this industry, even though it is protected, could be developed at a faster rate than hitherto.

One point which has been repeated by hon. Members and which I would like to take up first is about the amalgamation of three units into one as far as the passenger cars are concerned. My hon. friend, Mr. Chandubhai Parikh, mentioned that in order to cheapen the cost of production of the cars in relation to the existing three models, namely, Hindustan Ambassador, Fiat 1100 and Standard, it will be better perhaps to join them all together and make only one unit. While intervening, when he was speaking, I did mention that the theory of automobile production and motorisation all over the world has

[Shri Manubhai Shah.] definitely proved that any country which is in too much hurry to reduce the price, unless the volume of production and the demand in the country comes to an economic size, has met with considerable failure. The example of the Soviet Union is before us. Even where a totalitarian economy was existing and where perhaps they concentrated only on one unit or few units, it took them 20 long years or more before they could stabilise the production of automobile in that country, and today also it is doubtful whether the cars manufactured there would be of the same prices or some lower prices as many other countries have. In this connection. I may point out that when the prices are compared, we generally forget that in the United States of America today 8.5 million vehicles—automobiles, passenger cars, trucks, buses and other things—are manufactured per annum, i.e. about 85 lakhs a year. Now one day's production in the United States equals the entire annual production of this country.

MR. DEPUTY CHAIRMAN: You can continue at 2-30. The House stands adjourned till 2-30.

The House then adjourned for lunch at one of the clock.

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

SHRI MANUBHAI SHAH: Sir, I was saying that the production of automobiles—passenger cars and other vehicles—in the U.S.A. is of the order of 8.5 million per annum. Our annual production hardly equals just one day's production of the U.S.A. U.S.A. claims about 75 per cent. of the world's production of automobiles. But even there, they took over two decades before the automobile industry really came into its own in an economical manner, and it has been the experience all over the world. I

entirely agree with the views mentioned by different hon. Members that we should proceed with speed. I would even say that we should perhaps be in a hurry, but I would caution that we should not be in haste, because all haste is not speed, and in this important industry where we have to lay the foundations on correct long-term basis, we have to be patient. I do not mean the patience of a lazy bone, patience without circumspection, but patience tempered with guidance, vigilance and watch. This is what the Government of India in the last few years has been doing in respect of this industry. Therefore, as I was saying, this idea of amalgamation has not only cropped up now but has been mentioned on the floor of this House and elsewhere several times in the past years. We have reduced the number from almost 36 models to three models of passenger cars practically. Sir, the suggestion was that even these three should be amalgamated. I do hope that the hon. Members would appreciate that amalgamation will represent no economy, because the machinery of each of them is entirely different. It is not as if we can manufacture more by bringing all of them in one place or putting the same model even if the three are retained at different places under one amalgamated management; we cannot manufacture the same model there. That means that the only way is to scrap any of the two units and run only one. I would also suggest that in this matter of passenger cars, there is a little consumers' preference also, and a little competition should be necessarily brought in. Unless a little element of competition is there, one single manufacturer, howsoever efficient and howsoever well-guided by Government and by his own efforts, will not be able to produce satisfactory results. Therefore I had mentioned the example of jeep; it is only one company and there is no other producer there. There is no other producer but it has not been able to show that much reduction

either in price or increase in the volume of the indigenous components. It is not their fault. They are trying their best, but the volume of production that is required to really produce a car or a jeep or any commercial vehicle at an economic price is much larger than what we need in the next five or ten years, even if we concentrate only on one model. Secondly, the technology of car production is also a difficult one. It is not as if it is like any other light engineering industry like fans or electrical motors or sewing machines. Here is a massive engineering industry where a high degree of precision and technology is involved, and as I said, I should like to assure the House that the present policy is designed to see that we restrict the number to the existing only three, and there also we will try and see that the interchangeability of parts or what is commonly known as commonality of parts is continuously increased. To this end, we have recently tried to form an Automobile Association of India and we are trying with the collaboration of the passenger car manufacturers and the truck manufacturers to bring about as much interchangeability of parts as possible even though the models may be somewhat different.

Then, Sir, the question came up regarding how these six manufacturers are there. I would, for the sake of clarification, analyse the position. Ashok Leylands is undoubtedly a manufacturer of automobiles but the make is a very special type of vehicle of 5 tons, 6 tons and over. Large single deck passenger cars and double deck passenger cars and heavy freight trucks are what they are manufacturing. There is no other manufacturer of that variety in the whole country, and Leylands make nothing else excepting these. Those hon. Members who are conversant with the development of automobiles know that the Leylands are one of the best manufacturers of these heavy trucks, both freight and passenger. That is why we

are concentrating on one model at one place looking to the volume that this country may need in this particular line in another ten or twenty years.

The second manufacturer that has been mentioned is that of jeeps, and there also we have concentrated on only one unit. Jeep is now a cross-country vehicle so important in such a vast country as ours with lack of roads, jungles, hill tracts and all that, and that is why we are concentrating on that.

Then, comes the question of trucks. There, the Tata Mercedes-Benz is the only manufacturer of diesel trucks, and the House, I hope, will agree that they are one of the best models of diesel trucks produced in this country or elsewhere. Premiers are making Dodge and Plymouth vehicles, both more or less the same, with petrol engines. One truck we are manufacturing with Premiers and another truck with Tata Mercedes-Benz. So far as Hindustan Motors are concerned, Studebakers are completely out and the agreement has been more or less terminated. They are negotiating with General Motors for Chevrolet and Bedford. So far as these trucks are concerned, we are covering the range of the medium type between these three units, one petrol truck and two diesel trucks; if General Motors do not come in, only one diesel truck. I give this elaborate analysis only to show that really these six are not really six but that each one is a speciality of its own. Only in passenger cars there are these three manufacturers. There we hope that in course of time, the percentage of indigenous components will increase. My hon. friend, Mr. Himatsingka, said that one of the manufacturers was claiming 75 per cent. I may humbly submit that the average of the indigenous components, according to our latest information, has gone up to 57 per cent. only and it is heartening.

[Shri Manubhai Shah]

We have no doubt that not only they have started the pressing of bodies and so on, but as I said in my speech, in course of time these manufactures will go up to 75 to 80 per cent. I should like, without any fear of contradiction, to assure the House, since some hon. Members are doubting whether we will reach this percentage, that we will certainly reach this percentage in the course of the next three years practically in all the passenger cars, in the trucks, in the larger vehicles and in the jeeps. That is why I had mentioned that such an industry has to be seen both in retrospect and prospect. The historical background cannot be forgotten that we were mere assemblers. The industry in the indigenous sense is only three or four years old, and if protection with proper care and vigilance is given, I have no doubt that in the course of a few years we shall not only increase the production of vehicles but double the production of vehicles, we shall increase the quality considerably, we shall increase the indigenous components as much as claimed by any other country in the world, and we will be able to gradually bring down the prices of these vehicles. Then there was a question about foreign agreement and Dr. Gour mentioned it with a great emphasis. I can assure him and the hon. House that all agreements are being scrutinised by us. It is true that in the past perhaps as the policy was being evolved, the scrutiny may not have been as perfect. Gradually we are improving upon that but as far as the automobile industry is concerned, I can assure him that there is no handicap. Even the Tariff Commission has mentioned—only in a passing way that too—that one of the minor handicaps would be some of the clauses in the agreement. That I will explain to the House. Suppose a part has been made by the Hindustan Motors of the Morris and the model of Morris in the U.K. or elsewhere changes. Then it is but natural that if the other parts are to be supplied by them it will be in

the fitness of things that the local manufacturers should get in touch with them and exchange ideas, whether the old part will be continued to be supplied by them or they will have to take the new part. There also I can say that during the last 4 years no change except in nomenclature—neither in pattern nor in part nor in component—has taken place in any considerable manner. As we go along, the scrutiny becomes more and more rigid, more and more of a technical character at all levels. Even then I must plead for the indulgence of the House that after all when we want to learn technology from other countries, certain handicaps are totally inevitable and unavoidable and till such times as our industry flourishes to its optimum level, all those handicaps to some extent are bound to remain.

Dr. Gour mentioned about co-ordination of requirements of different sections of our country—the Transport Ministry, the Defence and the State Governments. I can assure him and if he has gone into the Tariff Commission report on automobile industry carefully, as he must have done, he will see that the totality of the whole country has been looked into by them. That is where the Second Plan target of 20,000 cars, 5,000 jeeps and 40,000 commercial vehicles as a result of the total requirements of all types of vehicles in this country, has been taken. There is close co-ordination between the Transport Ministry, the Defence Ministry and the State Governments in this respect. As a matter of fact, whenever any foreign import of State transport is involved they have got to send them to our Ministry and the Transport Ministry and now-a-days we permit only such models which are likely to be manufactured in this country, namely, Ashok Leyland as far as big passenger cars are concerned and Tata Mercedes-Benz and Plymouth and Dodge as far as medium type of trucks are concerned. So there is hardly any lack of co-ordination and we also insist that even for old models which

have been in existence, historically speaking, because they were in the past being imported, there also we try to see that repair and maintenance and spare parts are manufactured in this country as much as possible. As a matter of fact, I was surprised how our hon. friend mentioned this rather in detail because I had mentioned in my speech yesterday—I had given rather, in an elaborate manner, 29 names and I thought I should not have taken so much time of the House on that but I read out the names of each ancillary component that has been manufactured in this country. The House will be gratified to know that we insist that these known manufacturers farm-out, as it is called, to the feeder industries so that the ancillary components are manufactured by small-scale industries and they gradually become the assemblers from the production of the small units. The Premier Automobiles has undertaken the programme. The Hindustan Motors has also undertaken it. The Tata Mercedes are also undertaking the programme and this is the policy not only with regard to the automobile industry but with all such industries which are in a position to get decentralised. The Government of India's policy has been to farm-out and decentralise and the bigger units have to encourage the growth of auxiliary and ancillary and feeder industries and feed them with components and small parts.

There was a mention about capital structure of the industry. I must assure my hon. friend Mr. Parikh that this matter also is engaging our attention. Some of the figures he quoted were partially right. Some of the latest figures are a great improvement on the balance sheet of last year. Every firm in the industry should raise its capital. We are assisting them also and we are also assisting them by way of liberal loans as he desires and I can assure him that as far as this industry is concerned which we consider as of very high priority along with several other industries, at

no time for lack of any finance, I think any of them will be rather allowed to languish because we have several credit institutions like the N.I.D.C. I.F.C., the State Finance Corporations etc., and Government also directly is giving loans for equity participation to different types of industries, and it is the correct thing, to see that the capital structure of all these units really come to the optimum level where they can really function in an efficient and economic manner.

He also expressed the hope that we shall be exporters of car. I would very much like to share that optimism but I would again caution him as I had done in the earlier part of my speech today that this is one line where we must be thankful to the industry—the country, the Government and to this House—if we can through care and vigilance, at least bring up a volume of production which will make this country as much self-sufficient as possible and bring up the quality of the car and the vehicles to a satisfactory level and bring down the prices within the reach of the common masses. The matter of export is always welcome but there are other lines as I indicated, in which we are making more headway in that direction and automobiles perhaps might take a little longer to reach that particular ambition or ideal that has been set before us.

One of the points mentioned was about the protection—of course it was not with respect to automobile alone but was with respect to the general set up of industries—whether we give protection in an indiscriminate manner, whether the glass industry which has been declared as a protected industry is being looked into or not. I can assure that the working of the Tariff Commission in general has been always of a comprehensive nature. Whenever an industry asks for protection a public enquiry is held, a thorough enquiry and investigation not only into the profits and

[Shri Manubhai Shah.]

loss, not only into the capital structure, not only the technical aspects of it but into the over-all economy of that industry and I am quite sure that many of the hon. Members perhaps might have shared the advantage or opportunity of appearing before the Tariff Commission in one capacity or other and would have been witnesses to the thoroughness with which the Tariff Commission goes into these industries; particularly the sheet-glass industry, which he mentioned, is one industry where the country is more than self-sufficient and perhaps we have not even the utilisation of more than 50 to 60 per cent. capacity and some of the sheet-glass, in quality, is the best sheet-glass in the world and in price we are gradually bringing them down.

DR. R. B. GOUR: The point raised by me was that a major unit in this sector where the State Government funds are involved is lying closed down . . .

SHRI MANUBHAI SHAH: I am aware of that. When some of the units might have been not properly managed or controlled particularly, we cannot immediately revitalise them but we do make efforts and as Dr. Gour already knows, the same was the history in respect of Praga Tools. It was in some difficulties and he will be happy and the House will be happy to know that we did get into that and has been more or less taken over and I have no doubt that during the current year and in the years to come it will make substantial profits, reduce the cost of production, increase production and will give a good account of itself.

I would not now take much time of the House. All I can assure is that the comments of hon. Members and the observations have been very valuable and there is a commonness of thinking on the policy as well as the execution of this and I would only beseech the constant vigilance and guidance of this House and their blessings without

which neither the automobile industry or any other industry or even economic development can take place in this country. I have no doubt that such co-operation and blessings will be coming in an abundant measure as we have to go a long way forward before this country can be really considered to have industrialised.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Indian Tariff Act, 1934, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now we take up clause by clause consideration of the Bill. There are no amendments.

Clause 2 was added to the Bill.

Clause 1, the Title and the Enacting Formula were added to the Bill.

SHRI MANUBHAI SHAH: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be returned."

DR. R. B. GOUR: I am not going to speak much. Unfortunately I was not here and I am told that some of our friends here tried to dissociate with some of the remarks made by me. They are at liberty to do it. What I feel is I am not interested in this or that party. That is never the case with Communists. Industrialists know to what extent we are their friends. The point is when we are affording protection to an industry through our tariff measures, I want that simultaneously certain other steps are taken to see that an industry in the same protected category is not suffering otherwise. That is the main contention that I made. I said if some

concern wants an encouragement, whether technical, financial or something to develop the industry, we have to see that the particular encouragement is afforded to them. This is one. Certain industries are suffering because of mismanagement. You have to take certain other measures to stop mismanagement. What I want to say is that a comprehensive approach, an all-sided approach to the particular industry that is being given protection is necessary. That was all I wanted to drive at. That was what I said and I think, Sir, the hon. Minister on that score will not disagree with me.

SHRI P. N. SAPRU (Uttar Pradesh): Sir, I could not be present at the second reading of this Bill because it was beyond my control. I suppose that everything that I wanted to say has been said or must have been said by the speakers who have spoken on this Bill. What I wanted, Sir, to urge was that we are paying very heavily for the protection of this car industry. The prices of these cars are very high. They are not within the reach of the average man. What we want in this country is a cheap type of car. I see no reason why we should not encourage the use of more scooters in this country and an earnest effort should not be made to see that our motor cars, scooters and motorettes are made cheap. These scooters have speed; they are fairly comfortable; I see them in Delhi and I wish Ministers would set an example in this respect by using scooters and motorettes occasionally. Mr. Deputy Chairman we are not manufacturing any trucks. At least I have not seen an Indian manufactured truck. The fact is that the Hindustan and the Studebaker have a monopoly and I do not think that it is justice to help this group at the expense of the consumer or of the public of this country. Therefore, I would again emphasise the importance of making cars available at cheap prices, at reasonable prices. I would say that Rs. 2,000, Rs. 3,000, Rs. 4,000 should be the maximum limit for a

reasonably good car or motorette in this country.

Thank you.

DR. R. P. DUBE: Mr. Deputy Chairman, though many of my points are solved, still I cannot understand why the cars have gone so dear. I want the cars to be cheap and let them produce some decent cars. They are charging Rs. 12,000 for Hindustan. We can hardly use it for one year and then it goes useless. This is what is happening. The Government wants us to pay Rs. 12,000 for a car but let us have something worth Rs. 12,000. That is in their control; they should see to things. The Company has got a capital of Rs. 5 crores and now 14 years have gone and they have not paid a single pie as dividend. The Minister said that they were now manufacturing cars. When they were only assembling, the prices were less. The prices have now gone up. They must have some control. I was talking to a man who is very much interested in that company and he said, "Give us the monopoly and we will give you a car for Rs. 2,000 or less." I do not know if it is a fact, but I must say, you should have more production of a particular commodity for making it cheap. Hon. Minister just said we have got only one firm which is making jeeps and still jeeps are dearer here than in a foreign country. Here the labour is cheap; material is cheap and still when the product comes out, it is dearer. I fail to understand this. There is something wrong; something wrong with my brain or something wrong with the manufacturers or something wrong with the Government that they do not see to things properly; but there is something definitely wrong somewhere. I stand to be corrected if I am wrong. The Minister in his reply may be able to solve my problem. But things are as I have stated. During the last 14 years Hindustan Motors have not paid a single pie as dividend. The price of a Rs. 10 share is Rs. 6 now. They are

[Dr. R. P. Dube.]
eating into the vitals. I really want to know and let the Minister tell us what is the reason for it.

Thank you very much.

SHRI MANUBHAI SHAH: Sir, I shall not say much. Hon. Member mentioned about the scooters and he will be happy to know that already scooters lambretta are being manufactured in this country, and the production in six months has been 3,000 scooters and that is a middleclass man's vehicle. We are anxious to see that more scooters are manufactured and prices brought down.

Similarly I can assure the hon. Member when he said he does not like to have the monopoly with only one manufacturer as far as the passenger cars are concerned, that is what I dilated upon. A little competition is not too much. From 36 models we came down to 3. I can assure him that it is not the intention to make one man only manufacture that and then allow him to charge higher prices.

DR. R. B. GOUR: Dr. Dube does not know that capitalists do not work as medical men.

SHRI MANUBHAI SHAH: Whenever you have a competitive economy, not too much competitive in the free enterprise which kills every initiative, but healthy competition between manufacturers it does give an element of constant vigilance which no impersonal or what is called remote control administration can ever exercise.

3 P.M.

Beyond that, it is not the intention to have too much of competition and I can assure the hon. Dr. Dube that we are all for speed. I would repeat that I would be for even hurry to do something more but let us not go with haste because all haste is not speed and unless patience of a really

vigilant type with watch and constant guidance is available, we cannot produce results in an industry of this nature. Automobile industry all over the world has taken time just as the textile industry has taken in our country. If you were to see the history of textile industry of the thirties, you would find that it was almost in doldrums; we were importing cloth worth about Rs. 65 crores and the cloth that we were producing was of a very inferior type and a very costly one. Today, because of the fostering care of the people of this country and of this House, we find that we are able to export 1,000 million yards of cloth. Some 30 per cent. of our cloth is some of the best in the world. Take the case of sugar. Fourteen years of continuous protection has come to this stage that we find today that we can even export sugar because we have competitive prices. We have no doubt given fostering protection of this House and vigilant criticism and constructive criticism of our hon. Members ...

DR. R. B. GOUR: I think the hon. Minister will excuse me for this interruption. Under the protective wing of the protection given, monopolies have grown up even in regard to our textile industry.

SHRI MANUBHAI SHAH: We are constantly seeing to it that there does not exist any monopoly or any cartel of this nature but only competition of a healthy nature and that too in a properly guided manner, where the industry will have to come before the House once in three years or perhaps even earlier and be subject to the judgment and the direction that the House is pleased to give from time to time. I can assure the hon. Members that we shall take every care in this regard.

SHRI KAILASH BIHARI LALL (Bihar): I was interested to hear the reply to the point raised by Mr. Sapru that the Minister should set an example by using the scooter.

SHRI MANUBHAI SHAH: I am used to using not only the scooter but also the cycle and I am prepared to use it again.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned".

The motion was adopted.

THE PUBLIC EMPLOYMENT (RE-
QUIREMENT AS TO RESIDENCE)
BILL, 1957

THE MINISTER IN THE MINISTRY
OF HOME AFFAIRS (SHRI B. N.
DATAR): Mr. Deputy Chairman, I beg
to move:

"That the Bill to make in pursuance of clause (3) of article 16 of the Constitution special provisions for requirement as to residence in regard to certain classes of public employment in certain areas and to repeal existing laws prescribing any such requirement, as passed by the Lok Sabha be taken into consideration."

Sir, this Bill has been brought forward for purposes of repealing certain rules which had the force of law in certain States which were against the provisions of the Constitution. So far as the Constitution is concerned, the House is aware, Sir, that under article 16 (1) it had been definitely laid down as a policy that there ought to be equality of opportunity for all citizens in all matters, including those relating to employment or appointment to an office in the State. Article 16(2) lays down that there ought to be no discrimination on the ground of a number of circumstances including residence. Now, so far as the question of residence was concerned, before the Constitution came into force, there were a number of provinces, as they were then called, in which we had these discriminatory rules. We had cer-

tain rules which might be roughly called as laying down residential qualifications. There were a number of States in which these rules were in force. In some States, it was laid down that before any such person could be eligible for service in that State, he ought to have resided in that State for at least three years. In some cases, this period was raised to higher figures. In one case it was nearly fifteen years besides some further discriminatory provisions, for example, that he should not continue to reside in any other State, that he might or might not have any property, therein, etc., etc., etc. All these things were there before the Constitution was passed and the Constitution had to consider this question. The Constitution laid down a very important provision that there should be equality of opportunity and that there should be no discrimination at all. In case there ought to be some such discrimination, then the power must vest in the Parliament and not in the State Legislatures. This is so far as the laying down of a very important provision was concerned. The Constituent Assembly had naturally to consider this case because in a number of States there was such a residential qualification in force. Therefore, it has been stated in article 35 that all these rules and laws in relation to requirements as to residence prevalent in different parts of India would continue to be in force whatever the validity of such laws until they were repealed or modified by Parliament. That was laid down under article 35. Now, after the Constitution was passed, the question had to be considered by the Government of India. We asked the various States as to what their particular opinion was so far as this question was concerned. In the meanwhile, Sir, we had the Report of the States Reorganisation Commission. As a result of this Report, as you are aware, Sir, the States were reorganised. That Commission dealt with this question also and I would in-