

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

Clauses 2 and 3, and the Schedule were added to the Bill.

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

SHRI T. T. KRISHNAMACHARI: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

ALLOTMENT OF TIME

1. REPORT OF THE BOARD OF DIRECTORS OF THE HINDUSTAN HOUSING FACTORY PRIVATE LIMITED.

2. REPORT OF THE DIRECTORS OF THE ASHOKA HOTELS, LIMITED

MR. DEPUTY CHAIRMAN: I have to inform the Members that under rule 153 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, the Chairman has allotted one hour each for the consideration of Shri Kishen Chand's two motions in respect of the Report of the Board of Directors of the Hindustan Housing Factory Private Limited and the Report of the Directors of the Ashoka Hotels Limited.

REPORT OF THE BOARD OF DIRECTORS OF THE HINDUSTAN HOUSING FACTORY PRIVATE LIMITED.

SHRI KISHEN CHAND (Andhra Pradesh): Sir, I beg to move:

"That the Annual Report of the Board of Directors of the Hindustan Housing Factory Private Limited

for the year ended 31st July 1956, laid on the Table of the Rajya Sabha on the 12th August 1957, be taken into consideration."

Mr. Deputy Chairman, Sir, first of all I have a preliminary objection against the way in which this balance-sheet has been prepared. My first objection is that in this balance-sheet the paid-up capital of the company is shown to be Rs. 1 lakh only. According to the Companies Act, a balance-sheet should represent the true condition of the company. In a few moments, Sir, I will give the history of this company. When it was entrusted to some private firm, it was all right to show the balance-sheet with a share capital of Rs. 1 lakh. But now that it has reverted back to the Government, and it is entirely a Government factory, the original capital should have appeared. So, I suppose that it is essential for me to give a little history of this Hindustan Housing Factory.

I realise, Sir, that in 1947, after partition, a large number of people—displaced persons—migrated to India and the problem of housing them was very urgent. And it was in the earlier part of 1948 that some adventurous foreign company approached the Government of India with a very rosy scheme of building houses rapidly, at the rate of about 500 houses per month; and as they say, if you tell a lie, it should not be big enough, and the bigger the lie, the easier it is to accept it. So, Sir, the foreign firm offered such tempting terms and made such great promises that our Government accepted them without enquiring in detail about the financial stability of that engineering firm which was established in the United Kingdom. There was some sort of agreement about the supply of prefabricated panels and prefabricated aluminium roofing material. Anyhow, that factory was established and correspondence went on. The target date was in the month of September 1949 when the stream of 500 houses

per month should have appeared. But not even one house appeared in September 1949. Not even till 1950 any house appeared. Then the Government set up one or two committees to enquire into the matter, but by that time over a crore of rupees had been invested in it by the Government of India. Then, Sir some time in March 1953, another Indian—foreign combined concern—Basakha Singh Wallenberg & Co. Ltd. came forward to offer partnership terms with the Government of India for the running of this Hindustan Housing Factory with an authorised capital of Rs. 5 lakhs and a paid-up capital of Rs. 1 lakh, of which Rs. 50,000 was to be subscribed by the Government of India and Rs. 50,000 by Messrs. Basakha Singh Wallenberg & Co. That company was started in April 1953. According to the agreement that was entered into by the Government of India with Messrs. Basakha Singh Wallenberg & Co. the latter should have invested Rs. 10 lakhs in the working capital and about Rs. 17 lakhs in machinery, and the Government gave them the entire factory on a lease basis. The lease rent was something like Rs. 1,90,000 per year. That factory was run by Messrs. Basakha Singh Wallenberg & Co. for a period of two years and five months. And during this period there was a loss of about Rs. 15 lakhs of which the share of the Government of India was Rs. 5 lakhs. Then, Sir, from some time in August 1955, the factory is running as a Government department. This is the history of this company. Now, this balance-sheet refers principally to that period when it was run as a Government factory, and I maintain, Sir, that when I saw this balance-sheet, I could not get even the slightest idea of the assets of the company, the losses incurred by Government and various other things relating to the agreement. Then I made enquiries. I must say that the hon. the Minister of Works, Housing and Supply gave me all the information. And all my facts are really based on the information so very kindly supplied by him.

Sir, the hon. the Finance Minister

stated a very true fact today that the Government industry, whenever it is run, should give a very clear picture. If the Government industry runs at a loss, Parliament should be told clearly: "We are running this industry at a loss, and these are the causes." But they should not draw up a balance-sheet in such a way that unless a detailed study is made of the matter and every item is carefully gone through, the Members of Parliament will not get any idea of what facts are hidden behind the various items of this balance-sheet. Now, I say that there was an Enquiry Committee on the working of this factory and they have submitted a report and the Government is going to do some re-modelling. I am not against nationalising. I want this factory to prosper, to do well. My idea is not that Government cannot manage industries. But I want it to run properly. If we try to hide facts, if we try to cover up the losses in different ways, it will not lead to the better management of the factory, and, therefore, I will have to point out a few detailed facts about it.

At first this Hindustan Housing Factory was only building pre-fabricated houses. It was not a success. In our country there is no dearth of space; there is no dearth of mother earth from which bricks can be made. Brick-houses are the best houses for our country. This type of pre-fabricated houses with thin walls of 4" and aluminium roofing costing about Rs. 6,000 or Rs. 7,000 is absolutely unsuitable for our country, and so, now this factory is manufacturing pre-stressed beams and electric poles from cement and iron rods. That is one line of manufacture. The second line of manufacture is woodwork—doors and windows; and the third line is foam concrete, a very light material, which is used for insulating in cold storage plants and possibly in big buildings as partition walls in, say, the 5th or 6th floor

[Shri Kishen Chand.]

where you do not want to have anything heavy. At present, nearly 90 per cent. or even more of the production is taken up by the C.P.W.D. The Housing Factory is under the hon. the Minister for Works, Housing and Supply, and the C.P.W.D. also is under him, and so it is quite easy for slightly higher rates to be paid for these doors and windows, beams and lamp posts. After all, it is a book adjustment from one side to the other, and if these things are done, there will be a continuous loss to the tax-payer of this country, while on paper the balance-sheet may show some sort of a profit. I would humbly request the hon. Minister that for all purchases of the products of this Housing Factory, there should be an open tender method. That is to say, the C.P.W.D., whenever it wants any doors or windows or beams, should call for tenders. This Housing Factory may also give tenders. If the tender of this factory is the lowest or near about the lowest, considering the quality that they supply, certainly an order may be placed with them. But if no tenders are called, an order is just placed with the Housing Factory by the C.P.W.D., and the Housing Factory puts up any price they like saying that these are our cost prices—we have had only 5 per cent. profit—then we cannot detect the inefficiency in the management of the Housing Factory. They will cover up their inefficiency by charging higher prices from the C.P.W.D. So, I would submit that even this balance-sheet, if you carefully examine, shows that the loss is only a very nominal amount of about Rs. 53,00, and if depreciation which has been charged at Rs. 58,000 is taken into account, it will actually show a profit of Rs. 5,000. I think that this is farthest from the truth.

SHRI AMOLAKH CHAND (Uttar Pradesh): Then, what is the truth?

SHRI KISHEN CHAND: As I said, it begins by saying that the capital of the factory is Rs 1 lakh, while

according to the book value of the expenditure of the Government of India, it should have been Rs. 1 crore 15 lakhs. Instead of that, they show only a capital of Rs. 1 lakh. Then, there is the lease money to be paid. When Messrs. Basakha Singh Wallenborg Limited were managing this, a lease money of Rs. 2 lakhs had to be paid for utilising the assets of the Government Housing Factory, plant and machinery. Now that lease money does not appear. Because now it is a Government department, they do not pay any lease money. That is one thing.

Then, out of the investment of Rs. 1 crore, even if you put the depreciation at 5 per cent . . .

SHRI C. P. PARIKH (Bombay): How does he put the investment at Rs. 1 crore? Has he any proof of this?

SHRI KISHEN CHAND: This balance-sheet does not reveal anything. I approached the hon. the Minister for Works, Housing and Supply and he has given me certain information, and it is based on that information. I will certainly lay it on the Table because it is supplied by the Minister. I will read it out for the hon. Member's information . . .

SHRI AKBAR ALI KHAN (Andhra Pradesh): This figure of Rs. 1 crore 15 lakhs was given?

SHRI KISHEN CHAND: The letter is signed by the Housing Commissioner. It says:

"Will you please refer to your letter dated the 29th August 1957 to the Minister for Works, Housing and Supply in which you asked for certain material in connection with your motion regarding the Hindustan Housing Factory . . .

A short note on the points raised by you and a copy of the annual report . . . is enclosed."

Almost the very first sentence in this note says:

"The new expenditure incurred by Government on the Housing Factory before the partnership of Messrs. Basakha Singh Wallenborg Limited was Rs. 109.26 lakhs."

That makes Rs. 110 lakhs on a rough estimate.

"The assets of the factory as on 1st April, 1953, i.e. the date on which the partnership with Messrs. BSW came into operation, were estimated at Rs. 57.58 lakhs. Thus the estimated loss during the working of the Housing Factory prior to 1st April 1953 is Rs. 52.18 lakhs."

Out of Rs. 1 crore 9 lakhs, during the first two years of its working, the company had lost nearly half the amount. That is the statement of the Government. All I am saying is.....

SHRI V. K. DHAGE (Bombay): Rs. 110 lakhs was the expenditure?

SHRI KISHEN CHAND: Net expenditure incurred by the Government on the factory prior to the partnership was Rs. 109.26 lakhs. What would you consider that?

SHRI V. K. DHAGE: Expenditure may be anything.

SHRI KISHEN CHAND: The net expenditure was Rs. 110 lakhs. What I want to suggest is that the balance-sheet should have shown an investment of Rs. 110 lakhs.

SHRI AMOLAKH CHAND: May I know whether this loss in assets was incurred at the time of the previous pre-fabrication factory or at the time of the Hindustan Housing Factory?

SHRI KISHEN CHAND: It was formerly the Government Housing Factory. There is no mention of pre-fabrication. When Basakha Singh joined in partnership with Government, its name was changed from Government Housing Factory to Hindustan Housing Factory. So, the

4 P.M. assets of the Government Housing Factory, when they were handed over, including the losses up-to-date were Rs. 110 lakhs. I don't know how much was the previous loss but including the losses up to that date it was Rs. 110 lakhs.

SHRI V. K. DHAGE: Was the Housing Factory that of the Government then?

SHRI KISHEN CHAND: It was entirely a Government factory.

MR. DEPUTY CHAIRMAN: There may be other speakers also.

SHRI KISHEN CHAND: I will finish now. Then add to it the loss, the Government share of the losses during the working of the factory by Basakha Singh, viz., Rs. 5 lakhs. Then Government invested Rs. 3 lakhs first and then they had to spend Rs. 1 lakh to supervise that Basakha Singh and Company don't steal anything out of that factory. So the total cost including all these items comes to Rs. 120 lakhs. I don't want to say anything about the previous losses. The condition of India in 1948 was quite different. There was an urgent need for housing. I don't mind the loss. We have suffered it. A mistake was made in entering into a contract with that firm, and the contract was one-sided. The Government made a wrong contract and so they lost further. Even that is gone past. Now, I humbly request the hon. the Minister of Housing that in future the balance-sheet should show the entire investment of the Government of India on this Hindustan Housing Factory and also show that up-to-date according to their accounting, so much has been lost and they have written it off, that these are the assets of the company etc.

Then in this there are several items of bad debts and there are certain loans like Rs. 1,09,000 to certain associates of Basakha Singh which is a bad debt and Government recognise

[Shri Kishen Chand.]

that it is a doubtful debt. There is another item of Rs. 1,16,000 which is equally a bad debt. There are book debts of Rs. 13 lakhs. I don't know whether they are good or bad debts, because there is no mention about it. There is only a statement that there are bad debts of Rs. 13 lakhs. According to the Companies Act there should have been a clear statement that these debts are good and recoverable. I suffer under a handicap. I have only the information given here and I can only ask from the Minister for further clarification. That is why I am saying that this balance-sheet should be drawn up in such a way that it gives complete data so that we can properly criticise for the better running of this factory. Our sole object in this criticism is that we may better run this factory and that it should run profitably.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Annual Report of the Board of Directors of the Hindustan Housing Factory Private Limited for the year ended 31st July, 1956 laid on the Table of the Rajya Sabha on the 12th August, 1957, be taken into consideration."

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Mr. Deputy Chairman, Sir, we are obliged to our hon. friend Mr. Kishen Chand for having created an opportunity to discuss the affairs of the Hindustan Housing Factory (Private) Limited. Our consideration of the affairs of this factory would not be very complete and thorough without ourselves having been provided with two necessary things, firstly the report of the expert committee which has already submitted its report to the Government on 23rd October, 1956.

THE DEPUTY MINISTER OF WORKS, HOUSING AND SUPPLY (SHRI ANIL K. CHANDA): It is available in the Library. The report has been made available to the Library of Parliament. long ago.

SHRI JASPAT ROY KAPOOR: I did not know that, otherwise I would have looked into it but just as they had furnished us this annual report and the balance-sheet, if they had supplied a copy of that, i.e. the expert committee's report, it would have been a little more helpful. However, I don't accuse the Government on that account. I plead guilty for not having looked into this report in the Library but the other thing that I want to refer to and which should have been supplied to us and which I could not get in spite of my best efforts yesterday and today is the latest report which has been referred to in the report of the Deputy Director, Commercial Audit. In the second para of the report it is said:

"As regards the result of independent check and supplementary audit conducted on behalf of the Comptroller and Auditor General under section... of the Companies Act, a separate audit report will be sent in due course."

I understand that this report has already been submitted to the Government probably in June. I tried to get this report and I asked the Librarian to contact the Secretariat of the Ministry concerned; and the reply that was given to the Librarian, which he has conveyed to me, is that no final decision has been taken on the report or something like that, and therefore it cannot be made available to us.

Now, if we had that independent report by the auditor, it would surely have been very helpful to us. Even now while replying to this debate if the hon. Minister or his worthy Deputy throws some light on the subject, it would be very helpful. For, our object is to seek information on this subject and not to unnecessarily criticise things. The history of this concern is that it has had a very chequered career and it has so far been very much like a white elephant but it is a little gratifying to find that it seems to be now turning the corner in its history and last year's working shows a profit of about Rs. 5,000 . . .

THE MINISTER OF WORKS,
HOUSING AND SUPPLY (SHRI K. C.
REDDY): I said it was turning the
corner.

SHRI JASPAT ROY KAPOOR: So, I
say that it is a matter of little satis-
faction to us and we hope that in years
to come the past history will not be
repeated of losses but we shall have
the satisfaction of learning that it is
doing some useful work and is show-
ing some substantial profit.

I would like to know a few things
about it. Firstly, is it a fact or not—I
understand it is a fact—that during
the period this factory was being
worked by Shri Basakha Singh and
Company, the Government was repre-
sented on its Board of Directors
and probably the present General
Manager of it who has signed this
report and balance-sheet was probably
the Director? I speak subject to
correction. I would like to know
whether he was submitting any report
from time to time to the Government
regarding the working of this concern.
This huge loss of about Rs. 14 lakhs
and more was incurred during the
short period of 2 years and 5 months.
I would like to know whether, the
representative of the Government on
the Board of Directors kept the Gov-
ernment informed of it and what steps
did he take to see that these losses
were not incurred. It appears from
the report that many officers and many
experts, some foreign and some Indian,
were drawing very high salaries and
that their services had to be dispensed
with after this undertaking came
under the direct charge of the Govern-
ment. Now, when these foreign
experts and Indian officers were
drawing very high salaries which I
suppose go a long way to account for
this huge loss, why were those high
salaries not objected to? Is it a fact,
as the rumour goes, I would not call
it rumour but information, that two
sons of Sardar Basakha Singh were in
the employment of this concern and
that they were drawing very heavy
salaries amounting to about Rs. 2,000
or more per month each? I do not

know if it is so or not, but this is
what the information is. If it is
correct, then it is something which
should have been reasonably objected
to by the Government Director on the
Board of Directors.

I would like to know what exactly
is the production capacity of this
concern. Of course, we know what
the actual production has been, but I
would like to know whether this
factory is running to its full productive
capacity or whether it is only a frac-
tion of it. Now, housing materials
are very much in demand and even
insulation material is very much in
demand in the country with so many
cold storages coming into being. It
is gratifying to find that this concern
has been able to produce a very suit-
able substitute for cork. I would like
to know whether this new insulation
material called foam-concrete has been
used so far only in Government cold
storages or any private cold storages
have also used it. Is any experiment
being carried on with regard to this
material to find out whether it really
is a good substitute for cork or not?

One more information that I wanted
to ask has in some measure been given
by my hon. friend, Mr. Kishen Chand,
himself and that is, how much of the
products of this concern has been
consumed by the Government and how
much thereof has been sold to private
consumers. If what my hon. friend,
Mr. Kishen Chand, has said is correct,
it appears that about ninety per cent.
or so has been consumed by Govern-
ment. Well, there is nothing wrong
about it. If Government needs the
production of this concern, certainly
they must use it but my point is that
if about ninety per cent. of it is con-
sumed by Government, if its produc-
tive capacity is very much more than
what it is actually producing, why
should it not have been run to its
fullest capacity to offer its products to
private parties?

We would be very much interested
to know how the products of this

[Shri Jaspat Roy Kapoor.]
concern stand in competition so far as price is concerned with the other products in the market. So far as this foam-concrete is concerned, we are specifically told that it is very much cheaper than cork and probably no other concern in the country is producing this sort of material but, so far as the other materials are concerned, we would like to know whether they are being produced at a competitive rate.

These are the few points on which we would like to seek enlightenment. Particularly, we would like to know what exactly are the recommendations of this expert committee because, we are told in this annual report that if the recommendations of the expert committee are accepted by Government, this factory would run on a very much more profitable basis than hitherto. If that be so, I see no reason why these recommendations should not be immediately accepted and implemented.

MR. DEPUTY CHAIRMAN: Yes, Mr. Chanda.

SHRI C. P. PARIKH: I want to say something, Sir.

MR. DEPUTY CHAIRMAN: We have only 28 minutes and the Minister wants fifteen minutes and Mr. Kishen Chand has to reply.

SHRI AMOLAKH CHAND: I just want to put a question only, Sir.

On page 2 of the balance-sheet, under the heading "General", the Deputy Minister will find that it is said that the factory has achieved production of approximately thirty lakhs. It is also said that the loss for the current year amounted to Rs. 53,684/13/3 and that the loss incurred by the factory for the period from 1-8-55 to 15-8-55 was Rs. 59,498/10/3. I would like to know how this loss was incurred in the course of about fifteen days.

SHRI C. P. PARIKH: Sir, this is a concern run in the public sector with Government Directors who are officers nominated on the Board as well as other supervising officers. Mr. Kishen Chand has said that there has been a loss of about one crore of rupees. This Hindustan Housing Factory has been there from 1-4-53 and the loss borne by the party is Rs. 9,70,000 according to the agreement. Now, when the auditors have put this thing, they ought to have also shown the basis of the sharing of the losses. In the Directors' report, it should have been given as to on what proportion the loss was to be shared.

SHRI KISHEN CHAND: Rupees nine lakhs is the share of Basakha Singh and five lakhs of rupees is the share of Government.

SHRI C. P. PARIKH: But the share capital is one lakh and they could only have had an agreement to the effect that this was an advance. Such advances are necessary but the difficulty will come only when it has to be recovered later on. If it was for a period of two years, they could have waited and should have given only small amounts in the first year, to the extent that is necessary. Therefore, this information should be given. As regards the one lakh rupees worth of shares which are outstanding, I want to know whether all the shares are at present held by Government or not.

SHRI ANIL K. CHANDA: Mr. Deputy Chairman, I am grateful to the hon. Mr. Kishen Chand for having brought this motion before this House because it gives us an opportunity to fully explain the position of this Housing Factory. In fact, there is nothing for us to hide because in the past, both in the Constituent Assembly and in the Provisional Parliament, there have been several marathon debates on this Housing Factory. Therefore, there is really nothing for Government to hide particularly from this honourable Parliament. Mr. Kishen Chand has referred to the history of this factory and, therefore, I may

also be permitted from our side to explain the history as far as we can see it.

This first phase of this factory is from the early days of 1948 when Government was confronted with the problem of housing for millions of uprooted humanity who sought shelter in India. Government had to do something about it and since mass-scale pre-fabricated cottages have been possible in many other countries, Government entered into a contract with a British firm of some standing, the Structural and Mechanical Development Engineers Company, for the mass manufacture of these pre-fabricated cottages at a very reasonable figure. Unfortunately, Sir, this venture was not successful. After all accidents happen even in the best regulated families. Now, Sir, in the first phase from 27th May, 1948, till 6th December, 1952, Government had totally spent Rs. 109.7 lakhs on this, and the loss during this period was the greatest amount of loss over this factory during which period we had a contract with this English firm for the manufacture of pre-fabricated houses, and the total loss during this period was Rs. 62.48 lakhs of which, however, Rs. 10.39 lakhs were on depreciation on fixed assets.

SHRI V. K. DHAGE: What was the period in which that happened?

SHRI ANIL K. CHANDA: It refers to the first phase, from May, 1948, when the plan was first conceived till about the beginning of 1953. During this period it was run as a Government department known as the Government Housing Factory and the total outlay on the part of the Government was in the neighbourhood of Rs. 110 lakhs.

DR. ANUP SINGH (Punjab): What was the share of the loss incurred by the British Company?

SHRI ANIL K. CHANDA: The British company did not incur any loss. We had to give them a royalty on the basis of the houses produced

and we had to pay for the technical officers who had to be brought here to set the factory in motion. The total loss of the Government during this period was Rs. 62.48 lakhs.

Then the Government appointed two committees. The earlier one advised the Government that pre-fabrication of houses of this sort was not possible. Then another committee was appointed to advise the Government as to what should be done with this factory. This committee was presided over by the late Dr. Bhatnagar, and the committee advised the Government that this factory had very useful assets and there were a number of possibilities and the Government might either by itself or in partnership with some private firm start making pre-fabricated and prestressed housing components, doors, windows, furniture and fabrication of steel, telegraph posts, sleepers, girders, etc.

With this we began the second phase of the factory which lasted from 1st April, 1953 to 15th August, 1955 when this company, Basakha Singh Wallenberg, retired from the field. During this period the company had incurred a loss of a little over Rs. 14 lakhs and Government's share of this loss was Rs. 5 lakhs. Of course, Government had to invest Rs. 50,000 in shares, and for additions and alterations to the Government property we incurred an expenditure of Rs. 1.7 lakhs. Thus the total expenditure on the part of the Government during this period when the company was being run in collaboration with Basakha Singh Wallenberg was Rs. 2.2 lakhs. Then this agreement terminated and during this period, as I said, out of a loss of a little over Rs. 14 lakhs the Government's share of the loss was Rs. 5 lakhs. The share capital of the company was Rs. 1 lakh for the very simple reason that the machinery, the building, the lands, all these were already available on the spot. Therefore, for the share capital Rs. 50,000 was contributed by the company, the Swedish combine.

[Shri Anil K. Chanda.]

and Rs. 50,000 by the Government. That was the share capital and the complete assets of the Government were given over to the factory, were leased out to the factory and the total depreciation of the Government assets was the amount fixed as the lease money of this factory.

Basakha Singh Wallenborg retired from the field on the 15th of August, 1955, and from the 16th of August Government took over the running of this factory. During the first fifteen days of that year, from the 1st of August to the 15th of August, as my hon. friend Mr. Amolakh Chand has referred to, the loss in fact was a little over Rs. 59,000 for the very simple reason that the factory was not producing anything, but they had to pay their officers and the workers. Immediately after the factory came into the hands of the Government, the Government appointed a committee consisting of some of the highest engineers of the State and this committee submitted a report which, as I said, had been supplied to the Library of Parliament but as the hon. Mr. Jaspat Roy wants to know something about the details of this report I would read it out, a gist of this report, which will be rather helpful to explain the position of this factory. The first conclusion about this factory was that the failure of Basakha Singh Wallenborg was not due to any intrinsic fault with the line of production adopted by the company, but it was due to excessive overheads, and secondly, lack of complete identity of interest between the partners of Basakha Singh Wallenborg. I believe in the later stage the partners fell out and, therefore, the work of the company suffered very considerably. Also they had another difficulty. When orders began to pour in they did not have the requisite capital to carry on with the factory. But it must be said to the credit of this factory that it had established with some degree of certainty, that the factory had more or less struck on a line of production which had good potentialities and had

also solved technical difficulties experienced earlier in the production of foam-concrete products.

With regard to the main recommendations of the committee this is what I have to say, Sir. No. 1, they said: We should carry on with the work of the pre-stressed concrete and precast concrete components and in view of the important savings that it could bring out in the use of steel and cement it is essential to maintain this activity as a prototype and try to develop the technique extensively throughout the country. I may also mention, Sir, that the saving of steel with regard to this is to the extent of about 50 per cent. Then secondly, it advised that we should carry on with the manufacture of foam-concrete because with a greater number of cold storage plants coming up in the country foam-concrete can replace cork which is a costlier material imported from abroad. The use of foam-concrete blocks for multi-storeyed buildings is also promising because there is considerable saving in dead weight which reduces the cost on the R.C.C. and steel frame structures. Thirdly, the committee advised us that we should carry on with the wood-work because there was great prospect in the market with heavy building activity going on in and around Delhi. The committee feel that the three departments relating to foam-concrete, pre-stressed and precast concrete and wood-work are engaged in useful activity today and this activity should be continued in future. With regard to the future running of this factory the committee advised that it should be entirely a State-owned private limited company with an authorised capital of Rs. 75 lakhs and a paid-up capital of Rs. 40 lakhs, the latter capital value consisting of value of land at its original book value, written down value of plant, machinery and buildings, and cost of additional plant and machinery amounting to Rs. 8.75 lakhs.

I have already told the House, Sir, what are the lines of production we

carried on by this factory. Now during the short period that Government has taken it over there has been very considerable improvement in the working of the factory. Under Basakha Singh Wallenborg, during a period of 2 years 4 months or 2 years 5 months the total output was valued at Rs. 40.27 lakhs. During the period of 1 year and 11½ months of the factory run by the State, the total output has been valued at Rs. 62.84 lakhs. After the 15th of August, 1955 when the factory was completely taken over by Government there has been actually a profit of a little over Rs. 6,000 in the working of the factory during the year under review. The future prospect of the company is, I think, quite bright because for this year 1957-58 we have secured already orders for wood-work to the extent of Rs. 9 lakhs, prestressed and precast concrete Rs. 20 lakhs, and Rs. 4 lakhs from another party and foam-concrete Rs. 3 lakhs and the total comes to Rs. 36 lakhs. We expect another Rs. 5 to 6 lakhs worth of orders to come from the market in the course of the coming months. There is also, I may say, a great possibility of our manufacturing sleepers for our Railways which will result in a considerable saving in high quality timber which is, to start with, exceedingly expensive and which is very difficult to get. We are now in discussion with the Ministry of Railways on this question whether the precast sleepers produced in this factory could not be used by the Railways.

One hon. Member asked a question as to whether we are having a privileged position with regard to our business with the C.P.W.D. It is a fact, of course, that this Ministry runs this factory and the C.P.W.D. also is under this very Ministry. I may straightway inform the House that so far as precast concrete components are concerned, which is really the main work of the factory and in which, I think, lies the real future of this factory, the business that we have

secured is by the process of open tenders. So far as wood-work is concerned, during these two years that we have been working, we have had orders to the extent of Rs. 25 lakhs. We tendered along with many other firms and our tenders were the lowest for wood-work and orders to the extent of Rs. 5.7 lakhs for wood-work were received from the C.P.W.D. After that the arrangement that was made with the C.P.W.D. was that orders for wood-work would be executed by this factory for C.P.W.D. according to the C.P.W.D. price schedule of 1950 less 15 per cent. I may inform the House—I am now speaking on behalf of the factory—that because of the later rise in the price of timber, on this deal the Housing Factory lost nearly Rs. 2 lakhs. Of course, what has been lost by the factory has been again for the C.P.W.D. and so far as the Government's position is concerned, it is just plus and minus criss-crossing each other. So far as the factory is concerned, it certainly does not enjoy any privileged position. For foam-concrete also it has been in the open market operating on the basis of tenders. The present agreement with the C.P.W.D. is that we take orders for wood-work on the basis of 1955 C.P.W.D. schedule and if there is any fluctuation in the price of timber, either going up or going down according to the Director-General of Supplies and Disposals, the price of timber of those contracts would be altered suitably, so that neither the factory nor the C.P.W.D. would suffer any loss.

There has been a suggestion made by the hon. Mr. Kapoor that so far as wood-work is concerned, henceforth we might call for open tenders. This is a suggestion which we shall certainly consider.

MR. DEPUTY CHAIRMAN: That is all?

SHRI ANIL K. CHANDA: One more minute, Sir, if I may.

The hon. Mr. Kishen Chand has referred to the balance-sheet as not being real. The balance-sheet has been framed in terms of the Companies Act and the Comptroller and Auditor-General who has seen it has no comments to offer on it. The balance-sheet of the company does not show the value of the machinery workshop etc. because these assets are owned not by the company but by the Government. For these assets the company pays a rent which is shown in the balance-sheet.

The hon. Member also referred to a sum of Rs. 1 lakh and odd which is shown as debt against Mr. Tharberg who was a partner in this partnership of Basakha Singh and Wallenberg. When the final agreement was drawn up terminating the working of the factory jointly between the Government and the B.S.W., Basakha Singh took over the responsibility of reimbursing that amount. Actually out of Rs. 10 lakhs and odd Basakha Singh had to his credit, nearly Rs. 9 lakhs have gone to recovery of losses and it will be seen that payment of Rs. 68,118 to Basakha Singh has been withheld against the sum of Rs. 1.0 lakh or so due from Mr. Tharberg. We have also since recovered Rs. 12,000 from the Customs and the remaining amount Basakha Singh owes to Government. I think this more or less meets all the points raised by hon. Members; and I think, as my senior colleague just said, we have turned round the corner and in view of the great economy that we can effect by the manufacture of essential commodities needed by the community—particularly in these days of electric power development the pre-cast and prestressed poles are very helpful—I think this factory has not merely a bright future economically but can also render a very useful service to the community.

SHRI JASPAT ROY KAPOOR: One point I want to ask, Sir.

MR. DEPUTY CHAIRMAN: Only eight minutes are left; he has to reply

SHRI JASPAT ROY KAPOOR: I would like to know whether this foam-concrete has been tested in any laboratory and whether it has been found to be a good substitute. Secondly, what is the production capacity as compared to actual production; and thirdly, I want to know whether—I had heard this at so many places—Rs. 2,000 per month was given to the two sons of Basakha Singh.

SHRI ANIL K. CHANDA: I have already said that one of the reasons for the failure of the working of the managing agents was heavy overhead charges and that means salaries also. I do not know the exact amount of the salary drawn by the two sons.

SHRI V. K. DHAGE: Sir, my question is in regard to the causes that led to the loss of Rs. 62½ lakhs in the course of 3½ years from 1948 to 1952 or 1953. Could the hon. Minister say as to what led to those losses?

MR. DEPUTY CHAIRMAN: All this is old history.

SHRI ANIL K. CHANDA: Yes; it can only be of academic interest today.

(Interruptions)

MR. DEPUTY CHAIRMAN: The hon. Minister.

SHRI K. C. REDDY: Sir, I did not want to intervene in this debate because my colleague has fully covered most of the points raised in the course of the speeches here. I would like to add only one or two things now that you have been pleased to call me and that is all of a very general nature. It is no doubt, true, that this factory has been a sort of a costly experiment. No one is denying the fact that the factory has suffered a loss of about Rs. 60 lakhs or whatever the figure quoted by my hon. friend may be. It has suffered that loss, but this has been a sort of a pioneering factory, if I may say so, and I would like to make this point, namely, that even in private sector concerns pri-

vate entrepreneurs have suffered losses to the tune of not only lakhs but crores and crores of rupees whenever they resorted to making certain experiments. I do not want to name those enterprises but I would like to say this. One of the best enterprises in our country which is making very good profits at the present moment when it took up a particular line of production based on some research some years ago had to suffer a loss and the loss was to the tune of not less than Rs. 1 crore which was written off in the balance-sheet; and I can cite many instances where such losses have occurred in the best regulated companies guided and directed by people of business acumen, by people who have a high reputation in the business world. This is all in the game, if I may say so. If anyone were to go away with the impression that, because in this Housing Factory we have suffered over a period of nearly ten years this huge loss, the public sector is not capable of delivering the goods, it would be a wrong impression. We have got other public sector enterprises which have made and which are making good and one swallow does not make a summer. Because there has been a certain loss in this Housing Factory we should not go away with the impression that all public enterprises will be failures. That would be a faulty inference to draw.

Now, as my hon. colleague said, we have not exactly fully turned the corner; we are turning the corner and we are looking forward with hope to show good results in future, to show a much more satisfactory return, and if I may anticipate we are now reverting to good old housing materials and we have been considering whether we cannot take up brick-making and production of lime mortar and things like that which are greatly in demand for our housing programme. This may prove to be the bread and butter of the factory, but I am not anticipating too much. We are still examining those aspects and I hope that this House will have the pleasure and will have the opportunity of getting

the new balance-sheet which will give satisfaction to Parliament.

MR. DEPUTY CHAIRMAN: Mr. Kishen Chand.

PANDIT S. S. N. TANKHA (Uttar Pradesh): Sir . . .

MR. DEPUTY CHAIRMAN: There is no time. We have exceeded the time limit.

PANDIT S. S. N. TANKHA: I want an information only. That is all.

MR. DEPUTY CHAIRMAN: Please table a separate question.

(Interruption.)

SHRI KISHEN CHAND: Mr. Deputy Chairman, I am very glad of the explanation given by the hon. Minister and as I said in the beginning my object in bringing forward this motion is not to criticise the management of industries in the public sector, but I was only drawing attention for its better management. The hon. Minister has now said that the new Housing Factory is probably going to have a capital of Rs. 32 lakhs. That means nearly Rs. 88 lakhs of the previous capital is written off. I do hope that in the future balance-sheet this point will be indicated.

The next thing he said is that Rs. 8 lakhs is provided for new machinery, but no provision is made for the working capital. Probably that will also have to come in the shape of new capital. Secondly, the hon. Minister has said about the wood-work. Several hon. Members of this House visited the factory and the management there said that the wood was absolutely raw. It has barely a life of four or five years after which it warps. It is not seasoned wood, and it has not been treated in the seasoning plant. It is only the Central Public Works Department which can take the wood-work and then use it because the cost could be adjusted from one department to another. It has a life of only four or five years; absolutely unsea-

[Shri Kishen Chand]
soned *kail* wood, and most inferior *deodar* wood. The wood-work quality is rather low and it gets warped within a couple of years. If such is not the case, it is all right. The hon. Minister has given the assurance that open tenders will be invited. I attach very great importance as he has done to the prestressed concrete poles and all those articles where there will be a saving of steel. I do wish the hon. Minister will pay attention to these points when he is recasting the factory and when he brings forward the next balance-sheet of the factory.

MR DEPUTY CHAIRMAN Please go to the next motion

REPORT OF THE DIRECTORS OF THE ASHOKA HOTELS LIMITED

SHRI KISHEN CHAND (Andhra Pradesh) Sir, I move

"That the First Annual Report of the Directors of the Ashoka Hotels Limited, New Delhi, for the year ended the 30th September, 1956 laid on the Table of the Rajya Sabha on the 12th August, 1957, be taken into consideration"

Only the other day when a question was asked in this House about the Ashoka Hotel, the hon. the Prime Minister was very vehement and he intervened in the answer and replied that there are bigger hotels in China and in Russia and because there are bigger hotels there, there is no reason why there should not be equally big hotel in New Delhi. I certainly agree about the need of a big hotel. But I would not advance the argument that because there are big hotels in China and Russia, we should have a big hotel. If we want to have a big hotel we should certainly have it. But the hon. the Prime Minister when he intervened did not go behind the history of this Ashoka Hotel. It was first of all started by one ruling prince with the help of some of his friends

They said We will subscribe the entire capital, only the Government has to advance a loan of Rs 25 lakhs. It was started that way. The Government gave them a site. The promoters brought in Rs 16 lakhs as share capital from their friends and directors and started giving contracts. The whole scheme, the layout and everything, was decided and the contracts were more or less entered into—I do not say exactly with their relatives—with persons in whom their relatives were interested, and contracts were given at rates which are more than the reasonable rates. When all this has been done, when the contracts and everything have been given, then slowly, and quietly the promoters wanted to back out of this scheme. They said We cannot get the rest of the share capital. We do not have the share capital now. The Government must come in. So, the Government comes in. The Government comes in at a stage when these people have already accepted the design, almost given the contracts for everything at a high rate and placed orders for the cutlery, crockery and various things, of course, getting their normal share of commissions out of it. When they have done that they give it to the Government and wash their hands off and completely entrust it to the Government. And the Government takes it up.

The Government have completed the construction work within ten months, which is really remarkable. All congratulations to the contractors, P.W.D. and Government of completing it so quickly. Of course, when you do a thing hurriedly and quickly, defects creep in. The building is somewhat shabby, certain parts have become shabby. The cost goes up. The result is according to the directors' report, they are estimating that it will cost Rs 2 crores and 75 lakhs. It may go up by another Rs 25 lakhs, so, it will come up to Rs 3 crores. The initial estimate was only crore and a half. It has come to Rs 3 crores. That is one side of it.