

ہمارے لئے کھانے پینے کی چیزوں کا  
 انظام نہیں کر سکتی ہے - حکومت  
 پورے طور سے ہماری مالیت کی  
 حفاظت کا انتظام نہیں کر سکتی ہے  
 تو وہ اس کو اپنی ذمہ داری نہیں  
 سمجھتی ہے - ایسی صورت میں ہمارے  
 لئے بڑا مشکل ہو جاتا ہے کہ جو خیرات  
 کرنے والے کپیتلسٹ (Capitalist) ہیں  
 وہ مرنے وقت الگ کے نام پر یا مذہب  
 کے نام پر خیرات کرنا چاہیں تو ان کو  
 منع کر دیا جائے کہ ۲۵۰۰ سے زیادہ  
 خیرات نہیں کر سکتے - یہ مناسب  
 نہیں معلوم دیتا ہے -

[For English translation, see Appendix V, Annexure No. 105.]

MR. DEPUTY CHAIRMAN: You may continue your speech in the afternoon at 4 o'clock. We have a Half-an-hour discussion now. Shri B. C. Ghose.

#### HALF-AN-HOUR DISCUSSION

##### AGREEMENTS BETWEEN SINDRI FERTILIZERS AND CHEMICALS LTD. AND CERTAIN OTHER COMPANIES

SHRI B. C. GHOSE (West Bengal): Sir, with the gradual extension of the public sector, particularly in the industrial field, the question of Parliamentary responsibility in regard to nationalised industries and Parliament's control over them is becoming an increasingly important matter. As Parliament votes the funds for these industries there is naturally a demand and a desire that Parliament should also have an adequate control over these industries. Broadly speaking, the methods available to Parliament for exercising this control are two, first, questions and second, the debates

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and discussions. Opportunities, however, for debates and discussions can only be, in the nature of things, few and far between because they can arise only on special occasions. For instance, if there are rules and regulations to be confirmed by Parliament or to be laid before Parliament, then discussions and debates can be raised over those rules and regulations. Or they may occur at the time of the Budget discussion, or when the annual reports or reviews are placed before Parliament. But as you will see, Sir, these occasions are not very large in number. So the main or the principal means available to Parliament for eliciting information about these nationalised industries is through questions. Now, in regard to this matter, in answer to a question which was asked last week in this House, the hon. the Production Minister stated this:

"As the agreements are between private limited companies, Government deem it inappropriate to place copies of the agreements on the Table of the House."

And in answer to a supplementary question, he added:

"The question as to the extent and the manner of Parliamentary control, over the working of these industrial undertakings is a large question that has to be settled ultimately by establishing conventions. Even in an advanced country like the United Kingdom, for example, these conventions are still being established. This is a process which we have got to go through with care and circumspection."

I admit, Sir, it is a difficult question, although it is not correct to say that in the United Kingdom they have not established as yet some sort of a convention in this regard. The problem is to have freedom for the nationalised industry run by a corporation, to carry on its day to day administration and at the same time Parliament having control over large questions of policy. Let me state

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here, what the position in Great Britain is, as that has been referred to by the hon Minister. This question of Parliamentary control over nationalised industries was, more or less, elaborated by Mr Herbert Morrison in the House of Commons when in December 1947 he said.

"The Minister will be answerable for any directions he gave in the national interest and for the action which he took on proposals which a Board was required by statute to lay before him. It would be contrary to this principle and to the clearly expressed intention of Parliament in the governing legislation"

and I may add here, Sir, that the discussion in Great Britain was in regard to the corporations and management by the Boards of those corporations, because industries there are set up under Parliamentary Statute

"if Ministers were to give in replies in Parliament or in letters, information about day to day matters"

And the matter was further debated in the House of Commons in March 1948 and a Select Committee was also appointed by the House which too held the same view on this matter. This Select Committee reported to this effect

"Under their existing constitution, the nationalised industries are not subject to any direct control by Ministers in individual matters of detail. Your Committee, therefore, feel that without altering the statutes under which the public corporations are constituted, which they are not empowered to recommend, questions on matters of detail in the nationalised industries are inappropriate"

I must say, therefore, that the position with regard to Parliamentary responsibility and control over nationalised industries has been, more

or less, clarified in Great Britain, namely, that in regard to day to day matters of management, there should not be any Parliamentary questions, but with regard to policies or broad questions even of administrative matters, there may be questions. The case was put in this fashion. Suppose a railway train—Railways being managed by a nationalised corporation—came late on a particular day, it would be inappropriate to ask a question of the Minister, as to why the train came late on that particular day, because it might have been the fault of the management in regard to some small detail. But if the particular train came late every day of the month, then the question of detail becomes an important enough question reflecting on the management of the concern as to justify a question in Parliament

As I stated, you will remember, Sir, that there is a difference between the position in Great Britain and the position in this country. In Great Britain, the nationalised industries are run by corporations—corporations set up by statutes. And the corporations are given specific powers to manage particular industries and ministerial responsibility does not extend to those matters which are within the competence of the corporations. But the position in this country is different. What are the nationalised industries that are being conducted in this country and what are their constitutions? We have very few corporations in this country. There is the DVC and there is now, probably, the Air Corporation. Some time last session, I had asked the hon Minister a question as to the form of management of State-owned concerns. They are all without exception—because the DVC was not mentioned—either departmentally run or conducted through a board of directors constituted under the Indian Companies Act. Now, let us try to understand as to what happens to companies or concerns which are constituted under the Indian Companies Act. The

shareholders are the Government and a few others. The Board of Directors are nominated by the Government; and that ultimately means Parliament because it is Parliament to which Government is responsible. So virtually although there is the fiction of this Indian Companies Act, and the concern is said to be under the Companies Act, for all practical purposes—without going into the legality of the question—it is just like a concern which is departmentally run.

So far as companies constituted under the Indian Companies Act and so far as companies run departmentally are concerned, I submit to you, Sir, that there is no essential difference because I presume no power over which Government has no control is given to these companies which are set up under the Indian Companies Act and, therefore, Sir, I should like to submit that the analogy of the practice in Great Britain should not be applied to this country. Further I also accept that ministerial responsibility to Parliament should be equated with the ministerial accountability in regard to the industries which are nationalised. Here, as we find, in most of these industries, it is the Government which is absolutely responsible both in regard to the companies registered under the Indian Companies Act and those managed departmentally. The Directors are mostly Government servants and they get their authority from the Minister or the Government. I should like to know if the Government will contend that the officers can act without the concurrence of the Minister and that they have liberty in the management of these concerns.

**THE MINISTER FOR PRODUCTION (SHRI K. C. REDDY):** Of course, in certain matters.

**SHRI B. C. GHOSE:** If that is so, that freedom, I say, has been given by the Minister to the officers concerned.

**SHRI K. C. REDDY:** They are governed by the Articles of Association

of the various companies registered under the Indian Companies Act.

**SHRI B. C. GHOSE:** I understand but the position cannot be different from that of any other company which is registered under the Indian Companies Act. What is the position under the Indian Companies Act? The shareholders and the Board of Directors have complete control over the Company. Who are the shareholders and the Board of Directors? The shareholders and the Board of Directors are the Government. If the hon. Minister's contention is that it is not the Government but the officers who are a separate entity from the Government, then let him say so bluntly because, as I was submitting, it is not different from that of other companies which are constituted under the Indian Companies Act.

So, I should like to submit, Sir, that in these cases the Minister cannot avoid the responsibility of answering questions which are put down here in regard to the working of these companies. I should be prepared to accept, Sir, that even in regard to these companies it would be desirable not to ask very small questions in regard to the day to day management and I should be prepared, as is the practice in Great Britain, to leave the discretion in the matter of answering questions, as to whether a question constitutes one of large administrative policy or a policy at all or of minute detail, to the Minister himself, but there cannot be any dispute over this proposition that the Minister has a responsibility constitutionally, in so far as this Parliament is concerned, to answer questions put down in this Parliament in regard to industries which are either departmentally managed or which have been set up under the Indian Companies Act. I do not think that Government will object to answering any questions in regard to the working of the Post Office or the Railways which are managed departmentally. In the same way, as I stated, there is not much

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difference between the two types of companies that we have here. But I shall be quite prepared to concede to him that we should not trouble him nor the management of these concerns by asking questions about day to day administration which are not of great significance. But the question that was asked here by my friend Mr George was not a matter of day to day administration. It was in regard to agreements that were entered into between the companies and I submit, Sir, that that is a large question of policy and the Minister should not have refused to answer that question.

MR DEPUTY CHAIRMAN Mr Reddy have you any questions?

SHRI C G K REDDY (Mysore)  
No, Sir

1 P M

SHRI K C REDDY Mr Deputy Chairman, at the very outset, I must own that the hon Member who has just now spoken has put the case fairly well and has explained the position with sufficient clarity and precision. On major issues, I have not got much to differ from him excepting on one or two points to which I will refer in the course of my remarks at a later stage and that refers particularly to his observations on the undertakings which are now working under company management, companies registered under the Indian Companies Act. I will refer to that, as I said, later.

I welcome this debate, Sir. In fact, if I may say so, after having answered questions relating to industrial undertakings over the last sixteen or eighteen months every conceivable question that came from many hon Members of this House, it was only on the last occasion on which I gave a reply which has occasioned this debate. I said then that the costs of production of ammonium sulphate in the Sindri Fertilizer Factory could

not be divulged and that contracts entered into between the Sindri Factory and other private companies could not be laid on the Table of the Council. In fact, when I drafted that answer, I did anticipate that a debate like this would be raised and it was my definite purpose that such a debate should be raised so that the attention of this House and the general public could be drawn to the broad implications of a vital question of this kind. It is true, Sir, that in India we have established these national undertakings only recently, excluding of course, the Posts and Telegraphs and the Railways and undertakings of that kind. These national undertakings are being run now on a particular pattern and with a set purpose.

In November 1950, Sir, the Cabinet decided to entrust the management of Government industrial undertakings to private limited companies promoted under the Indian Companies Act. The object was primarily to extend a measure of autonomy and flexibility to these units as it was realised that operation of industrial undertakings in the manner of ordinary Government departments is not conducive to efficiency, and initiative. So far, Sir, six companies have thus been constituted and I am free to admit with regard to some that they are still being run departmentally. But, it is the intention of the Government to constitute them also into companies under the Indian Companies Act, for example, the Penicillin Factory, the DDT Factory and undertakings of that kind which are still in the initial stages, and the idea is, after processing them up to a certain stage, to constitute them into private limited companies, as we have done in other cases. The general objective is to constitute them into private limited companies in the case of all these national undertakings.

Apart from the undertakings, Sir, which are now being looked after by

the Production Ministry, there are undertakings under other Ministries also, for example, the Hindustan Aircraft under the Ministry of Defence and some other undertakings under the same Ministry, the Telephone Industries under the Communications Ministry, etc, etc. It may also be remembered, Sir, that with regard to some of these undertakings, not all the share capital is owned by the Government. With regard to Sindri Fertilizers, the Hindustan Cables and a small undertaking like the Nahan Foundry, the entire capital is owned by Government, but with regard to certain others, for example, the Hindustan Machine Tools, the Hindustan Shipyard, the Hindustan Housing Factory, etc, the share capital is owned both by the Government and by certain other parties and for all these companies, Boards of Directors have been constituted. It would not be quite correct to say that these Boards of Directors consist solely of representatives of Government, apart from Government representatives these Boards of Directors also consist of other Directors who represent the other partners. Even in fully owned Government undertakings like the Sindri Fertilizers, it must not be forgotten that there are other non-official Directors who are not connected with the Government and who, at the same time, are nominated by the Government to function on these Boards. The point...

PROF G RANGA (Madras): They are all responsible to Government.

SHRI K C REDDY: Though the Government may nominate these Directors, it should not be assumed that the Government will be giving them directions from time to time on every conceivable matter that comes up for decision before the Board of Directors. They have been given sufficient autonomy and I am glad to say that in many a matter, the tendency of the Government has been in the direction of giving them more and more auto-

nomy rather than trying to curb them and to keep them under the leading strings of Government's directions. That is the basis on which we are working and so the point the hon. Member made that because the Boards of Directors of these undertakings consist of all Government nominees Government is ultimately to be responsible for whatever decision that may be taken by the Board is not quite correct. It is not factually correct.

Then, Sir, the hon. Member has referred to the course this matter has taken in the U.K. It is a very valuable experience. The hon. Member referred in the course of his remarks to what has happened there in recent years. I would like with your permission, Sir, to review at some length as to what has happened in the U.K. because it serves as a guide to our own course of action in the future. I may at once say that the position in the U.K. and here differs in certain particulars. For example, as the hon. Member pointed out, they have got the corporations there. Here we have not got corporations of that kind excepting the Damodar Valley Corporation to which he referred. Here we have adopted the other course of forming companies under the Companies Act but that does not mean, Sir, that we are wedded to this method of managing our undertakings. What we have now attempted to do is only by way of an experiment. We want to see how this system would work, namely, the system of managing these undertakings by forming companies under the Companies Act. If after a time we find it is not working satisfactorily, our idea is to try out other methods. What I want to say is that there is no finality about these things. We try experimenting and in course of time it is our hope that we shall have the pattern of management which will be satisfactory from all points of view, from the public point of view, from the point of view of Parliament, and from the point of view of Government.

[Shri K. C. Reddy.]  
and other concerned interests. Now let us see, Sir, what has happened in the U.K.:

"In the United Kingdom, major industries nationalised since the war were placed under the management of statutory corporations set up by Parliament and these units were given complete charge of the day-to-day working subject to certain reservations about Government control, which were provided for in the statute itself."

It was provided for in the statute itself:

"The object here was also to enable these industrial units to work with a large measure of autonomy free from departmental control associated with Government administration. It was decided deliberately to free these undertakings as far as possible from the immediate control of the Government and of Parliament. While it was agreed that such organisation was necessary in the interests of efficiency and initiative, the line could not be drawn so sharply in the matter of the extent to which information about the working of these units was to be available to Members of Parliament. During the years 1945 to 1951 there was a prolonged controversy in Parliament about the extent to which the Ministers concerned should or should not answer questions relating to the management of such units."

The hon. Member said that it is only by way of questions that we could elicit information mainly with regard to the working of these industrial undertakings and not so much by way of debate and by other methods:

"Some Ministers declined to answer questions on the ground that these pertain to a sphere for which he as a Minister was not responsible. On the other hand, some

Members of Parliament pointed out that the undertaking itself drew its funds from Government and that the Minister could not on these grounds refuse to take the responsibility for matters which went on there."

A similar point was made by the hon. Member on the floor of this House in the course of his remarks:

"In December 1951, the House of Commons set up a Select Committee to consider the present methods by which the House of Commons is informed of the affairs of the nationalised industries and to report what changes, having regard to the provisions laid down by Parliament in the relevant statutes, may be desirable in these methods....."

"The Committee examined, among others, the Chairmen of the Transport Commission, the Electricity Authority, the National Coal Board, and also Mr. Herbert Morrison, former Member of the Labour Cabinet. The Committee published a report in October 1952. In general the view of the Committee was "that without altering the terms of the statutes under which the Public Corporations are constituted, which they are not empowered to recommend, questions on matters of detail in the nationalised industries are inappropriate."

"Relevant extracts from the Report of the Select Committee are as follows:—

"In general, questions must be confined to matters for which the appropriate Minister is responsible. In the case of the nationalised industries, a large amount of responsibility has been vested by statute in the Board."

I may say that in the case of our companies where we have formed a Board of Directors, similar autonomy is vested in them.

PROF. G. RANGA: Without a statute.

SHRI B. C. GHOSE: That is on your volition whereas in the case of Great Britain it is under the statute. Here the shareholders, if they want, can come in. Some of the Directors will come in. Some of the managing agents will come in. It does not mean that they have the ultimate authority.

SHRI K. C. REDDY: I do see the point, Sir, but in actual practice, as I have already stated, we are not exercising authority in the direction of interfering with their decisions or with their course of action in matters of day-to-day administration:

"The list of duties for which the Minister is still responsible and on which he may therefore by the practice of the House be questioned, is usually set out in a definite section in each statute. The duties vary slightly from one industry to another, but very roughly may be classified as—

(a) giving to the Board directions of a general character as to the exercise and performance by the Board of their functions in relation to matters appearing to the Minister to affect the national interest;

(b) procuring information on any point from the Board;

(c) a number of specific duties in connection with the appointments, salaries and conditions of service of members of Board; programmes of research and development, and of education and training; borrowing by Boards; form of accounts and audits, annual reports; pension schemes and compensation for displacement; and the appointment of Consumer's Councils, their organisation and operation."

In the statement of policy made by Mr. Herbert Morrison in 1947 he stat-

ed that "a large degree of independence for the boards in matters of current administration is vital to their efficiency as commercial undertakings."

"The Committee examined the Chairmen of three great nationalised industries as to whether the removal of the immunity would seriously hamper the work of the industry."

"They replied, in effect, that in any case the responsibility for supplying a Minister with detailed information about the day-to-day running of the boards in order to answer questions of this kind would mean an increase in their staff in order to collect the information and formulate considered answers. It would mean that the executives of the Industry would be hampered by a constant necessity to have regard to the possibility of Parliamentary questions on their activities, and that they would be, to use a common expression, constantly 'looking over their shoulders' in the course of their work, a process which in their view was inconsistent with managerial efficiency."

SHRI B. C. GHOSE: Would the hon. Minister also quote the opinion of the Postmaster-General which the Committee had also examined?

SHRI K. C. REDDY: I cannot go into all the details. Of course, if I had the time I would be glad to do so. I hope there would be further occasions on the floor of this House to discuss it at greater length:

"In such matters they felt questions to Ministers were an inappropriate procedure of eliciting information. If Ministers became responsible for answering questions on detailed administration, they would find themselves interfering in the affairs of the corporations....."

"Your Committee are aware of a strong desire in some quarters to make the nationalised industries as generally subject to Parliamentary

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Questions as the Post Office and all the other Civil Departments. Certain points, however, must be borne in mind in considering the advantages and disadvantages of such a policy."

"The public corporations which control the nationalised industries were constituted on different lines from the usual civil departments. The public corporations were established as independent entities, with statutory obligations to meet their expenditure by their own revenue. Their activities involve commercial transactions on a large scale, and it is desirable that they should not be unduly hampered by external interference. On the other hand, it is urged that the nation has become the owners of the enormous assets involved in those industries, and it is widely felt that there should be means of enquiry and criticism."

"There are various other means of criticism and enquiry open to Members of Parliament, such as debates on the annual reports and statements of accounts of the various corporations" to which the hon. Member referred. They are yet to come on the floor of this House because we have just now placed it on the Table of the House, I mean the annual reports of the Sindri and the Shipyard. We are also looking into that question."

"The basic feature of the Parliamentary question is that it is answered by the Minister ultimately responsible for the decisions about which he is questioned. Under their existing constitution, the nationalised industries are not subject to any direct control by Ministers in individual matters of detail." The same thing applies here. "Your Committee therefore feel that without altering the terms of the statutes under which the public corporations are constituted, which they are not empowered to

recommend, questions on matters of detail in the nationalised industries are inappropriate."

In our country, as I have pointed out, we have private limited companies instead of statutory corporations for the management of some of the Government industrial undertakings. In effect it means that the private limited companies are bound by the law relating to companies, and this is as good a legal obligation as they would have had if they were set up by separate Acts of Parliament in each case. So far as it goes I do not want the hon. Members to think they are on all fours. Inasmuch as they have to follow the Indian Companies Act and the regulations thereunder they are bound to observe the requirements of industrial and commercial efficiency more than they would have if they were merely Government departments. On the other hand, such limitations also call for a much greater measure of autonomy and initiative than are allowed in a Government Department. This being the case, the Minister cannot be held responsible for those aspects of the working of these units over which he has no control. Necessarily, therefore, he cannot be asked to furnish information to the Parliament on those aspects.

On the other hand, in the Articles of Association of these undertakings, certain specific reservations have been made. These ensure that for certain matters, the decisions of Government will prevail over that of the Board of Management. These reservations can be summarised as:—

- (i) Appointment of the Board of Management.
- (ii) Appointments to posts within the unit above a certain status, carrying a salary of Rs. 2,000 and above in certain cases.
- (iii) Undertaking of works of a capital nature exceeding a certain value, and



- (iv) Increase or reduction of share capital.

I cannot go at this stage into all these reservations that have been made. In addition, in all Articles of Association, except that of Hindustan Housing Factory Limited, there is a provision for certain matters to be reserved for decision by the Government. In the Hindustan Housing Factory Limited, this purpose is served by the provision that certain decisions cannot be taken except in the presence of the Chairman of the Board and another Director also appointed by Government.

It is, therefore, obvious that the Minister is answerable to Parliament in respect only of those matters which are specifically referred to in the Articles of Association as being under the discretion of Government. All other matters regarding the day-to-day working of the undertakings, he may well express his inability to discuss or to answer questions on.

SHRI C. G. K. REDDY: That is the issue.

SHRI K. C. REDDY: I implore the hon. Members that one should not try to be too logical or meticulous in examining these. I am saying what the broad position is.

PROF. G. RANGA: This applies to both parties.

SHRI K. C. REDDY: The above view is reinforced by the following rules in the Rules of Procedure and Conduct of Business in the Council of States:

"37. (vii) it shall not relate to a matter which is not primarily the concern of the Government of India;

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(xvi) it shall not raise matters under the control of bodies or persons not primarily responsible to the Government of India.

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(xix) it shall not relate to a matter with which a Minister is not officially connected".

Sir, I shall not proceed with that aspect of the problem any further. Sir, this debate arose as a result of my having declined to give a reply to the question of an hon. Member on the cost of ammonium sulphate and information about agreements entered into between the Sindri Fertilizers and Chemicals and certain other Companies. In this connection I would invite the attention of the House that in Company meetings, shareholders whether of private companies or public limited companies—do not ask for, nor are given by either the Board of Directors or the Managing Director, information regarding cost of production to the Company nor details about agreements entered into by the Company with other Companies; these are not given, nor discussed nor examined nor criticised. It is very rarely that this thing happens with the private companies.

SHRI C. G. K. REDDY: The shareholders do have the right.

SHRI K. C. REDDY: The shareholders may have the rights. There are so many ways of restraining themselves. It is the way in which we should restrain ourselves.

I am mentioning this to draw the attention of the House that though the shareholders may have the right, they do not ask in the interests of the companies; and in our case, it is not in the interests of the nation or the national undertaking. It is all very well to say: What is the harm in asking for information about the cost of production? We should see that no repercussion arises on the general economy and satisfactory working of the national undertaking; we have to be careful also about the competitors, if not in this country, outside the country.

The whole position, so far as we are concerned, is still very fluid. We have not so far arrived at or evolved a satisfactory procedure in this matter. We are still trying out certain experiments; and I think we will in