

in instalments. Effect was given to some interim reports, from time to time as they were received. Others were deferred till the final report was received. Now, Sir, the present Bill is in a sense consequential on the other Bill. By the other Bill the distinction between the bribe-giver and the bribe-taker was done away with, and the bribe-giver was placed in the same position as the bribe-taker, as far as punishment was concerned. Both these offences have been placed in the same category, bribe-giving being made a substantive offence. In the Prevention of Corruption Act, reference is made to certain sections of the Indian Penal Code, sections 161 and 165, but the new section, 165A, making bribe-giving also a substantive offence, could not, naturally be included when this Act was passed. Now that section 165A is part of the Statute Book, it is necessary to include that in section 3 of this Act.

Then, there is another section of the prevention of Corruption Act, section 4. There also reference is made to offences under section 161 or section 165. Provision has got to be made now as regards the new section 165A. That has been done in the amendment to section 4. These are the main additions which it is proposed to introduce by this amending Bill. Sir, I shall deal with the details tomorrow.

Mr. DEPUTY CHAIRMAN : The debate will be continued on the next day.

HALF-AN-HOUR DISCUSSION

SOAP AND ELECTRIC LAMP INDUSTRIES

Mr. DEPUTY CHAIRMAN : SHRI B. C. Ghose to raise a discussion on points arising out of the answer given on the 28th July 1952 to Starred Question No. 44 regarding investment of foreign capital in the soap and electric lamp industries in India.
12.30 p.m.

SHRI B. C. GHOSE (West Bengal) : Mr. Deputy Chairman, I should first like to make one or two preliminary observations. My remarks today would apply only to the electric lamp industry, although what I will be saying would

possibly be equally applicable to some other indigenous industries also. Even in respect of the electrical lamp industry, the remarks would apply to what are known as G. L. S. Lamps, i.e. General Lighting Service Lamps, lamps used for household and street lighting purposes. They do not apply to miniature lamps like automobile lamps or to fluorescent lamps. Secondly, although I hope I shall prove to your satisfaction that in respect of this industry Government have ignored and flouted national interests and invited foreign capital in a sphere where indigenous capital and enterprise had already developed the industry and was in a position to meet fully the internal demand and where also, in pursuance of the policy laid down by Government and reiterated by the Planning Commission, foreign capital should not have been permitted to enter, yet, to shower condemnation—and I may say, just condemnation—on the Government for pursuing an anti-national policy is not my prime objective today. My main purpose is to apprise Government of the facts in this particular case so that they may be induced to take appropriate action for safeguarding the interests of indigenous industry. I believe there are also other industries, as I said, which suffer from the same or similar disabilities and where also governmental action in their favour is called for.

Now, Sir, a question that I put down on 28th July last elicited the reply that permission was given to certain foreign enterprise to invest capital in the electrical lamp industry. This permission was given in December 1950. Now, what were the conditions in which this permission was given? The electrical lamp industry was started in 1932—I need not go into its history from the earlier stages—and it has been developing itself. Production, let us say, in 1947, after independence was about seven million pieces, and in 1951 it had gone up to 14½ million pieces. By 1950, from all indications, it was evident that that industry was suffering from excess capacity and overproduction. The Association, which represents practically all the lamp factories in India:

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and has on it members both from the Indian and non-Indian sections, has been representing to the Government that there should be a restriction on output as production was in excess of demand. Now, it is interesting to ask as to why there should be this excess capacity in an industry which was sponsored by Government because nobody could import plant and machinery unless Government had given a licence to the company concerned. The reason why there was excess capacity was false assessment as to what would be the future demand. In 1947, the Panel on the Electrical Lamp Industry estimated that by 1952-53, i.e. by this year, the demand would be about $32\frac{1}{2}$ million pieces, taking into consideration the fact that there were many electricity projects planned which, it was expected, would be completed by then. These projects did not materialise and as a result, demand also did not materialise. But permission was given for the import of plant and machinery which was imported and set up. The Planning Commission has estimated that in 1952-53, i.e., this year, the capacity will be $32\frac{1}{2}$ million pieces and demand would not exceed 20 million pieces. As a matter of fact, demand is not really more than 18 million pieces. That is the position and, as early as towards the end of 1949, when the industry came to know that there was a proposal for further investment of foreign capital in this country, it approached the Government and represented that as the industry was already suffering from overproduction no further permission should be given to any foreign enterprise to establish itself here. In 1950, I understand, a deputation of the industry saw the Industries Secretary, who said that if any decision in this matter is taken, the representatives of the industry would be heard and adequate opportunities would be given to them to represent their case. But without any consultation with the industry we find that such a permission was given to a foreign firm. I may mention here that the Association has been carrying on

correspondence ever since 1950 and the first reply that was received from the Government was in December 1950. It also did not give all the particulars about the conditions under which permission was given to this foreign enterprise. The Association again represented and it was only, I believe, towards the end of September 1951 that the Government furnished the Association with all the conditions under which such permission was given.

Now let us examine why the Government gave permission to this enterprise. There appears to be two reasons. Firstly, to make an uneconomic unit economic and secondly that this enterprise would be manufacturing certain component parts. Now, with regard to the first, I do not agree with the Government that the unit which already existed was uneconomic. That unit had already allotted to it, a capacity of 3 million pieces and that unit had never raised the objection that that capacity was uneconomic. As everybody in the industry knows, a capacity of two million pieces per year is considered economic, but if you bring in further capital it is a different matter. If an economic unit can be established with Rs. 5 lakhs, but if you allow Rs. 20 lakhs to come in, then, of course, two million pieces will not be economic, because the capital then would be too large and for that purpose you have to permit a larger production to that unit. But the point is nobody asked you to bring in more capital, because a unit could be economic on the basis of two or three million pieces.

The second point is more surprising. It is said that this foreign concern had agreed to manufacture certain components in this country. I am not disputing the fact that the manufacture of these components here will be helpful and probably that will save some foreign exchange. But my point is that Indian enterprise in the country would be willing to manufacture these components. As a matter of fact, many of the existing Indian lamp factories were anxious to develop these components and the necessary

technical know-how is also available within the country. The only difficulty they might have experienced might be with regard to finance. If the Government had come forward to render some financial assistance, or even without financial assistance, if the Government had taken the Indian section of the industry into their confidence, it would have been in a position to manufacture these components. As a matter of fact, it surprised me as to why the Indian section was not called for and consulted and asked: "Here is a foreign source which says it will manufacture these components. Can you do that? If you cannot do it, then you should agree that permission should be given to this foreign enterprise to establish itself." I am sure that if the Government had offered the Indian section of the industry that suggestion, the Indian section would have agreed and said that it was in a position to manufacture these components. I do not understand why Government did not adopt that procedure.

Now, what is the result of this permission being given to a foreign enterprise? Firstly, I should like to say that the capital invested by the Indian section is about Rs. 2 crores. Now, the internal demand for GLS lamps is about 18 million pieces, as I have said. This foreign combine has been given a capacity of six million pieces. It had already had in 1940 another six million pieces, so that it has a total of 12 million pieces out of 18 million pieces which is the total requirement of the country. So out of 18 million pieces, 12 million pieces have been allocated to a foreign concern, which is two-third of the total demand. Further, it is also interesting to observe that this is in contravention of a decision which was taken by the Working Committee of the Indian Electric Lamp Industry which was set up under Government auspices in 1946. It said that no individual firm should be allowed to expand beyond a certain percentage which was fixed at one-third of the total demand. As the total demand in 1946 in undivided India

was estimated at 18 million pieces, that was why ELMI [which is the abbreviation for Electric Lamp Manufacturers (India) Ltd.]—that is the foreign concern—was allotted a quota of 6 million pieces which is one-third of 18 million pieces. Now, we have here an interesting phenomenon to which I would draw your attention. When carrying on negotiations with the Government of India, it appears if you are in possession of a particular tint of complexion you carry a lot of influence with the Secretariat and even probably with the authorities higher up. But we Indians, fortunately or unfortunately, do not possess that tint—I do not say that all Ministries are like that—and therefore our interests suffer even in our own country and under our own national Government.

SHRI C. G. K. REDDY (Mysore) : Shame, shame.

SHRI B. C. GHOSE : Now the position of the electric lamp industry is this that although the Indian section produces lamps of the same quality as the non-Indian section—because they all produce lamps which satisfy the B.S. or the I.S.I. specifications—the fact that they are foreigners with larger financial resources, it means that in any competition they will last longer than the Indian section which is financially weak. Therefore if there is cut-throat competition now, the Indian section will suffer and they will suffer in a sphere which they had developed and in which I cannot find any reason whatsoever why Government should have allowed foreigners to come in and establish themselves. Because, as I said earlier, the Planning Commission has categorically stated that foreign capital should not be permitted to come in into any sphere where there was sufficient Indian capital forthcoming and where Indian capital and enterprise was in a position to meet fully the internal demand.

Now, one word more and I will finish and that is about consumers' interests. It is also a very important matter. Of course it might be stated: "You industrialists always come

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forward for assistance but consumers' interests are neglected." That is a very handy argument which Government sometimes uses if it is to their convenience and sometimes they reject it whenever they give protection to certain industries. But on that score I should like to say—I have already said that—that so far as the quality is concerned, the Indian manufactured lamps are in no way inferior to the foreign manufactured lamps—foreign manufactured in the sense that that foreign concern is established in India though the lamps are not imported actually—and that has been proved by tests carried out in the Alipore Test House, although there is a prejudicial factor in the Indian market which is always in favour of a foreign brand. Then there is the question of price. There also the lamp industry has a very favourable case because of this fact. If you compare the prices today even with pre-war prices, although the general index has risen by 300 per cent. or 400 per cent.—and prices of consumer goods have also increased by that percentage—in the case of electric lamps, the rise in prices has not been probably more than 25 to 30 per cent. compared even to pre-war prices. That shows that so far as the Indian lamp industry is concerned, they have been fully alive to the consumers' interests. That is, in brief, the position of the electric lamp industry. I am sure the position of certain other indigenous industries is also similar. For example, it is probably similar in the case of soap; it may be so in the case of bicycles. I would request the Government to let us know what assistance they can give us in this situation. There is one suggestion which the Indian Lamp Factories Association has always been pressing upon the Government, and that is to introduce in the circumstances a restriction of production, offering quotas to the different units in relation to their capacity as also to the actual demand of the country, and giving certain powers to the Government so that the consumers' interests are also fully protected, because that would

mean that no unit will suffer, that particularly the Indian section will not suffer in competition with the foreign concern which is in possession of very large financial resources.

THE MINISTER FOR COMMERCE AND INDUSTRY (SHRI T. T. KRISHNAMACHARI) : Sir, I must acknowledge that the hon. Member who raised this debate has spoken in very moderate language in representing the case of the Indian lamp manufacturers. With regard to the history of the lamp industry through the vicissitudes it has passed, the reasoning of my hon. friend opposite has been, according to my information, fairly correct, excepting on one point. The issue which he has raised now is that certain foreign manufacturers have been allowed to come into this industry. In answer to a question which the hon. Member raised the other day I mentioned that there were two firms : one the ELMI—the Electric Lamp Manufacturers (India) Ltd.—whose total capital is Rs. 10 lakhs, and which is entirely foreign-owned ; the other the Hind Lamps Limited. In answering that question, naturally, when supplementary questions were raised, I was not in a position to say exactly what the nucleus was in regard to Hind Lamps over which the present structure was being built. The hon. Member acknowledged that there was an Indian concern. The Indian concern is called Radio Lamp Works. The total capital of Hind Lamps is Rs. 50 lakhs. The Radio Lamp Works subscribed Rs. 25 lakhs. The other portion of the capital—half or a little less than half—has been contributed by the following firms : Phillips Electrical Co.—Rs. 8·8 lakhs ; General Electric Co.—Rs. 5·3 lakhs. Both these are foreign firms now operating in India. Foreign capital was subscribed by three United Kingdom firms, namely, British Thompson-Houston Co., Ltd., Crompton Parkinson Ltd., and Siemens Electric Lamps and Supplies Ltd., to the extent of Rs. 10·87 lakhs. Technically the aggregate contribution of these firms is

Rs. 3,000 less, as against the contribution by Radio Lamp Works. This composition of the capital structure of this Company does not offend in any sense the statement made by the hon. the Prime Minister in April 1949, in regard to foreign capital. Sir, the hon. Member himself has said that permission was given for the formation of the company in December 1950. I would like to give the House the other side of the version. In 1949, the capacity of the then existing firms for the manufacture of electric lamps was estimated at 18 million pieces a year, and plans for expansion to the extent of 11·6 millions a year were sanctioned, bringing the capacity to 29·5 millions. Of the additional 11·6 millions, five existing concerns accounted for 6·6 millions and a new Indian factory (Osler Electric Lamp Manufacturing Co.) was permitted to set up a factory with 5 million capacity.

The Radio Lamp Works, which, as I said, is an Indian firm with a capacity which the hon. Member has rightly mentioned as three million pieces, applied to Government in 1949-50 for permission to convert itself into a new company under the name of Messrs. Hind Lamps Ltd., with technical and financial tie-up with three United Kingdom firms, for manufacture of electric lamps and components. It made it clear that unless it was permitted to increase its capacity to six million, it would not be able to work economically. The hon. Member has disputed that statement. But it is a matter of opinion. The Government were thus faced with a situation either of permitting an expansion by three million or of rejecting the proposal. The acceptance of the proposal carried with it advantages as well as disadvantages. The advantages were firstly the new company would manufacture certain essential components, namely, glass tubings and rods, brass caps and glass shells. The existing firms were unwilling to undertake the manufacture of glass tubings and rods and brass caps. My hon. friend said that they were willing.

They were approached. However, of that, a little more anon. The second advantage was that the manufacture of these components etc., would mean a saving in foreign exchange—which the hon. Member acknowledged—and employment of Indian labour. The third advantage was that an uneconomic Indian unit would become an economic and more efficient unit. The disadvantage—I agree it is a disadvantage—was increase in the total capacity at a time when there was some slackness in demand. Government gave very careful consideration to the whole matter and came to the conclusion that the slackness in demand was a temporary feature and there was bound to be a gap between installed capacity and actual production. This was the case unfortunately in most of the Indian companies. For instance, in 1948, while the installed capacity was 18 million, the production was 9·25 million; similarly in 1951 the production was 14·78 million as against an actual installed capacity of 24 million. Government decided that the balance of advantage clearly lay in permitting the Indian companies to tie-up with the foreign firms and expand and manufacture components. The total capacity after this firm's expansion scheme is complete, viz., 32·5 million, was not considered unduly high.

The hon. Member referred to the Planning Commission. He would recognise that the Planning Commission was not in existence at the time when this sanction was given. And, after all, if we are wise, as the hon. Member said, it is on an *ex post facto* question. Anyway, even subsequently the Planning Commission has said—though you must recognise that the Planning Commission's report is not a law of the Medes and Persians—that the demand would be about 30 million, and they have recommended an installed capacity of about 32 million—that is very nearly the Government's estimate.

SHRI B. C. GHOSE : In what year ?

SHRI T. T. KRISHNAMACHARI : In 1955-56. Therefore, the position is, from the Government's point of view, not so bad as it looks from the point of view of the hon. Member himself and of the Indian Lamp Factories Association.

On the question of the representation of the Indian Lamp Factories Association, it is true that representations were made. And it is the lot of this Ministry that representations are made practically on every issue. Representations are made if an Indian unit is permitted to come into existence. Representations are made if a foreign unit comes into existence. Representations are made if there is a tie-up by an Indian unit with a foreign unit. I was in my previous existence a merchant, and I know my merchants. He is prepared to tolerate the people that are doing business along with him for the time being. But if a new man comes in, they force a quarrel between themselves with an almost cannibalistic attitude, and the law of survival of the fittest usually operates. But when it is a question of another person coming in, a new one, if he is a foreigner, they decide to fight that man, and all those people join together. It is human nature. It is a common defect, to which I was myself subject some time back, and I recognise that defect in others. And naturally the Minister had to develop tolerance. Sir, the Association had made representations complaining not having done this or not having done that. These representations were given due consideration and a reply to the Association was sent on the 16th December 1950. I am giving an extract of the terms in that reply :

".....Government of India very carefully considered the representations made by your Association in this connection. The Government sanctioned the proposal on two main considerations :

(i) The new concern would manufacture certain electric lamps components which no existing firm was prepared to make ;

(ii) one of the existing uneconomic factories would be converted into an efficient economic unit."

That is the position, Sir, with regard to the fact that the industry was consulted whether they would make these component parts which the Hind Lamps have offered to make. The Government had asked 10 firms. Bengal Electric Lamp Works Ltd., Bharat Electric Industries Ltd., Bharat Electric Bulb Works Ltd., Bijlee Products (India) Ltd., Asia Electric Lamp Co., Ltd. and Mysore Lamp Works Ltd. These firms replied that they were not interested in manufacturing components like brass caps and glass tubing rods. Pradip Lamp Works, Electric Lamp Manufacturers (India) Ltd., Osler Electric Lamp Mfg. Co. Ltd., and Calcutta Electric Lamp Works, Ltd. did not send any reply. So my hon. friend has not been rightly informed. Both of us are depending on the information that we are able to get. I depend on the information received from the Secretariat. He depends on the information got from industry. But it seems that obviously he has not been correctly informed. Here there are six cases in which the firms have indicated that they were not interested and the four cases in which it is presumed that they are not interested simply due to nonchalance which is evident by their not replying.

1 p.m.

So the position at present, I do not think, is extremely frightening even from the point of view of the industry. But I do recognise the force of the argument put forward by my hon. friend opposite. These bigger units are likely to do some sort of overawing of the smaller units. The forces of competition being the normal feature in business, these smaller firms might be squeezed out of business. Sir, I recognise that while ordinarily private enterprise could not demand that competition should be eliminated, we functioning as a Government in a country with indifferent and backward industrial development cannot afford our national resources to be wasted by smaller concerns being squeezed out of business by the operation of competitive forces. I recognise

that particular point. And, Sir, the Industries Control and Regulation Act gives these powers. But even before bringing this particular industry within the scope of that Act, I would certainly assure my hon. friend and the industry that so far as the Government is concerned, it will do everything in the matter. The position is that they have come into the industry no matter who is at fault and what we should now do is to concentrate on these industries getting a fair deal. The hon. Member has suggested that we should fix annual quotas. I shall give this assurance—though the assurance itself would not take us very far because I shall be dealing with private enterprise—that I shall see what the Government can do in trying to reconcile the conflict between the various elements. And certainly I will see that the industry which has been started is not destroyed merely because of competitive forces operating without any let or hindrance. Sir, that is all that I am able to say at this moment. My Ministry would take this into account to see what we can do. We have the usual method of summoning a conference and asking these people to reconcile their claims.

AN HON. MEMBER: What about exports ?

SHRI T. T. KRISHNAMACHARI: Yes, we will always encourage exports. And I can tell the hon. Members that at the moment foreign exchange position is certainly not very happy and we would certainly like to export. Sir, I see now that the time is up and I do not want to keep the House going. But I can assure the House that I shall endeavour to do all I can in this matter in order to help Indian industries.

Lastly, Sir, I would like to say that it is wrong for anybody to say that this Government is against Indian industries as such. At the same time the Government takes an overall view of the picture. A person starts a lamp manufacturing plant and he only thinks of lamp manufacture.

Another person starts another plant and he only thinks of that particular thing. And very rightly he cannot take an overall view. Reconciliation of the needs of the various industries of this country happens to be the responsibility of the Government and I would say that development of this country's economy is the main consideration. So I will not take more time of the House and that is all I had to say.

PAPERS LAID ON THE TABLE

REPORT OF THE JOINT COMMITTEE
ON RESERVE AND AUXILIARY
AIR FORCES BILL, 1952

THE MINISTER FOR PARLIAMENTARY AFFAIRS (SHRI SATYANARAYAN SINHA): I beg to lay on the Table a copy of the Report of the Joint Committee on the Bill to provide for the constitution and regulation of certain Air Force Reserves and also an Auxiliary Air Force and for matters connected therewith.

MESSAGE FROM THE HOUSE OF THE PEOPLE

SALARIES AND ALLOWANCES OF
MINISTERS BILL, 1952

MR. DEPUTY CHAIRMAN: Now, Secretary will read out a message.

SECRETARY: Sir, I have to report to the Council the following message received from the House of the People signed by the Secretary to the House :

"In accordance with the provisions of Rule 115 of the Rules of Procedure and Conduct of Business in the House of the People, I am directed to enclose herewith a copy of the Salaries and Allowances of Ministers Bill, 1952, which has been passed as amended by the House at its sitting held on the 31st July 1952."

I lay the Bill on the Table.

MR. DEPUTY CHAIRMAN: The House now stands adjourned till 8.15 a.m. tomorrow.

The Council then adjourned till a quarter past eight of the clock on Saturday, the 2nd August 1952.