

under consideration and the decision as soon as it is arrived at will be laid on the Table of the House.

Sweden Government's request for Contraceptive and Medical Personnel for Family Planning

7777. Shri Vishwa Nath Pandey: Will the Minister of Health and Family Planning be pleased to refer to the reply given to Unstarred Question No. 1232 on the 1st June, 1967 and state:

(a) whether Government have since considered the proposal of the Swedish Government requesting to provide contraceptive and medical personnel for family planning work; and

(b) if so, the result thereof?

The Deputy Minister in the Ministry of Health and Family Planning (Shri B. S. Murthy): (a) and (b). The matter is still under negotiation.

'Cost Plus Pricing' Formula for Industries

7778. Shri Sidheshwar Prasad: Will the Minister of Finance be pleased to state:

(a) when and why 'Cost plus pricing' formula for industries was evolved;

(b) what were its main features;

(c) when and why tax holiday for industries was allowed; and

(d) what has been the effect of these steps on industrial growth and prices respectively?

The Deputy Prime Minister and Minister of Finance (Shri Morarji Desai): (a) The 'cost plus pricing' formula came into being during World War II based on the practice followed in U.K. at that time. As many of the items required by Government for war purposes were new and competition was lacking, it was difficult to

persuade the manufacturers to quote fixed prices. It was therefore necessary to introduce this formula to encourage the manufacturers to take up the manufacture of the items required by Government.

Later, for grant of protection to the indigenous industries, and for regulating prices of commodities, wherever called for, the 'cost plus' pricing formula was resorted to.

(b) The main features of the formula are that the manufacturers are reimbursed all their legitimate expenses incurred by them and also allowed a reasonable profit margin which is intended to meet the various commitments like Annual Bonus, Managing Agents Commission, if any, Interest charges on borrowings, income-tax, dividends to shareholders etc. In the case of 'cost plus' contracts where ceiling prices exist, the prices are restricted to the ceilings fixed.

(c) Provisions exempting the profits of an industrial undertaking newly established in India, to the extent of 6 per cent of the capital employed in the undertaking, for a period of 5 years (7 years in the case of an industrial undertaking run by a co-operative society), were introduced in the Indian Income-tax Act, 1922 by Section 15C (corresponding to Section 84 of the Income-tax Act, 1961) by the Taxation Laws (Extension to Merged States and Amendment) Act, 1949. This concession was granted in order to stimulate industrial production in the country.

(d) (i) It is rather difficult to isolate the effects of the 'cost plus' pricing formula and the tax holiday on industrial growth and prices because these are not the only factors that determine the level of output and the prices of industrial commodities. In fact, it is the general level of economic activity in the country and the incomes of the people and the availability of materials, both indigenous and imported, and the interplay of