

श्री श्रीकार लाल बेरबा : कौलिंग प्रॉडक्शन नोटिस बेरा आप ने डिस्ट्रेलाऊ कर दिया और इस तरह हम लोगों को मंत्री महोदय से प्रश्न पूछने का मौका नहीं मिला है। अभी उन से जो वक्तव्य कराने का ढंग अपनाया गया है वह उचित ढंग नहीं है।

MR. DEPUTY-SPEAKER : These are repeatedly taking place. Unfortunately, accidents are repeatedly taking place. Therefore, there is anxiety. But let us stop here.

Now, the half-an-hour discussion—
Shri Kothari.

18.32 hrs.

*ALLOTMENT OF FUNDS TO PUBLIC SECTOR UNDERTAKINGS

SHRI S. S. KOTHARI (Mandsaur) : The last quinquennium has witnessed a progressive deterioration in the operation of public sector undertakings. The return on capital investment of what has been described by the Auditor General as 'running concerns' has declined from 3.6 per cent in 1964-65 to 2.6 per cent in 1965-66. There is a return of about Rs. 53 crores on an investment of Rs. 2038 crores. During the last two years, there has been a further deterioration in their profitability. Conspicuous, of course, is the loss sustained by Hindustan Steel of about Rs. 40 crores in one single year. I believe this is a fantastic loss. That is an indication how public sector undertakings are functioning.

18.33 hrs.

[SHRI G. S. DHILLON *In the Chair*]

While they are incurring losses and while there is considerable idle capacity the Central Government continue to give funds to these public sector undertakings. This is the basic point I am trying to make.

What is needed is rationalisation of this allotment. I would take the case of

Heavy Electricals, Bhopal, to illustrate this point. This concern incurred losses of Rs. 6.75 crores in 1965-66 and Rs. 6.77 crores in 1966-67. Yet it has been allotted funds for continual expansion. Its fixed assets increased by Rs. 8.55 crores in 1965-66 and Rs. 6.93 crores in 1966-67. That is, it has expanded by an amount greater than what it has lost.

What is the state of utilisation of installed capacity? It would be seen that with regard to manufacture of its products such as switchgears, transformers, traction equipment, steam turbines, less than 60 per cent of installed capacity has been utilised. Yet HEL is going on with an expansion scheme costing Rs. 17 crores. This is without being certain whether there would be demand for the products of the new machines which would be installed. It is not having sufficient demand already for its existing products. When there is a further expansion of Rs. 17 crores coming into effect, probably it would have a further accumulation of idle capacity.

With regard to Hindustan Steel, it would be seen that it has considerable accumulation of stocks. Demand for steel is sluggish. As I said, its losses are already very heavy. Yet Government persist in continuing sanctioning funds for expansion. Secondly, Government are determined to establish, despite considerable criticism both inside the House and outside, the Bokaro Steel plant which would involve an investment of Rs. 12.00 crores. What does it mean? 12 followed by 9 zeros! It would have been good if instead of this, existing capacity and existing investments were properly made and utilised.

Bokaro, in my opinion, is an effective blueprint for budgetary imbalance, deficit financing and inflation.

I propose to make certain constructive points which I want, with all the emphasis at my command, to commend to the Minister. I hope he gives his attention to these points.

Firstly, allocation of funds to public enterprises for expansion and establishment

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of fresh capacity should be linked with their efficiency. If funds are given to efficient concerns like HMT or NEPA Mills, I for one would have no objection, but if they are given to HEL, HEC, NCDC or any of those concerns which are functioning most inefficiently, then I say let the Government put an embargo on further liberal allocation of funds to these concerns which have been utterly mismanaged. Until these concerns attain a modicum of efficiency or are able to show profits or hold out promise of what I would call achieving economic viability within a reasonable time, they should not be given further funds for expansion or for accumulating idle capacity.

Secondly, these concerns which have not achieved at least 80% utilisation of their installed capacity should also not be given funds for expansion, except to the extent they require them for balancing equipment for diversification purposes which may be necessary for them to change the product mix.

Thirdly, it is observed that many of these public undertakings continuously require more and more funds for working capital. They have an accumulation of inventories, they are not able to use properly the funds which have been given to them for working capital, and they purchase stores much in excess of their needs, with the result that a good segment of those stores become obsolescent, useless and out of date. Besides, certain funds which have been given to them for capital expansion purposes are misutilised, misallocated for working capital. Therefore, I submit that the Ministry should exercise a very careful scrutiny of the funds which have been given to these undertakings, and after such scrutiny it should be ensured that the existing funds are properly utilised, that the inventories are reduced and other current assets are also brought down to reasonable levels, and then only further funds should be given for working capital.

The Planning Commission has achieved notoriety with regard to wrong estimates of demand. The coal industry is a classic example there because of the fantastically wrong estimate of demand by the Planning Commission, the industry went on expand-

ing, particularly the NCDC, and the consequence was accumulation of coal at pitheads, half the collieries are lying idle, there is surplus manpower, and consequently this concern is losing very heavily. In spite of that, if their balance-sheets are seen, it would be observed that they have expanded during 1964-65 by about Rs. 21 crores and during 1965-66 by Rs. 26 crores. I would say this amounts to utter callousness on the part of the Government to give them further amounts when this is the state of affairs. Therefore, I would suggest to the Minister that the demand estimated by the Planning Commission should be very carefully examined and scrutinised by the experts in the Ministry, and if they do not have the expertise, let them have the estimates examined by some outside agency to ensure that any increase in capacity that takes place is not of such a nature that when it starts manufacturing the products it would result in accumulation of further stocks and consequently accumulation of idle capacity.

Besides, there have been cases where a private sector industry is prepared to manufacture a commodity. Take for instance telephone cables. The cable industry has idle power in the country today, and the industry has repeatedly asked the Government to permit it to manufacture telephone cables. It would be able to manufacture cables with a small amount of balancing equipment and a little change in its methods and a little adjustment in its technological processes, but the Government, instead of giving that opportunity to the cable industry in the private sector, wants to establish its own telephone cables manufacturing industry at a cost of Rs. 14 crores, but of which a substantial portion would be on account of foreign exchange.

Therefore, I would submit that where such idle capacity is available in the economy, the Minister should not distinguish between the private sector and the public sector. In such cases where such a capacity is available, let not the public sector use its scarce resources for further establishment of new projects or expansion of capacity.

Another point which I would like to make is that capital expenditure and ac-

quisition of machines have not been synchronised with the requirements of the industry. Costly machines which are required, say, about five or six years later, are purchased at the time of inception or at the time of implementing the original project. On top of it—just like adding insult to injury—the concern recruits labour which would be necessary for utilisation of the machines say after five years and the labour which is recruited by the industry, or at least a part of it, is idle. So, with idle machines, with idle labour, the consequence obviously is that the concern incurs heavy losses. Therefore, I would urge that where expansion takes place it should be seen that only those machines should be imported which are immediately required and those which are required four to five years hence can be obtained by the concern when the right time comes for utilisation, because after all, the import licences are sanctioned by the Government itself. Otherwise, the wages, the surplus workers, interest on capital, depreciation and idle machines add to the losses.

I would submit that a high-power committee composed of Members of Parliament should scrutinise the requests for funds made by public undertakings in excess of, say, a crore of rupees. The Government have failed to evolve any rational basis or criterion for the allotment of funds to them and the money is sanctioned on an *ad hoc* basis without adequate control or scrutiny irrespective of the fact whether a concern is able to utilise the money or the funds efficiently or in a proper manner. The committee which I suggest would be able to objectively judge and scrutinise whether such funds are actually required and whether the expansion is justified or warranted by the conditions of the demand and only then would such a committee pass the requests for more funds. Besides, it may take the advice of some technical personnel or experts and this committee would also be able to evolve principles and criteria for the purpose of allotment of funds to the public sector undertakings.

Another point I would like to make is that the financial advisers have utterly failed to perform the functions which were expected of them. Had the financial advisers performed their functions properly

or had the personnel in the Ministry in charge of the desk in respect of that particular undertaking exercised their functions properly, scrutinised the expansion of the plants and the demands for funds, the state of affairs which exist today would not have been brought about.

I would urge that the institution of financial advisers should be activated. At present, the public sector, thanks to mounting operational inefficiency and waste has touched the nadir of mismanagement and the losses have scaled new peaks, and a process of consolidation rather than expansion of the public sector is absolutely necessary. I would urge upon the Government to evolve a rational basis or criterion for the allotment of funds. My plea is for rationalisation of allotments of money to the public undertakings. This is imperative in the national interests. May I submit that it would lead to a lower capital-output ratio and secure better allocation of scarce means and resources to the benefit of the economy.

MR. CHAIRMAN: The Members who have been bracketed are not present in the House. The Minister.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. C. PANT): Mr. Chairman, Sir, my hon. friend Shri Kothari has broken up his speech in two parts. In the first part he has been critical of the functioning of the public sector undertakings and in the second part he has made various suggestions which he calls constructive, to improve the functioning of the public sector undertakings. I can assure him that so far as his suggestions go, we shall certainly look into them. But so far as his earlier remarks go, I should like to put certain facts before him, so that he may see the whole problem in its proper perspective and not be led into very harsh criticism, on the basis of certain stray facts.

The first point I would like him to remember is that if he makes a judgment of surplus capacities etc. in the public sector by the position obtaining at present, that is not a very fair starting point. We have had two years of drought and recession. It would have required an astrologer to have accurately anticipated the drought and recession while these projects were being planned some years

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ago. The real point is just at this moment, because of the recession, engineering and heavy industries have been particularly hard hit, whether they are in the private or public sector. Therefore, regarding a large area of his criticism which relates to surplus capacities in public sector, while it may have substance in individual cases here and there, if viewed in the perspective of growth of the whole economy over a period of say, 25 to 30 years, he will concede, I hope, that these heavy industries were required by this country. They were essential for its growth and prosperity and for getting out of the need to keep on importing machines etc. for building up the infrastructure. I do not think he can lose sight of the fact that the private sector firstly did not have the necessary funds to launch upon such a huge programme. Secondly, many of those industries were long gestation period industries, which did not have a very high rate of return. If the public sector had not built them up, possibly they would not have come up, because it is so much more attractive to go in for consumer industries which offer a better return. But they were necessary for strengthening the basic economy of the country. The fact we have these public undertakings today is a great source of strength for the future. Now that capacities have been built up, even though there may be a temporary phase of recession, I am sure we are now already bouncing back from the position of recession. The industries and the demands are picking up and in due course, when we once again launch our fourth plan and get into the full stream of developmental process, we would be very happy that this installed capacity is there and we shall be able to get production out of it without making any additional capital investment. This is the broad perspective in which this aspect has to be viewed.

... He brought in the private sector-public sector controversy to some extent. I can assure him that capacities in the public and private sectors are taken into account whenever new capacities are built. Obviously nobody wants to build up capacity to keep it idle. This factor is certainly

kept in mind. I shall give him a little later some of the concrete steps we have taken in this regard.

But I should like to remind him of one simple fact that private sector today is also very much dependent upon the public sector. If he recalls, only last year there were repeated requests from the private sector that public sector investment must go up in order that the recession may be better countered and fought. There were repeated cries of inter-dependence of public and private sectors. That is in fact really so and today we must see that both sectors grow. But according to our basic industrial policy resolution I should like to make it quite clear that we will deliberately move towards giving the public sector a dominant position in our economy. But that does not mean that we are stifling the growth of private sector. Both these sectors can grow and increase the prosperity and wealth of this country.

He referred to the return on capital employed having declined in the course of the last five years. He mentioned Heavy Electricals. Heavy Electricals has been undergoing losses. But he will be glad to know that these have been coming down from year to year in the last three years. It was less in 1965-66 than in 1964-65 and still less in 1966-67.

SHRI S. S. KOTHARI : Still it is Rs. 6 crores a year.

SHRI K. C. PANT : It is Rs. 5 crores. It has come down from almost Rs. 7 crores. So far as return on capital goes I would like only to point out that while this year because of the factors I mentioned earlier there has been the impact of recession on the heavy engineering industries of which he is very well aware, in spite of that the concerns in the public sector made a much bigger profit this year than in the previous year. In other words, in 1965-66 34 undertakings made a net profit of Rs 19.9 crores and in 1966-67 they made a profit of Rs. 43.11 crores. That means to say, the concerns which were working well have worked better and they have produced better results. But it is quite true that concerns which

were not working well have again given losses. Some new concerns coming up for the first time have also given losses. The Hindustan Steel, which he mentioned, has certainly given us a big loss this year. But this fact should be kept in mind that it is not that it is all losses, that all public undertakings are not functioning well. In fact, a majority of them are functioning well. Out of the total undertakings 34 made a bigger profit this year and 24 made a loss. This fact will reassure him that once the long gestation period is over—very many times the project report itself provides for a long gestation period and slow building up to the point of break-even and then making of profits—and it catches up the momentum should be kept up and the profit should grow. There I entirely agree with him. Even in respect of Hindustan Steel he will be glad to know that in the course of the last five years it seemed we had turned the corner before the recession hit us. There were two years in which we actually made a profit as against losses previously. After that recession hit us and the last two years have been bad years.

I do not want to go into all the reasons why the return was low or bad because we go into that on various occasions in this House. The hon. Member mentioned Bokaro. I am surprised that again Bokaro was mentioned.

Because, twice already in this House I have attempted, apparently without success, to explain why Bokaro is necessary and why it will not add to idle capacity. Now it is said that steel is surplus; but it is forgotten that steel is of various kinds. While one kind of steel may be surplus, another kind of steel may be in short supply. If you look at the import figures, we are importing flat type of steel, and the projection for 1971-72 is that the shortage of this particular kind of steel will amount to the necessity of importing Rs. 90 crores worth of steel. So, it is that which is relevant. You may have a surplus of girders but if you do not have flats, you will have to import them. So, surely you must produce flats in this country. Bokaro is meant to take particular care of the demand for flats. Therefore, the fact that some other type of steel is surplus should not be allowed to

confuse the issue. I would beg of Shri Kothari, who is a very intelligent and knowledgeable person, not only to accept this but to persuade his other colleagues on that side of the House not to bring it up again and again. They should not consider this to be just a whimsical decision on the part of the Government to go ahead with this. We are going ahead with this it is necessary for the country's economy and it will fulfil a known and accepted gap in the demand structure that is going to occur in a few years' time. I hope he will agree that if we anticipate such a gap in 1971-72 then we must start preparing for it now because, as he knows, the gestation period for a steel plant cannot be reduced below 4 to 5 years. At any rate, our experience is that it may well be 7 years. Therefore, if we want to do something about it, we have to start right now. And I hope the House will have reasons to be thankful a few years now that Bokaro was started when it was started.

Among his suggestions I would like to touch only two or three. Firstly, his criticism was that the Planning Commission have made wrong estimates of the demand. It is quite true that so far as the Third Five Year Plan goes...

SHRI S. S. KOTHARI: Do not try to defend it. You will not succeed.

SHRI K. C. PANT: I am not defending anybody. I am only giving facts, and I hope my hon. friend will accept facts. In respect of the Third Plan it is quite true that the pace of growth of demand anticipated in the original Third Plan document was high and that is why, if hon. Member may recall, there was a mid-term appraisal of the plan. As a result of the mid-term appraisal, various targets were scaled down. After all, this is something which is a part of history now. My hon. friend will appreciate the fact that planning cannot be an exercise in symphonic coordination or an exercise in exact arithmetical calculation. It is a huge country and the co-operation of countless people go into the planning effort. They are utilized in the productive process and they create wealth in this country and ultimately from out of those savings that are generated more is created by pumping that into the economy as investment. In this whole process

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sometimes there is slackness, sometimes there is tightness, sometimes there is scarcity, sometimes there is surplus and sometimes there is lack of coordination between different sectors because all of them are not coming up in an equally coordinated way. I would submit that this will continue to be so. In a country of our size these things will happen. Then, on top of this, we had two years of recession, there were wars, disturbances and all that. We have to remember that. So, I would only submit that his idea that there should be another body to examine the targets once again, after the Planning Commission has decided that, that is, to my mind, a suggestion for a fifth wheel in the coach. I would like to ask him this question. Suppose that body goes wrong, would he suggest another body to examine it? We must have faith in the institutions we set up. The Planning Commission should have built-in machinery to watch the progress of the Plan, to evaluate and change the course, as we go along. Now it is a fact that if suppose the steel target goes down, along with the steel target, many other targets will go down, the iron target, the transport target, the coal target, everything goes down, because one is linked with the other.

19 hrs.

In this respect he referred specifically to the NCDC. I would like to assure him that, if he cares to go through the report of the NCDC, in the case of the NCDC it did take into account the fact that the demand was falling and it did not incur a large part of the investment that had earlier been earmarked for opening of new mines. Actually, it scaled down its targets very much and in spite of that, if today there is some surplus in machinery etc. in the NCDC, it is partly because having ordered the machinery etc., it is impossible to cancel those orders but it is not as though the original target was adhered to by the NCDC regardless of the other factors which had taken place in the mean time. They did not lose sight of the fact that the demand was coming down. If he examines the figures which I have examined, he will derive some satisfaction from the fact that the demand was kept in view and the targets were scaled down.

Lastly, I shall refer to the suggestion to have a high power committee to scrutinise the funds allocated to public under-

takings. First of all, it is a function of the Government, as my hon. friend Shri Kothari knows, and I am sure that he would not like Government to be carried out by committees in this manner. But even that cannot allocate funds to individual projects. That is not possible.

SHRI S. S. KOTHARI: You must accept these informal consultative committees then. Ask your Government to do that.

SHRI K. C. PANT; No committee, formal or informal, can substitute the Government. Government has its own functions to perform and it must bear the responsibility for the mistakes...

SHRI S. S. KOTHARI: The hon. Minister may study the working of such committees in the USA.

SHRI K. C. PANT: ...even though we may occasionally give Shri Kothari the opportunity to criticize. That is the risk that we have to take. But I want to assure him that the point that he made we have been considering. So far as the pre-Budget scrutiny of projects goes, that is an area where we have felt the need of taking steps to strengthen that particular area and we have done so in the recent past. We have been doing so in the past few months.

A manual has been prepared in the Planning Commission for the preparation of feasibility studies which covers both technical and economical viability of the projects. Now the feasibility study forms a basis for investment decisions. This is gone into very carefully not only in the administrative ministries, many of whom have set up their own technical cells, but in the Bureau of Public Enterprises which has set up its own cell to examine these feasibility studies. The Bureau has also laid down guidelines for the examination of detailed project reports and the feasibility studies and for the scrutiny of estimates for civil works etc. I will not go into further details but, I think, the point is well taken and I can only assure him that this is an aspect of the functioning of public undertakings to which we are giving due attention now.

19.05

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, April 16, 1968/27 Chaitra, 1890 (Saka)