

[Shri N. K. P. Salve]

companies in different spheres of work, and the results are so challenging. I should like to point them out to Shri Piloo Mody. Let him kindly listen to these facts and understand them, because he will learn something about the exact rate of taxation on the commercial profits. This happens to be a study of ten companies. I have not done it. Nor has the Finance Minister done it. This is from the *Economic Times*. The author studied the working of these companies during the last ten years; these companies are Escorts, TELCO, Tube Investment, Phillips, Dunlop, Great Eastern Shipping, Hindustan Aluminium, Gwoliar Rayons, Tata Chemicals, Chemicals and Fibres.

Among these, the highest tax has been paid by Phillips. The pre-tax profits were Rs. 27.38 crores; tax paid was Rs. 17.22 crores, which is about 62 per cent. In the case of the Shipping company it paid a tax of Rs. 30,000 on a total profit of Rs. 20 crores.

The total pre-tax profits aggregated to Rs. 230.51 crores. The tax actually worked out to Rs. 85.86 crores, which is 37 per cent tax for ten years on these public companies. This is the picture of a cross-section; this is the picture of the corporate sector which says all over the world at the top of its voice that the tax burden in India is so high on the corporate sector and so unimaginative and so harsh and so devoid of the realities that they are crushed and they can never come up and this stultifies growth and it chokes growth. But the effective rate on real profits is only 37 per cent.

SHRI D. D. DESAI (Kaira): The corporate tax is more than 50 per cent. My hon. friend is a chartered accountant and he should know it.

SHRI N. K. P. SALVE: I am grateful to him for this interruption, because that only shows she did not understand what I have said. There is such a hiatus and there is such a disparity between the rates prescribed in the schedule and the rates which ultimately work out as a result of the various incentives, concessions, deductions, notional allowances...

SHRI D. D. DESAI: But may I point out...

SHRI N. K. P. SALVE: I do not want to argue with him now. If he wants to learn, let him come to my office and I shall teach him. But this is the study made by an eminent economist.

SHRI PILOO MODY (Godhra): The difference is that he talks only about taxes but my hon. friend to my right pays them. That is the only difference.

AN. HON. MEMBER: Therefore, he wants to teach him.

SHRI N. K. P. SALVE: Shri Piloo Mody will do well to remember that there are others unlike him...

SHRI D. D. DESAI: Out of 15 proposals of taxation, 12 are on the corporate sector...

SHRI N. K. P. SALVE: I seek your protection, Sir, because I have quite a few things to say.

MR. CHAIRMAN: The hon. Member may please continue his speech tomorrow.

17.30 hrs.

HALF-AN-HOUR DISCUSSION RE: IMPORT OF ALUMINIUM THROUGH MMTC

SHRI D. D. DESAI (Kaira): The present discussion is relating to aluminium required for the electrical industry. Aluminium is indigenously produced and there is presently statutory control over it. It is considered an essential commodity and even the products made out of it like aluminium conductors and cables are covered under essential commodities.

So far as indigenous aluminium is concerned, it has been priced after the Wanchoo Committee Report at Rs. 5,150 and the final cost when delivered at the works of the actual users works out to Rs. 5,450. As against this, the import of aluminium...

because of a slight short-fall in the indigenous production—has been about 24,000 tonnes and out of these, 12,000 tonnes were imported through MMTC. The import cost to private parties, actual users, has been around 24 cents CIF from U.S.A. This was from AID USA tied loan, freight conditions of AID 60/40. The price is a single country purchase price inclusive of the rate one is required to pay to the intermediary as indenting commission.

Against this, the bulk purchase of 12,000 tonnes MMTC has arranged works out to 23.29 cents CIF from Japan. The freight between Japan and India has been lower. This has been purchased by a global tender. I have a comparative statement here with shows that there have been 18 participants. The Minister mentioned the other day that the price could not be disclosed but the fact is that the prices were read out in the hall in the open when the global tenders were opened. Therefore, this was not a secret matter but an open matter and could easily have been disclosed to us. Be that as it may.

Now the price charged is of the order of Rs. 7,057 delivered at the customers' works which makes a difference of Rs. 1,600 per metric tonne with Rs. 5,450 for indigenous. The indenting commission rate in the trade has been of the order of $\frac{1}{2}$ per cent and at most one to two per cent. Government itself has seen to it that all these 18 tenderes quoted more or less on this basis.

The Government is channelising imports of non-ferrous metals which form raw materials an important sector of our economy, particularly the electrical and core sector industries. Therefore, I request that some sort of arrangement be made or procedure evolved by which a certain indenting commission is fixed and deliveries are effected at the high seas so that the excess of 3 per cent one is required to pay for the sale tax and further other charges is eliminated.

The position is like this. The present price of aluminium demanded by MMTC is higher than the ruling price in India, ruling price in the world and the actual import landed cost price permitted by Government by issue of direct AU licences.

In other words, the price demanded by the MMTC does not appear to bear any relation to the prices existing anywhere in

the world. There is a wide gap between the landed price and the price charged from the industry. The intention of channelising the imports through the public sector or public agencies could be only two : one is to take away the profit which somebody else would have made, and another is to ensure a better service to the consumer. Neither of these two things are appearing in this deal. The profit margin which is taken over is going to the MMTC for making up the trading losses they have made in some other avenues. In other words, it would be feeding the inefficiency at the end of the MMTC.

It is said that the MMTC had imported some aluminium for the small scale sector and they did not lift it. Knowledgeably, I can safely say that if the MMTC had tendered the material upon arrival, the small scale sector would have gripped the material with both the arms. There must have been a procedural delay and they must have made certain impossible demands. There must be something more than what is stated.

Then there is another item. The DGTD has exercised pressure on Indian Electrical Manufacturers' Association and the Conductors Manufacturers' Association to the effect that if they did not lift the aluminium at these high prices which are demanded by the MMTC, then DGTD will suspend the issue of any new additional import licence or allocation. In other words, there is a certain amount of extortion which is exercised for entering in these transactions. The cable conductor industry is known to have suffered for nearly four years of recession, and therefore, it has already built up huge debit balances. Some of the companies have almost wiped out their capital and therefore they are in no position today to add additional debits to their already overloaded debits in their balance-sheets.

Therefore, the question today is that the Government should reconsider the price ; they should consider the fixing of some sort of norm or procedure and some sort of system by which the margin is fixed or indenting commission is charged, and in any case, they should be reasonable and on par with those in trade, particularly when large scale imports are permitted to be made by the MMTC, and when they purchase in bulk. The intention today is to obtain lower prices and better financial terms, and generally suitable quality and

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to avoid fraud in foreign exchange or transmission of foreign exchange to other countries. But the very same thing should not be permitted to be done in the MMTC itself, because what we are afraid of in the private sector would also be the one which we should be afraid of in the public sector!

Then, there has been an inordinate delay in the release of aluminium at the appropriate price. The prices charged should equal to which are ruling either in this country or in the international world are in conformity with the actual cost plus indenting Commission of the import. There should be some bearing, because the ultimate supply of this goes to the Electricity Boards which are again in the public sector. The finances of the Electricity Boards are limited plan allocations, and they could carry on the work of transmission and distribution of electric power only to the extent of their available finances. In other words, the shortfall in pumping and other programmes is bound to be there, because this price difference works out to almost 20 per cent. If we have a special rural electrification programmes, then, to that extent, we will be handicapped in our electrical programme and targets.

Therefore I request that the Government should take suitable steps to direct the MMTC because they are violating the Import Trade Control and the rules framed thereunder. There is especially clause 60 or 61. The Indian Electrical Manufacturer's Association have already mentioned this to the Government and notes have been exchanged between certain Associations and the MMTC and those notes have also been forwarded to the Government. Therefore what is agreed as policy in the import trade control Red Book and also accepted by the Government should be implemented.

There is also provision for forming a committee. There was a request by the Indian Electrical Manufacturer's Association as well as another association and the hon. Minister was kind enough to agree after repeated reminders and visits. The Indian Electrical Manufacturer's Association represents 90% of the electrical machinery and equipment production capacity in the country and I happened to be the past Chairman of the Development Council of the Heavy Electrical Industry. So I am particularly

interested in seeing that the Electrical Industry which is so much responsible for the growth of the country's economy should not be handicapped by over pricing of the raw materials because non-ferrous metals like zinc, lead, copper and aluminium are largely used in the Electrical Industry and they are being canalised through the MMTC.

What is applicable to aluminium would also be applicable to copper, zinc etc. and therefore we are vitally concerned with the overall cost factor of electric power which is delivered to the consumer. Ultimately the cost of local indigenous products should not suffer and inflationary pressures built in the cost structure should be eliminated.

With these words I request the hon. Minister to exercise his fullest authority and see that justice is done to the Industry. It is not the Industry alone. It is the nation, it is the Electricity Boards because money ultimately comes from the Electricity Boards which are in the public sector. Electricity Boards are in no position to pay more because they are already defaulting in taking deliveries because the allotments that they get fall a short of their requirements and there is constant pressure from the rural area as well as the urban areas for bigger electrification programmes. The villages are pressing for it and the supplies of aluminium at ruling price should somehow or the other be arranged as expeditiously as possible.

SHRI C. K. CHANDRAPPA (Telli-cherry): I want to know whether it is a fact that the Electrical Industries are the buyers of the bulk of imports of aluminium made by the MMTC. Is it a fact that the Electrical Industry is mostly controlled by the private sector; if it is partly controlled by the public sector, what is the proportion between the two?

Secondly, there is a complaint that the small workshops where aluminium products are manufactured are not getting aluminium when they request for it. Would the Government take some special measures so that the small producers would get aluminium when they require it?

SHRI N. K. SANGHI (Jalore): The MMTC is doing exports and imports of Ferrous and non-Ferrous metals. What is

the policy that they have laid down and how do they determine as to when a raw material is to be imported into the country? Usually the Public Undertakings take a long time to formulate the policy. When there is a shortage of some material, immediately that material goes into the black market. What is the procedure that they have adopted for finding the fact about the shortages and what is the procedure that they have laid down for the import of these raw materials?

Secondly, how do you determine the profitability of the MMTC? What is the procedure and why was there been such a difference in the marked price of aluminium quoted by the MMTC?

THE MINISTER OF FOREIGN TRADE (SHRI L. N. MISHRA) : I am thankful to the hon. Member for raising this debate this evening. I would not like to go into details, but I would like to say something about the pricing policy of MMTC.

He raised this point earlier also in this House and this question of MMTC prices so far as aluminium is concerned was discussed at considerable length. I had then said that it was not advisable to give out the prices that are charged by the MMTC or the prices at which MMTC gets aluminium. Mr. Desai today said that global tenders were opened and the prices were known, but that was the tender price. There were chances of negotiation, the hon. Member is aware of the procedure, and as a result of negotiation, it is just possible that the price might have been brought down. I do not say that it has been brought down, I am not going to claim it. Therefore, I would not disclose at what price we purchase and at what price we sell. Eighty to 85 per cent of our requirements are met by indigenous production and 10 to 15 per cent we do import from U. S. A., Canada, Japan and Australia.

It is not correct or fair to say that the MMTC is making a fabulous profit over the sale of aluminium. As a matter of fact, when I was discussing it with my officials and going through the papers this afternoon, I found that the profit earned is in the neighbourhood of 2½ per cent or so after paying taxes, excise etc.

If something can be done to help the small scale industries, I will do it. Shri

Chandrapam raised this point that most of the aluminium imported is utilised for manufacturing electrical wires. that they are manufactured by big industrialists and that the small industry suffers. I have seen that they have suffered in many cases, and I will make it a point to see that the small industry gets special treatment in the allotment of aluminium. I do not commit myself, but some concession, if possible, will be given to them.

If the hon. Member cares to look into the price policy of the socialist countries, he will see that in every country including the Soviet Union and other East European countries, all the public sector industries try to make a profit and the profit goes to the public exchequer. The same policy we will follow here also, but it will not be at the cost of the common man. I would not like the common man to suffer as a result of it. But when the public sector goes into trade and makes a profit, there should not be any grievance against it. As a matter of fact, if a public sector undertaking makes a loss, voice should be raised against it and there is need for a probe. If a public sector undertaking like the STC or MMTC makes a profit, there is no need to feel unhappy about it. As I have said the MMTC is not making any fabulous profit on aluminium. About price, I have said this is the policy of the Government that the public sector undertakings should make a profit. Parliament wants it, the Estimates Committee wants it, the Public Accounts Committee wants it, but it should not be at the cost of national interests or at the cost of the common man. There I agree. From that consideration, we cannot charge MMTC with making any kind of undue profit.

Then the hon. Member said that MMTC prices are higher than the world prices. It is not a question of negotiation. Even if we negotiated with different countries, it will not be in the public interest to give out the prices. As a matter of fact, I was thinking of giving out the purchase price and sale price, but later I thought it would not be advisable to give the whole thing. But later on some people said that there is no harm in giving the price. I will give the figures. The c. i. f. price of aluminium is Rs. 4090 per tonne. The price at which this is made available to the manufacturers by MMTC is Rs. 6750 per tonne. But this is inclusive of

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taxes, excise duty, etc. This is no all profit.

The hon. Member said, there should be some concession if sale is materialised on the high seas. We do give certain facilities for the exporters like passing of documents on High Seas Basis, avoiding the element of sales tax which works out to 3 to 10 per cent depending on the State. MMTC charges much reduced service charges for registered exporters, which in some cases may work out to about 1 per cent only. Registered exporters are also entitled to draw back in duty which makes aluminium available to them at prices far below the domestic price. These are the facilities we give to the exporters.

The hon. Member said that we should reduce the price at which aluminium is made available to consumers or manufacturers. It is not possible at this stage to commit myself. But it will be my endeavour to see that small-scale industries are helped. The disparity between the imported price of aluminium compared to the price of indigenous aluminium can sometimes lead to discrimination against some users who may be in the small scale sector. I propose to have this position reviewed with a view to eliminating the discrimination which may arise. But so far as the price part is concerned, as I said earlier, it is a matter of policy. We would like the MMTC to go on as it has been going on. Of course, it must increase its efficiency and speed, so that people have not to pay for its inefficiency. But if he wants that it should not make profit and it should make available imported material or indigenous material at a much lower price, it will not be advisable in public interest. I feel there is nothing wrong so far as the working of the MMTC is concerned. If there are difficulties faced by small scale industries, I would look into them. But it is not possible for us to reduce the price.

SHRI H. M. PATEL (Dhaodhuka) : The question posed was that imported price came to Rs. 6700 or whatever it was, but the sales price was considerably higher. It was so much higher that it was higher than the price of the finished product. What is

the margin between the imported *c. i. f.* price and the sales price to the actual users? That comes to between 15 and 20 per cent. Is it a fact?

SHRI L. N. MISHRA : This does not come to that. I have given the figures earlier. The price at which MMTC gets it is Rs. 4,000 and the price at which it is supplied to the consumers is Rs. 6,700 and odd which is inclusive of all taxes, service charges of one per cent etc. Therefore, you cannot say that MMTC is making a profit of 20 or 25 per cent. My feeling is that perhaps the international price of aluminium is something like 28 or 29 cents per pound and our price is also in the neighbourhood, at times lower also. But the question is at what price do we sell to the individual consumer. As I have stated, we sell at the price inclusive of all taxes of Rs. 6,700 and odd per tonne.

SHRI D. D. DESAI : The cost price of aluminium works out to more than the price of finished product as determined by the excise department for the charging of tax. There is already a tariff price for conductors and cables by the Electrical Manufacturers Association. That tariff price is the ruling price of finished goods, ruling sale price, whereas the price at which you are supplying the raw material works out to 10 to 15 per cent higher than the selling price of the finished goods as determined by the excise department after survey that these are the ruling prices.

SHRI L. N. MISHRA : So far as my information goes, it should not be the situation that the price of the finished goods is 15 per cent cheaper than the price of the raw material. I am not aware of it. If that is the position, I would like to look into it.

17.57 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, July 27, 1971 (Shravana 5, 1893 (Saka)).