

[Mr. Deputy Speaker]

David Munzni, Shri D. D. Puri, Shri A. V. Raghavan, Swami Rameshwaranand, Shri R. V. Reddiar, Shri A. T. Sarma, Shri S. M. Siddiah, Shri K. K. Singh, Shri Krishnapal Singh, Dr. L. M. Singhvi, Shri R. Umanath, Shri P. Venkatasubbaiah, and Shri Asoke K. Sen

and 15 from the Rajya Sabha;

that in order to constitute a sitting of the Joint Committee the quorum shall be one third of the total number of members of the Joint Committee;

that the Committee shall make a report to this House by the last day of the first week of the next session;

that in other respects the Rules of Procedure of this House relating to Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

*The motion was adopted.*

14.32 hrs.

STATEMENT RE : MANUFACTURE OF SMALL CAR

**Mr. Deputy-Speaker:** Shri C. Subramaniam. He has to make a statement—I am sorry, that will come afterwards. Now, the next Bill.

**The Minister of Law Shri (A. K. Sen):** May I suggest, Sir, that Shri Subramaniam may be released? He may be allowed to make the statement.

**Mr. Deputy-Speaker:** I am told that the procedure is that it cannot be taken up in the middle.

**Shri A. K. Sen:** Subject to the Chair's discretion.

**Mr. Deputy-Speaker:** That is what the Speaker has said.

**Shri Indrajit Gupta (Calcutta South West):** May we know the subject-matter of the statement? It is not in the Order Paper.

**Mr. Deputy-Speaker:** It is regarding the small car in the public sector.

**Shri S. M. Banerjee (Kanpur):** That is a very good statement. He might be allowed to make it.

**Shri Gauri Shanker (Fatehpur):** He should not be allowed to make the statement at this stage.

**Mr. Deputy-Speaker:** There is no harm. He may make the statement just now.

**Shri S. M. Banerjee:** Are we getting the car?

**The Minister of Steel and Heavy Industries (Shri C. Subramaniam):** Mr. Speaker, Sir, several times in past session of both Houses of Parliament, and already in the current session, Members have asked questions about the project for the manufacture of a small car. Interest has been shown in regard to this project by the general public also. The matter has required thought and consideration and has been under examination by Government for some time. Yesterday the question was discussed by Cabinet and a decision was taken. I am, therefore, now in a position to make a statement on the subject and take the earliest possible opportunity to do so in view of the interest in the subject so widely expressed.

The *ad hoc* Committee on the automobile industry set up in 1959 enquired, among other issues, into the need for a low cost car and the possibilities of its production in India. Government, in their resolution dated September 6, 1960, on the report, decided to appoint an expert committee to examine the feasibility of producing, in the country, a car which would

be available to the major body of consumers at around Rs. 6,500, inclusive of all charges. Government decided, further, that if the expert committee's finding was that such production is feasible, the project will be undertaken in the public sector. An expert committee was accordingly appointed. In its report submitted in June 1961, the committee expressed the view that it was possible to produce a car at about Rs. 5,100 ex-factory at a level of production of 50,000 cars a year and at about Rs. 6,150 ex-factory at a level of production of 20,000 a year, in both cases exclusive of Excise duty. After examining in detail the proposals received in respect of the manufacture of five different models of cars, the Committee recommended that the "Dauphine" model of the Government Corporation of Renault Factories in France answered best our requirements both technical and on economic grounds.

Protracted negotiations were thereupon undertaken with the Renault Corporation and proposals were worked out whereby it was envisaged that production of the Dauphine at the rate of 20,000 cars a year would be established in 3½ years after comprehensive agreement was signed and land made available. Manufacture would commence with an indigenous content of 50 per cent and would be raised to 90 per cent in three years. The volume of production would also be increased after the commencement of production. An effort was to be made to earn the foreign exchange needed for interest payments, capital repayments and engineering fees by exporting about 11 per cent of the production of the factory. In this we would have the active cooperation of the Renault Corporation. An effort was also to be made to pay for the component and other material imported in the first years by the export to France of goods in type and volume different from usual and traditional exports to that country. It would be only right to say that the Renault Corporation worked hard with us and went a long

way towards meeting our difficulties. A word of acknowledgment of their effort is well-merited.

The matter, when worked up in this form with Renault was sent up to other Ministries interested in this question and to the Planning Commission with a view to eliciting their views and submitting the matter to Cabinet.

The main reasons leading to the Government's decision on the subject are broadly as follows:—

(1) In the context of our current economic situation both in regard to internal and external resources, the question is not whether the project is a good or sound one on merits but what its priority should be. Although the small car project had been approved by Government in principle before the Third Five Year Plan was finalised, it had not been found possible to include the project in the Plan because projects which were then judged to be of a higher priority added up to a larger figure than the resources in terms of rupees and foreign exchange which we could foresee. The position has not improved since. If anything, conditions have become more difficult. Consequently, the small car project cannot be moved up in any list of priorities.

(2) The priority in the field of automobiles should, for some time to come, be definitely and over-whelmingly in favour of the manufacture of commercial vehicles which will provide the base for the transport of goods and for public passenger transport.

(3) Although resources, particularly external resources, for this project appear to be in sight, the expectations in regard to exports of cars abroad and of non-traditional goods to France are not absolutely certain; and, in the latter case, would impose a strain on our export surpluses which, on considerations of the priority of the project, it would be difficult to justify.

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(4) Although the credit offered for the project might be outside the French Government credits available to India under the Aid to India Consortium arrangements, the size of present and future credits available to us from all sources would be based on the lenders' judgment of our overall capacity to make interest payments and payments on account of capital repayment. On this reckoning, any outgoings, whether in terms of foreign exchange, or in terms of goods on account of the small car project, would be a debit against our overall capacity to make payments.

I should like to recall further that the immediate implementation of the project would involve not only money resources—of which we are short enough, in all conscience, especially in terms of foreign exchange—but also physical resources like building materials, steel (for production), power and transport. These are all in short supply and I do not see that we can expend any of these on what is, after all, not a project meriting high priority in our present situation.

For all the reasons which I have stated earlier, Government have decided that the small car project cannot be taken up for implementation just now and that the consideration of the project will have to be deferred. We may well have to defer consideration until we can see more propitious conditions at least in prospect in the directions to which I have referred.

**Shri Indrajit Gupta:** May I seek one clarification? Am I to take it that the shelving of this project means, or does not mean, that the other project of the low-cost car about which we were told yesterday by the Defence Ministry is to be pursued? Because, after all, the foreign exchange difficulties are common for all Ministries. Does it mean that this project has been given up in favour of the low-cost car project of the Hindustan Aircraft factory?

**Shri C. Subramaniam:** That is a

different thing and the question might be put to the Defence Ministry.

**Shri Surendranath Dwivedy (Kendrapara):** This is a Cabinet decision. Another Ministry is contemplating to have this car. The question is whether the Cabinet, while taking a decision on this project, took into consideration that aspect of the matter.

**Mr. Deputy-Speaker:** He might table a separate question about it. There is ample time for it.

**Shri Birendra Bahadur Singh (Rajnandgaon):** This is an important statement and so copies of it must be distributed to hon. Members.

**Mr. Deputy-Speaker:** It will be distributed to hon. Members.

**Shri S. M. Banerjee:** On a point of clarification. Since the hon. Minister himself has mentioned that the Cabinet has taken a decision, what we are interested to know is this: whether the Cabinet, while taking a decision to shelve this particular project, took note of the low-cost car project of the Hindustan Aircraft factory, or they did not take that fact into consideration at all. I want to know the answer.

**Shri C. Subramaniam:** I have mentioned the decision of the Cabinet with respect to this project. If any other project comes up for consideration of the Cabinet it will be considered on its merits.

**Shri Sham Lal Saraf (Jammu and Kashmir):** May I know whether—

**Mr. Deputy-Speaker:** This cannot be converted into a Question Hour.

**Shri Sham Lal Saraf:** One point of clarification.

**Mr. Deputy-Speaker:** He can table a question. The House will now take up the next item. Shri Bibudhendra Mishra.