

course to obtain the necessary visas to enter Indian territory.

On the 28th instant, the hon. Member Shri Vallatharas asked for detailed information of all incidents on the French Indian territories in recent times. We are preparing the statement, and with your permission, I shall lay it on the Table of the House as soon as it is ready.

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#### MOTION FOR ADJOURNMENT

##### FIRING BY FRENCH INDIAN POLICE NEAR MAHE

**Mr. Speaker:** That brings us next to the adjournment motion on this question given notice of by Shri Punnoose and Shri V. P. Nayar,—the situation created by firing by the French Indian Police on a party of Indians near Mahe. In view of the facts that are already now before me, I do not think I can give consent to a discussion of this adjournment motion.

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#### COMPANIES BILL—contd.

**Mr. Speaker:** Now, we will proceed with the further consideration of the following motion, namely, that the Bill to consolidate and amend the law relating to companies and certain other associations, be referred to a Joint Committee of the Houses consisting of 49 members, 33 members from this House, namely,—Shri Hari Vinayak Pataskar, Shri Chimanlal Chakubhai Shah, Shri Awadeshwar Prasad Sinha, Shri V. B. Gandhi, Shri Khandubhai Kasanji Desai, Shri Dev Kanta Borooah, Shri Sriman Narayan Agarwal, Shri R. Venkataraman, Shri Ghamandi Lal Bansal, Shri Radheshyam Ramkumar Morarka, Shri B. R. Bhagat, Shri Nityanand Kanungo, Shri Purnendu Sekhär Naskar, Shri T. S. Avinashilingam Chettiar, Shri K. T. Achuthan, Shri Kotha Raghuramaiah, Pandit Chatur Narain Malviya, Dr. Shaukatullah Shah Ansari, Shri Tokur Subrahmanyam, Col. B. H. Zaidi, Shri Mulchand

Dube, Pandit Munishwar Dutt Upadhyay, Shri Radhelal Vyas, Shri Ajit Singh, Shri Kamal Kumar Basu, Shri C. R. Chowdary, Shri M. S. Gurupadaswamy, Shri Amjad Ali, Shri N. C. Chatterjee, Shri Tulsidas Kilachand, Shri G. D. Somani, Shri Tridib Kumar Chaudhuri and Shri C. D. Deshmukh and 16 members from the Council;

that in order to constitute a sitting of the Joint Committee the quorum shall be one-third of the total numbers 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 the Council that the Council do join in the said Joint Committee and communicate to this House the names of members to be appointed by the Council to the Joint Committee.

**Shri T. N. Singh (Banaras Distt.—East):** I raised a point of order yesterday regarding the Members of the Select Committee participating in the discussion here. The Chairman, of course, ruled that out of order. Later on, the Chairman said that in future, no Member of the Select Committee shall be called upon to speak and that it was a mistake on the part of Shri Chatterjee—or rather, it was an exception or a deviation from the general rule, to have spoken. So, now, something should be done to re-establish the rule in regard to the Select Committee, Members. Incidentally, I think it will not be proper to prevent the other Members of the Select Committee also from participating and making a contribution on the floor of this House. I very humbly request you to re-establish this convention which is a very healthy one not only in this House but also in the Select Committee.

**Shri Bansal** (Jhajjar-Rewari): I want to make a submission. According to the ruling which is being applied to this House, no Member of the Select Committee can speak either at the reference stage or even after the Bill comes back from the Select Committee. (*Interruptions*).

**Mr. Speaker:** Let the hon. Member proceed. I shall clarify it later.

**Shri Bansal:** In the discussion on the Air Corporations Bill, when I got up to speak,—I was Member of the Select Committee—you said that I should not have got up on my seat, because I was a Member of the Select Committee. Normally, those persons who have served on the Select Committee should not speak unless they have signed a minute of dissent.

**Mr. Speaker:** I should like to be satisfied about the correctness of what he says.

**Shri Bansal:** You were in the Chair and some conversations were going on between you and me and the Deputy-Speaker. Those are on the records. I want to know if the Select Committee Members will be debarred from speaking at both stages.

**Mr. Speaker:** He need not proceed further, because the point that he is proceeding on is a hypothetical one. There is a convention. I am glad to see that hon. Members think that it is a good convention. I am very happy. So far as I remember, when the hon. Deputy-Speaker read out the names while placing the motion before the House, he said that there were as many as 33 Members, and it would be difficult for him to remember, if any Member makes an attempt to rise, which all Members' names are included in the long list of 33. Therefore, he appealed to the Members of the House that those Members, whose names are mentioned here, should not try to catch the eye of the Speaker. That is what he had said.

Then, I was under the impression—wrongly of course—as it turns out—that Mr. Chatterjee's name was not in the Select Committee. Therefore, when the Chairman took the seat—and I had seen Mr. Chatterjee trying to catch the eye of the Chair,—in view of his legal acumen and practice, I thought that he should be given a chance, and I said so to the chairman. That was done by mistake. He was called upon not by design or with a view to set aside a convention. Such mistakes cannot be avoided. They can be avoided only by Members, whose names are there, by not trying to catch the eye of the chair, especially in cases where the Select Committee consists of such a long list of 33 Members. I would again appeal to the Members whose names are mentioned in the list for the Select Committee, not to attempt to catch the eye of the Speaker. So, the convention stands. The chair will try its best to see that it is given effect to, but the Chair also is human, just as the hon. Members, and it expects that Members will cooperate with the Chair and will not allow such slips to get in.

As regards the other position which Mr. Bansal has taken, I do not think I have ever enforced that no Member who is a Member of the Select Committee could speak or take part in the proceedings after the Bill is returned by the Select Committee. After the Bill is returned from the Select Committee, it is the property of the House and every Member who chances to catch the eye of the Speaker has a right to participate. The reason for the first convention accepted by the House is that it is for the Select Committee Members to hear what others have to say, and they have all the chances of discussing the Bill in the light of the views expressed in the Select Committee. The time of the House may also be saved. That is the reason of that convention. But the other point which Mr. Bansal has pointed out, to my

mind, is a mistake. If I am mistaken, I shall be glad to have the verification from the proceedings of the House of that day.

**Shri Punnoose (Alleppey):** It was at the consideration stage.

**Mr. Speaker:** Yes; it was the consideration stage. I am happy.

**Shri T. N. Singh:** The violation of the convention was duly pointed out to the hon. Member—the convention which you referred to. Even after that, the hon. Member who should have observed the etiquette and convention which have very kindly pointed out yourself's, did not see it proper to withdraw his speech. What is to be done about the Select Committee?

**Mr. Speaker:** A mistake was committed. A speech was delivered. Surely, the hon. Member does not mean to urge that the speech should be expunged from the proceedings. That cannot be done in this case. All that I mean is that the Members will try to Cooperate with the Speaker. There is always a chance that due to human weakness mistakes are repeated, but that does not mean that the convention is not going to be observed. That ends the matter.

**Pandit Thakur Das Bhargava (Gurgaon):** As regards the convention, I may say that it is only a directory rule of conduct. It is not a well-established convention in this House. I remember an occasion when this question arose: one of the Members, Shri R. K. Chaudhuri, made a request to the Chair to allow certain Members of the Select Committee to speak on that Bill, and we were allowed to speak on that Bill there have been other occasion also when we did not observe this rule rigidly. On a particular occasion it may be necessary for you to call upon a particular Member to speak. This is not an established convention in that sense.

**Some Hon. Members:** No, no.

**Pandit Thakur Das Bhargava:** You have been pleased to rule that such Members who are not Members of the Select Committee may be allowed to put their views before the Members of the Select Committee and before the House. Therefore, it is a healthy thing. I quite realise that. But, at the same time, it is not an established rule that no Member of the Select Committee shall be allowed to speak on any occasion. If this rule is pursued in practice. I think it will be wrong and may sometimes be productive of positive harm.

**Some Hon. Members:** No, no.

**Pandit Thakur Das Bhargava:** In certain occasions, with the permission of the Chair, or if the Chair thinks that it is in the interest of debate that a certain Member should take part, this convention should not be made a fixed principle or rule.

As regards the subsequent matter, as you have been pleased to say, that is an occasion when a Member of the Select Committee should have a certain kind of priority. He comes before the House to see that the Report of the Select Committee is accepted. He is a part author of the report and there is no reason why he should not be allowed to speak.

With regard to the first point also I submit that we have not yet established such a rigid convention: that no Member of the Select Committee should be allowed to speak. If it is, then it is very easy for the Government to put any Member on the Committee and prevent him from speaking in the House on a particular Motion. After all, when a Member speaks, he gives certain suggestions to the House which may be considered in the Select Committee. Therefore, I do not think there is any good reason why we should debar for all time any Member who is chosen to a Select Committee, from speaking on that particular Motion.

**Sardar A. S. Saigal (Bilaspur):** He must not be debarred for all time.

**Mr. Speaker:** I do not think we need spend any time over this discussion.

[Mr. Speaker]

In a sense it is academic. The soundness of the convention is accepted both by the Chair and the House. The hon. Member is urging for exceptions. In human affairs, there is always scope for exceptions, but they are exceptions and not general rules.

**Some Hon. Members:** There should be no exceptions.

**Mr. Speaker:** The hon. Members who are interfering and also standing, are also acting upon the principles of exceptions. The rule is that, when the Chair is standing, no person should be on his legs. However, that is another matter.

As regards the other point which the hon. Member has raised, that it will be easy for Government to stifle a Member's speech or opportunity being given to him for expressing the views...

**Pandit Thakur Das Bhargava:** Not only the Government, but any Member who moves a Select Committee motion may do so.

**Mr. Speaker:**...by simply putting his name as a Member of the Select Committee, I presume that every Member of the Select Committee whose name is put in, is first consulted and only on his acceptance his name is included. If he chooses to accept the membership of the Select Committee, he must accept the disability also. Therefore, nothing remains in the hands of the Government; it is entirely in the hands of the House.

But, after all, I should maintain that the convention to my mind is not a rigid one, but it is a well established one.

**Dr. Ram Subhag Singh** (Shahabad South): It should be rigidly applied.

**Mr. Speaker:** It is not a rigid one. As I said, we always have some occasion on which exceptions may be necessary. For example, I find here that in the Select Committee, the hon. Minister's name is included. Shall I prevent him from replying?

**Sardar A. S. Saigal:** No, Sir. Hon. Minister will not be prevented from replying.

**Mr. Speaker:** Here is a standing exception. Some other exceptions may also come up on exceptional occasions. Therefore, I say, it is not rigid in that sense, but it is a well established principle and a good one.

**Shri S. V. Ramaswamy** (Salem): May I know, Sir, if a Member of the Select Committee does speak, his name will be dropped out from the Committee?

**Mr. Speaker:** That is not so. I was saying that it was through a mistake or a slip that the Member was called upon. I do not think there is any occasion for such questions which are mostly in the nature of cross-examination, if not showing inconsistencies.

I am saying one thing at the end and that is, it is also a well established, not only convention, but rule, that it is the absolute right of the Speaker to decide who should be called upon and who should not be called upon, and all controversies or questions on that point must cease, because the Chair itself has called on that particular Member, whether by mistake or intention.

**Shri H. N. Mukerjee** (Calcutta North-East): Sir, you have very rightly said that this is a convention which is going to be applied in this House, but necessarily on occasion there would be some exceptions made at the discretion of the Chair. Now that is a completely unexceptionable proposition which I certainly wholeheartedly support. But, at an early stage of the proceedings, you have said that an error was committed by the Chair when a certain Member who was chosen to be on the Select Committee was called upon to speak. I feel, in fairness to the distinguished lady who was in the Chair at that particular point of time, we should say that it was in exercise of the inherent discretion of the Chair that

the hon. Member was allowed an exception. I am very sorry that my friend Shri T. N. Singh raised this question, because he had raised the same question yesterday also and the Chair told him clearly that though the general rule is that members of the Select Committee are not allowed to speak, an exception is being made in the favour of one particular Member who was speaking at that time. The Chair's conduct, therefore was absolutely above board and I should like to say that we should not insist on the expression 'error' in regard to what she did yesterday, and merely say that she exercised her discretion in exercise of her powers as Chairman of the House.

**Mr. Speaker:** Unfortunately, it appears that the hon. Member was not either present, or, if present, was not attentive. I did not say that it was an error on the part of the Chairman. In explaining the situation, I did specifically point out that as I was leaving and the Chairman was coming in, I saw Mr. Chatterjee trying to catch eye of the Chair; missing the fact that he was a Member of the Select Committee, I had instructed the Chairman that she should call upon Mr. Chatterjee. That I did just at the start. That is why I said it was an error. I did not say that it was an error on the part of the Chairman. The Chairman acted perfectly all right. There is no question about that; but the error was mine and not hers. The hon. Member need not raise the question of deciding as to who is to blame and who is not to be blamed. After all, the Chair is also capable of committing errors and so long as it is human, it cannot be helped.

**Dr. Lanka Sundaram** (Visakha-patnam): May I point out, Sir, that the word used by the Chair yesterday was 'exception'?

**Shrimati Khongmen** (Autonomous Distts.—Reserved—Sch. Tribes): Sir, I may say that, when I called the hon. Member Mr. Chatterjee, I did say that it was an exception, and then, in the end I also said that the rule will

be strictly observed and no Member of the Select Committee will be called upon to speak on this particular Bill.

**Shri C. D. Pande** (Naini Tal Distt. *cum* Almora Distt.—South West *cum* Bareilly Distt.—North): Sir, when the House adjourned yesterday I was endeavouring to point out that mere substitution, or abolition, or curtailment of the rights of the managing agency will not be a cure for their evils because if you replace managing agency by a managing director, things will remain the same as they are today. The managing director is no more known for honesty than the managing agency, and neither is he motivated by selfless motives. He too is a victim of the motive of making profits. Then my friends in this House may ask me: "what is the remedy that you suggest? You say that managing agents are bad and managing director is no substitute". I would like to tell the House that there is a remedy and that remedy is a radical one.

**Mr. Speaker:** Order, order. Let there be no talking in the House.

**Shri C. D. Pande:** The remedy is that, by your example, by the example that we can set up for the public sector, we can virtually eliminate the persons who are doing mischief in the private sector. Show the results; do the jobs that have been entrusted to the public sector with efficiency and economy and there will not be a single man in India who will not support the public sector and they will say that there is no room for private sector. Ultimately the country has come to a point where we have to decide whether we want to keep the private sector or not. I am sure this will be the result if the Bill as it is passed. The communities that are leading in industrial or commercial activities will not take with great enthusiasm to implement the plan that you have set. It is the most inopportune time for introducing a Bill of this type, because we know for certain that a man who is greedy of money will not leave his habits. You cannot cure these ills by legislation. It is a dream to think that you can

[Shri C. D. Pande]

moralise the managing agent, so that tomorrow he will be guided by selfless motives, and he will have no motive to make profits. We cannot expect that to happen. So, the alternative is that you set up an example in the public sector, which will put him to shame, by justifiably saying that we in the public sector have done this thing. How is it that you are not able to do this in your sphere?

In this connection, I should like to point out a few examples to show how we have set that example and how we have succeeded or failed in putting up that example. We have been in the public sector in these activities for the last four or five years, but five years is a pretty long time to indicate in what direction we are going, what efficiency we have achieved, what results we have achieved, and what standards we have set up for the private sector. I would like to take a few of these activities, and show what our achievements are.

First of all, let us take the case of the Sindri Fertiliser Factory, that great concern of which we are really proud, and which is one of the earliest achievements of the Five Year Plan. The cost of that factory has come to Rs. 27 crores. Those who know how to erect a factory of this nature and magnitude, and can speak with authority on the subject have said that a concern of this size could have been brought into existence for Rs. 15 crores. That is the position, so far as the cost of erection is concerned. As for the cost of the fertiliser produced in the factory, it is Rs. 330 per ton, and by a reduction of fifteen per cent, which is in fact a subsidy, you have brought the price to Rs. 290 per ton. I may tell the House that this concern, over-capitalised as it is, is producing fertilisers at Rs. 330 per ton, whereas you can sell foreign fertilisers for Rs. 250 per ton, after paying duty to the coffers of the State, freight, insurance and all manner of middleman's charges. In the face of this, can you say that you are in a

position to do things better than others are doing? If you could say, we have set up a factory at a lesser cost, we have been able to supply materials to the public more cheaply, whereas they used to pay more earlier, therefore, these money-grabbers and these avaricious people should go away, and they should receive no quarter in the country, if you could say that, the country will be with you. But the unfortunate position is that it is not so.

Next, let us take some of the comparatively smaller concerns, like newsprint factory in Madhya Pradesh. I know something of this newsprint factory. No doubt, it is very desirable to have a newsprint concern in India, because we do not produce any newsprint in this country, and we depend entirely on foreign imports. So far the cost on the factory has come to Rs. 5.80 lakhs but the work has not even reached two-thirds of the target that has been set.

**Shri T. N. Singh:** Is the hon. Member aware that this factory was started as a private concern by Messrs. Navyar & Co.?

**Shri C. D. Pande:** That is much worse. They started this factory as a private concern, they bungled and they mishandled it, but you came to their rescue, and sank your money to the tune of Rs. 5 crores. But do you think that the newsprint produced by this factory can ever compete with the newsprint imported from outside. The present price of newsprint is very high, and you are calculating everything on the present prices; but supposing the foreign exporters just make up their minds to reduce the price by Rs. 200 per ton, do you think this newsprint factory in Khandwa can work satisfactorily? No, it cannot work. Now, you take any other factory in my own State; it is not so bad as the newsprint factory. We have one cement factory in Mirzapur. We have built these factories, because we want that there should be more factories—but I am constrained to

say that even though Shri K. D. Malaviya was the originator of that scheme, and we did our best to keep the cost as low as possible, still the cost of construction has come to Rs. 4.5 crores so far. But those who know something about the construction of a cement factory say that this could have been constructed for a cost of Rs. 3.5 crores or so.

[MR. DEPUTY-SPEAKER *in the Chair.*]

**The Deputy Minister of Natural Resources and Scientific Research (Shri K. D. Malaviya):** Why do you believe them?

**Shri C. D. Pande:** We believe them because there are cement factories of the same capacity, which have been constructed for a lesser cost. That we have to believe.

**Shri K. D. Malaviya:** I personally know that they have spent Rs. 6 crores or so, so far as the cement factory is concerned.

**Shri C. D. Pande:** Take again the case of nationalised transport. In Bombay, Rajasthan, Madhya Pradesh, Uttar Pradesh, Bihar and other States, we have nationalised transport today. Formerly, there used to be a large number of buses operated by private agencies, but there was overcrowding, unpunctuality etc., and the position was unsatisfactory. So, we nationalised transport, with a view to improving the whole thing. But what is the result? There has been an increase in the fares. Formerly, the rate was two pice per mile, for long distances. But now it is more than three pice per mile everywhere, without any exception in any part of the country.

**Shri Bogawat (Ahmednagar South):** Much more inconvenience also.

**Shri C. D. Pande:** That I cannot say, because it is our nationalised service.

**Shri M. D. Joshi (Ratnagiri South):** It was not less than nine pies per mile, for long distances, in the Bombay State.

**Shri C. D. Pande:** It is not less than nine pies per mile, but it is more; that is what I contend.

**Shri M. D. Joshi:** I mean it was so in the private sector when the buses were operated and managed privately.

**Shri C. D. Pande:** In the private sector, it was never more than two pice or six pies per mile, and we know it, as much as you know it. No doubt, this is a point which you can controvert, because I may be slightly erring on this side or that side. But what I want to prove is that the aim of nationalised transport should have been to give a better and cheaper service to the public, but that has not been achieved. That being so, we have not set an example to show to others that we have done better.

This House is the supreme authority for seeing, as far as the public sector is concerned, that there is nothing which hinders you from doing what is right, unless if the Members of this House are led to believe that there is a managing agency here in the form of Government, and they say, we are poor shareholders of this concern, we are, of course, very enthusiastic and vigilant, but we are so helpless that we cannot influence the decision of the managing agency, namely Government, then, that is quite a different question. But I believe that Parliament is supreme, the agency is yours, Government is yours, and you have enough resources at your disposal. If so, why can you not compete with the private sector? That is the real crux of the matter. I feel that the time has come when the private sector should not be encouraged, but should be told, "you cannot carry on hereafter, because you have lost the faith of the public, and there is great prejudice against you for your deeds".

**Shri Bogawat:** Big salaries.

**Shri C. D. Pande:** Let us not mince matters. They should be told, the public has no more faith in them.....

**Pandit K. C. Sharma** (Meerut Distt.—South): Why did they vote for you?

**Shri T. N. Singh**: Who has ceased to have faith? Not the common man.

**Shri C. D. Pande**: I say, they—the public—have lost faith in the industrialists. The public and their representatives have lost faith in the motives of the industrialists. That is undeniable. Do not for a moment think that I am speaking for them. What I want to point out is that you should set an example by your efficiency and by your economy and convince the public. The public is already disgusted with them, but at the same time, they are not enthused by what you are doing. That is my complaint, and that is what I want to impress upon Government and all the Members concerned. We should do better, so that these industrialists could be effaced. If we do not do better, then we will have no case while they may have a case still.

This is the main thing that I wanted to impress upon Government. There is a remedy for everything; there is a remedy to improve matters; there is a necessity to show to the public and to the world at large that we can do better. But what is the present position? Those money-makers pay income-tax, customs duties and so many other duties, and yet they make huge profits. But we have not to pay any income-tax, we have not to pay any customs or excise duties, and yet we are not able to provide a better service to the public, and provide materials cheaper to the public. Our fertiliser is dearer and our transport is costlier.

With this background, I want to say that this law, whether you make the term of imprisonment three months, or six months, or one year, will not solve the problem, because the private sector has already gone on strike since the last four years, and not a single new industrial concern has come into existence during this period.

Believe me, you may condemn the managing agency system, but no new industry is coming into existence. All the old ones are there, but no big managing agency is coming into existence to float a big steel concern, to float a big oil concern or to float a big electrical equipment concern—none whatsoever. A small sugar mill or a small textile mill may be there, because they are still treading the trodden path hoping to make money out of it. But knowing the attitude of labour, knowing the attitude of Parliament, knowing the attitude of the public, rich men are aware that all of us have lost faith in them. Therefore, in the public sector it is your duty to prove and to say that we have done better.

**Shri Ramachandra Reddi** (Nellore): At the outset, I would disclose that I am not in the Select Committee.

**Mr. Deputy-Speaker**: It is enough if hon. Members are conscious of it before they rise. They need not intimate to the House.

**Shri Ramachandra Reddi**: This is an interesting Bill and we had for the last two days a very large amount of interesting discussion on the subject of the managing agency system. I have no desire to traverse all the ground that has been covered yesterday and day before and even today. I wish only to point out that when we look at the managing agency system that is now prevalent, the big business which has been for some time working has done more service to the country than harm. It is, on the other hand, the small and medium-size business that has been responsible for a good deal of economic distress and dislocation of the business conditions in this country. Most of these business concerns of medium-size, namely, of between Rs. 5 lakhs and Rs. 25 lakhs capital, have gone to grief, when they in the rush of events obtained capital issues and then thought of serving the country by floating companies and starting new

industries. Either on account of their incapacity to estimate properly for the project or on account of their incapacity to run the institutions, most of them have gone to grief. Much more so is the case with such concerns or managing agencies as have not been able to finance such concerns or use their influence to finance such concerns in due time. It is, therefore, necessary that in dealing with managing agencies the Government ought to take care that the necessary equipment as well as talent is available in these managing agencies which are likely to come into operation hereafter.

With regard to the big business, as I have already pointed out, and as has been pointed out by several hon. Members on the floor of this House, they have done some definite service and their experience, their money accommodation, their skill and talent have stood in good stead in the development of business in this country. Compare that, Sir, with the business that has recently been undertaken and developed by the Government itself. Several of the limited companies that they have started have not been properly planned either in the matter of estimates or in the matter of the time-table or in the matter of the securing of equipment and goods from other countries. We will not be justified in discouraging big business for the present because that will hamper our industrial progress to a very large extent. It is quite clear from the recent events that big business is not trying to develop itself in new industries. It is not a case of their not having the necessary money, but it is a case of their not coming forward for fear that there is an all-round attack upon them and there is a possibility of their being criminally implicated in working up some of these enterprises. For instance, in respect of the National Development Loan that has been floated, there has been a ready response, evidently from the big business, and Rs. 3.5 crores or so have been subscribed within the course of one week. That shows that

capital is available but capital is unwilling to come forward to start any fresh business. I do not mind whether it is 'black' money or 'white' money or even 'red' money, that can be utilised for national development. If 'black' money is there, let it come forward. Why should we be meticulous about it? If it is found that the earnings were rather objectionable, let them come forward and help the country in a time of need. 'White' money has been criticised from one section of this House that it is not in favour of helping industry in India. But even today my own experience is that a large section of Indians who are business-minded, have got greater confidence in the British business or American business than in Indian business itself. At least there is some sort of confidence in them which attracts the shareholders as well as the public towards them. If they can be sent out, let them be sent out honourably. I think they are themselves anxious to go if they are given proper compensation for the business that they have to leave behind.

We have plenty of labour, material and talent as also communications, perseverance and facilities to start any business in India, but without that capital coming forward it is not possible to start anything at all. We are reminded, Sir, of the saying that without '1' all the zeros, however valuable, they might be, are not valuable, and with the '1' all the zeros will secure value. So without capital all the other merits and conveniences will be of no avail and of no value; and as such, we should not discourage the capital that coming forward for starting business.

I will just mention one or two points in regard to the Bill. I may not be able to take up several important clauses, but I would like to tell the hon. Minister about the expediency of retaining in this Bill one or two sections. For instance, the age-limit has been prescribed for directors. No director should be there who is of the age of above 65, unless

[Shri Ramachandra Reddi]

he is supported by a special resolution of the shareholders. This is an unfortunate circumstance and I do not think the Government would be well advised to retain it in the statute book, because if a person of the eminence of Shri Visweswarayya were to be taken into the directorate, should he be disqualified for the simple reason that he is over 65, or should he be asked to go through the ordeal of an election or a special resolution by the shareholders? It may also be pointed out that if a High Court judge or a Supreme Court judge of over 65 years of age thinks of becoming a director, should he be put to the same test?

**An Hon. Member:** What about others?

**Shri Ramachandra Reddi:** I am only speaking of our own people and not about other people. So, if that criterion has to be applied, I think that most of the hon. Members of the Cabinet must be misfits. It is, therefore, very necessary that the matter has to be reconsidered and the age-limit be removed. Another interesting thing is, suppose a lady happens to be...

**Mr. Deputy-Speaker:** The hon. Member referred to the Ministers. Ministers come by election. The persons who are in charge, so to say, of the country, choose to send them. Sir M. Visweswarayya may be sent by the shareholders.

**Shri Ramachandra Reddi:** Ministers come by the nomination of the leader of the party. Otherwise, all the elected must be in the Ministry! If a lady happens to be a director, is it not bad etiquette that she should be asked to disclose her age? From all points of view, it is not very desirable that this age-limit should be continued on the statute book. If we are going to condemn the managing agencies, perhaps most of them will be going out of existence within another decade. What is the other means by which we

can develop our industries in the private sector? Is it by partnership or by a single man's proprietorship or collective effort, or by the co-operative effort? In all these sectors, I do not think there has been much improvement shown to attract public money by way of assistance to such industries. Their success has not been so patent as to attract the public attention at all. If then, it is the desire that all these industries should be nationalized, the experience gained so far with regard to the nationalized industries has not been very happy. We have probably to wait for a long time before we find it possible to see that all these enterprises are nationalized and worked satisfactorily. The Government has been spending on several enterprises and I have seen by scrutiny that most of these have been badly planned, badly estimated and the time-table of execution has also been very unsatisfactory. Provision has been made in the Bill that there should be meetings of directors once in two months. I should think that it is a very excellent provision. Normally, if the business is not properly run, we find the managing directors not holding a meeting at all lest they should be questioned about their incapacity or integrity or talent in running the administration. This provision is a very healthy one, and I think it will check the vagaries of the managing directors to some extent. Some other checks have been placed, but I do not know to what extent those checks are justified.

The meeting notice—the time for the meeting notice—for the general body meeting has been increased from 15 to 21 days. I do not think there is any justification for this, because in most of these companies, nearly a month's notice is given, and an increase from 15 to 21 days is not called for. If it is intended for the convenience of the shareholders, to attend these meetings, I do not think the shareholders will be very much benefited by an enhancement of the

meeting notice period because in most of these companies, the shareholders do not attend at all. If, in the balance-sheet, a dividend is likely to be declared, they do not care to come and attend, the meetings. If, on the other hand, it is running at a loss, they will find that they need not spend good money by incurring expenditure to attend the meetings. In these circumstances, I do not think there is any necessity for the enhancement of the period of the meeting notice.

Several checks on the method of registration have been placed by several clauses of this Bill. I think it is a very reasonable attitude that has been taken by the Government, but I have to warn against any indiscreet acts that are likely to be committed by the lower staff which the Central Government is going to appoint hereafter for registration purposes in place of the State Governments staff as at present. There is a possibility of corruption and there is a possibility of finding fault without there being any faults at all, and thereby securing some illegal gratification. Proper checks have to be placed in the Act against such vagaries. Otherwise, it may be noted that the Government have to frame rules to see that corruption is not allowed to prevail in the department.

10 A.M.

The appointment of auditors has been taken notice of in clause 209. If an auditor is not appointed at the time of the general body meeting, the managing agents of the firm or the company will have to give notice to the Central Government, and the Central Government will have to take proper steps to appoint their own auditor. I would, for the present, warn the Government against taking any steps for appointing their own auditors for public companies. It might border on favouritism and it will also amount to unnecessary interference with the discretion of the shareholders as well as the directors by presenting them with an

auditor whom the Government might consider, to be very good, but the shareholders might not consider to be so good. This will amount to an unnecessary interference, and to the extent possible, the clause will have to be amended. If necessary, the Government's vigilance in other sectors may have to be enforced or tightened up.

With all the care that has been so far taken in the framing of the Bill I do think that defects cannot be avoided in the long run. There are sure to be some leakages and human ingenuity and legal ability are such as would circumvent any law passed by the legislature. I have noticed from my experience that while the arms of the law are long, the arms of the lawyer are longer still, and the longest are the arms of the law-breaker who can pick one's pocket and put it in his own pocket or other's pocket. It is, therefore, not very desirable to pin our faith completely in the law that we make but we have to take notice of it from time to time and see that wherever leakages occur they are plugged in without much delay. I have only to add that too much of law is bad, and this is a bulky one that we have before the House. Many a clause deserves mellowing down and if the law is abridged, wherever possible, that would go a great way to allow the companies to work more satisfactorily.

**Shri K. C. Sodhia (Sagar):** May I catch your eye?

**Mr. Deputy-Speaker:** You cannot catch my eye. I cannot allow any discussion on this question. I am trying to distribute the time and see to it that the level of the debate is raised and that all opportunities are given to all sections of the House. I have got the list and I shall choose.

**Shri S. V. Ramaswamy:** I welcome this measure. It is not one day too soon. In assessing this measure, I wish to lay three basic principles. The first is, that the business may be professionalized. I wish to bring to the notice of this House that even

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though hundreds and thousands of people are engaged in business, which vitally affects the life of the community, yet the conduct of business is as far removed from morality as the North Pole is from the South Pole. Take, for instance, the well-known professions, the legal and the medical professions. When we talk of professions, we have got such professional standards from which we cannot detract. A Member of the legal profession, for instance, cannot mishandle the clients' money. He is directly accountable for it. Should there be even temporary misappropriation of the amount which is due to the client, he will be hauled up and he will be sent out of the profession. That is so in the medical profession. The other professions that are trying to come up are the engineering profession and the auditors. But, so far as business is concerned, there is no professional morality as such and there is no council or body to enforce a code of conduct, to see that those who are entrusted with other peoples' money behave in a responsible manner and strictly account to those people for the moneys so received. It is in enunciating that principle, I wish to assess the adequacy of this Companies Bill and to see how far this Bill seeks to professionalise business.

Secondly, the proposition that I would make is that there should be no undue restriction on private initiative. Seeing the plethora of legislation in this House, I sometimes despair and cry that that Government is the best which governs the least. The mere enactment of provisions and the production of a voluminous Companies Bill will not be enough to enforce that moral code. On the other hand, it may have a deterring effect and may affect initiative. From that point of view also, this Bill has got to be assessed.

The third point that I would urge is this. Whether this Bill helps to

effect a balance between private and social needs, whether this Bill will help to regulate private greed to subserve the ends of social needs. It has been said that this Bill is a lawyer's paradise, because there are as many as 140 clauses out of 612, which are penal in nature. And, it has been criticised that a Bill of this nature which ought really to deal with civil liabilities should not impose criminal penalties also. I do not think that that is a legitimate criticism against this Bill because if you do want to professionalise—as I believe this Bill is an attempt in that direction—there must be penalties and the penalties must also be sufficiently severe.

The adequacy of certain penalties has also been questioned. Unless the penalties are there, the people engaged in business will not adhere to any moral code. Some years ago, that was in 1923, I remember a spinning and weaving mill was floated in the Mysore State. In those days, Rs. 5 lakhs was a big sum and one could start a spinning mill with Rs. 5 lakhs. What happened was this. The managing director swindled Rs. 4 lakhs of that amount. The mill never came into being and he was prosecuted and sentenced to an imprisonment of three years. He lived in the jail jolly well for three years and came out to enjoy the Rs. 4 lakhs of public money. The punishment was certainly inadequate in that case. I should have thought that he should have been sentenced to life imprisonment for swindling public money.

**An Hon. Member:** Oh, God!

**Shri S. V. Ramaswamy:** The managing agent on my left says Oh, God! God must come to the rescue but even God must not come to the rescue of such persons. I was thinking of imposing a death penalty but by grace I say it should be a life sentence.

**An. Hon. Member:** I think you may become the next Home Minister.

**Shri S. V. Ramaswamy:** There has been a general discussion as to the scope of private enterprise in the scheme of things. I for one do not believe in a total nationalisation of the industrial sector. I do believe—and I believe firmly—that the private sector has got a part to play and it has got a part to play for a long long time to come in our country. My hon. friends on the opposite side will, certainly, not agree with me. Some hon. Members on the other side, have gone to the extreme end of saying that there should be total nationalisation here and now. Mr. Vallatharas, the hon. Member for Pudukkottai, for instance, said that private management should be done away with. My hon. friend, Mr. Nayar—I do not know the constituency from which he comes—I am sorry, he is also equally vehement in saying that the managing agency system should be abolished. Of course, these gentlemen are against private enterprise (*Interruption*). They are against private property itself. I repeatedly put a question to my hon. friend, Mr. Nayar, what is the substitute. I have heard so many speeches here condemning the managing agency system. I hold no brief for the managing agency system as it is. But, what is the substitute?

**An Hon. Member:** Managing directors.

**Shri S. V. Ramaswamy:** I will come to that. I will tell you where and in which jurisdiction it will function.

**Mr. Deputy-Speaker:** There is no good using time in talking across the benches.

**Shri S. V. Ramaswamy:** The managing agency system has, certainly, played a great part in the industrialisation of the country. There is no doubt. In a country where capital is shy, where there is no investing class as such, where there is no capital market and there is an urgent need to industrialise the country, who has come forward to start an industry? It is easily said that the State can do

it. We know how State industrial enterprises are started and much more, as to how they are conducted. Even the starting of a State enterprise is not an ordinary thing. For instance, in my district of Salem, there is bauxite ore which is supposed to be the best in the whole country; it is said to contain about 20 million tons of ore. Unless you start a plant with a plant capacity of 20,000 tons of aluminium per annum, you cannot have an economic unit. Such an industry would require Rs. 15 crores capital investment. I have been agitating for the inclusion of a scheme to start an aluminium industry in the Salem district. It is still in the stage of agitation and I am sure for many more years it will be still in that stage because funds have got to be found. There are competing schemes and it is not an easy thing to ask the State to sanction a scheme of such a magnitude. Nor is private enterprise to be allowed in this field because it involves a large amount of capital. It is unfortunate that private capital will be restrained...

**Mr. Deputy-Speaker:** Has there been any application from private agencies and has it been rejected by Government?

**Shri S. V. Ramaswamy:** Not yet, but it is before the Ministry of Commerce and Industry.

**Shri Natesan (Tiruvallur):** Unless persons like Shri Ramaswamy give a lead, who will come forward to open industries in a place like Salem?

**Shri S. V. Ramaswamy:** I am prepared to give a lead. In my own district, there is another place, where on the surface everything is white. Myth has it—and it relates back to the days of Ramayana—when the wings of Jatayu were cut off, it fell down there and was petrified and it assumed that colour. It was left to a European firm to find out that it contained a valuable substance. A company, incorporated in England, came in the early nineties and has

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taken a large sum of money out of the enterprise. This big venture was left to a private enterprise to do; otherwise, we should be living in a land of myth. It is all due to the enterprise of private individuals that have come forward to start industries, the country has been developed in economically. The managing agents have performed a variety of functions and they seem to be a catalytic agent for starting new concerns. I know that in 1930 Tiruppur was a glorified village only. Then came a gentleman who started a mill and I know how he started the mill and how he staked his all on it. There was no capital in the market; he went from house to house and raised the shares and started the mill, with the result that Tiruppur today is unrecognisable from what it was in 1930. Thereafter, other mills followed it, and I can say that Tiruppur has found a place on the map and has become a vast city. I am glad to say that the mill, during the dark days of the war period, had nothing to do with the black-market and its promoters were all honest people. The best test of their honesty was that the income-tax officers, whoever they be, never questioned the accuracy or truth of their accounts and they passed the accounts. They have given bonus shares thrice over, and even after that, the market value of the share is somewhere about Rs. 300 and they are paying a dividend of Rs. 17 or 18. All that will show that it is no use merely saying that all of them are black sheep or dishonest men. Of course, if there are black sheep and dishonest men, they must be weeded out and punished. But there are also honest men and good men on the other side of the picture who feel that they owe a duty to the people through whose money they have started the company.

**Mr. Deputy-Speaker:** I am allowing fifteen minutes normally to each Member as there are a number of them to speak on the Bill.

**Shri S. V. Ramaswamy:** I will finish in five minutes. My hon. friend, Shri Venkataraman, said that managing agents can be appointed. It is not in all cases that managing agents can function. There may be scientists in this country who may have invented or made new discoveries, but the scientists have not got the capital to start the industry. In other countries there are underwriting firms that will take over any patent or a new discovery and then pass it on to the capital market for starting a company, but we do not have such a system in this country. A scientist may have a wonderful vision and brain, and the man who has the money has not got the brains, and so there is no catalytic agent or nexus between the two. No doubt, it is due to the drive and energy of the monied man in starting the company that employment is given to a number of labourers and the wealth of the country is increased. I do not think that all the arguments that have been advanced against the managing agents would hold good. In the case of banks and insurance companies, for instance, managing agents are not necessary, but in the field of industry like cotton, textile, jute etc., I am sure that managing agents cannot be dispensed with.

I welcome the several provisions that are specially mentioned in the speech of the hon. Finance Minister on the Bill. The enlargement of particulars with regard to the prospectus covered under clauses 50 to 59 and schedule II is welcome. The provision for obtaining the prior consent of the expert to the issue of prospectus, etc., is welcome, but I wish to point out one or two defects in the matter. I welcome the provisions contained in clauses 56 and 62, but I cannot understand why in the case of clause 56, the punishment is sought to be only two years, whereas in clause 62, which is of the same nature, the punishment is made to be five years.

For mis-statements in prospectus, I do not think that anything less than five years should be imposed as punishment, and it should be brought on a par with clause 62.

In clause 51, it is stated that in distributing the form of application for shares, the prospectus also must be given, and if it is shown that the prospectus was not given, there is a fine of Rs. 5,000 sought to be imposed. A company-promoter goes and passes on a form of application and a prospectus, and supposing somebody not well disposed towards him says that the prospectus was not given to him, it will lead to unnecessary harassment. I do not know why such minute details should be incorporated.

With regard to clause 60, it is stated that house to house canvassing is to be prevented and punished. In a country like ours, I do not see any harm coming by way of going from house to house so long as it is provided that they are honest disclosures and the statements are correct. I find that clause 60 has no parallel in the English law. I would urge upon the Finance Minister to say why this has been introduced as it will be a restraint and act as an impediment in the formation of the company.

With regard to the company meetings and procedures the provisions are welcome, though they need touching up here and there. I have given notice of a number of amendments. There are about a hundred amendments, and I hope at least some of them will be duly considered and accepted. So far as the company meetings are concerned, it has hitherto been a joke as it were. They have a nice lunch, they then sit on till tea and then they go. It has been more of a *tamasha* and less of a serious nature. It is true that the provisions have been strengthened so that the meetings will be real and useful.

With regard to the presentation of the company's accounts and audit, the

powers and duties of the auditors as also of the Board have been well laid down and I am very glad that these have been incorporated in the Bill.

With regard to inspection and investigation of the affairs of the company, I express one fear, namely, unless the inspectors act in such a manner as conduce to fairplay and initiative on the part of the managing agents of the company, there will be a serious impediment to the growth and effective management of companies. Too much interference on the part of inspectors will lead to very great difficulty. It all depends on how servants of Governments act towards companies and the managing directors. I would caution that these inspectors should use their powers with restraint and circumspection and should not think in terms of their own authority. They should think in terms of the promotion of companies, to see that companies prosper, that the shareholders get their dues. They should not unnecessarily poke into the affairs of the company.

With regard to the clause relating to the formation of Board of Directors and their powers and duties, the object seems to be to create an independent Board of Directors and to select Directors who will devote themselves diligently. In that context I do not see any reason why any age-limit should be there. I should have thought that wisdom ripens only after sixty. The fund of experience which such people possess should be at the disposal of the company and no restraint should be placed upon their election. It is true that clause 258 is there by which the Board of Directors can elect a member who is over-aged. But this restraint seems to be galling and it need not be there. Companies can certainly function without this restraint.

With regard to clause 492 relating to winding up of companies, I find that there is a lacuna which I might as well point out. In winding up

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there is reference only to clerks and servants. Sub-clause (2) provides for a compensation of Rs. 1,000. This provision is perhaps based on the Payment of Wages Act and takes into account a pay of Rs. 250. Multiplying it by four times the minimum seems to have been fixed at Rs. 1,000. I understand that Government have agreed to raise this minimum under the Payment of Wages Act up to Rs. 400 in which case the minimum should be Rs. 1,600 and not Rs. 1,000. Then there is another difficulty. If you provide only for clerks and servants, what happens when a limited newspaper concern goes into liquidation? What is the position of the reporting staff and correspondents? Are they to be treated as servants or clerks? I believe a new category has to be introduced so as to cover such cases also.

On the whole, the Bill is fairly well drafted, though it needs touching up here and there. I hope during the course of the discussion in the Select Committee the Bill will be considerably improved. I am glad that the Finance Minister keeps an open mind as he always does. I am sure with the kindness and cooperation, the Bill will be considerably improved and it will have a smooth passage in this House.

**Shri Tek Chand** (Ambala-Simla): Mr. Deputy-Speaker, I have carefully, though cursorily, perused the Bill. The impression left on my mind is that quantitatively the Bill is ponderous, but the Select Committee shall have to make many efforts, strenuous efforts, before it can approximate to the standards of qualitative form. I am not afraid of the 612 clauses or the 12 schedules, so long as they serve the interests of clarity, so long as they tell the officers of the company and others, who are called upon to deal in company matters their duties, their obligations, rights and liabilities.

In a great legislation like the company law, which we are enacting, an

essential safeguard, that we should provide, is that the unwary are not unwittingly entrapped. Presently, I shall show, that there are certain clauses that are in the nature of traps for the unwary.

So far the debate has been confined, if I may say so, to the exclusion of most points, to the desirability or otherwise of the managing agency system. I will say only a few words about it, despite temptation to say a lot, because there are other matters equally important that have not yet been made the subject matter of discussion. Regarding the desirability of retaining or doing away with the managing agency system all that I wish to say is that those who are on the two extremities are liable to err. Those who think that it is an unmixed blessing are grossly incorrect; those who think it is an unmitigated evil are equally wrong. In discussing this important question we have to keep in view the mental attitude and the intellectual equipment of our investors.

In our country it is stated that there are 28,500 companies, 80 per cent. out of which are being managed by managing agents. This system seems to be rather popular in this country, though I understand it is not a common feature of British or American company management, except in the case of shipping industry. So far as the mental make up of the Indian investor is concerned, you have got to protect him against himself. He is his own enemy, because he is simple-minded; he is credulous, he is gullible. By anybody who comes along to him holding out rosy prospects of profit he is apt to be swept off his feet, because of the promises held out, but rarely honoured. Investment is not his wholtime job. He is a man in the profession. He has perhaps a small business and whatever little money he can scrape he likes to invest with the universal desire of becoming rich overnight till to his despair he finds that he has been duped. Such a person who is not temperamentally vigilant of his interests is apt to be influenced by anybody who is glib-tongued. He

requires a little more than ordinary protection. Industrialisation in our country has yet to make long strides. There is yet a long leeway to cover. Therefore, the aim of this legislation should be to retain the serviceable and good points of the managing agency system. Without fear of contradiction, I am in a position to say that there is no fault in the system; the fault lies with the individuals. If you can curb the rapacity of the individuals, if you can see that they do not start profiteering, if you can do that, they have yet an opportunity to render service to the shareholders, to the consumers and to the nation.

So far as the managing agent is concerned, he has no doubt some of the traits of a vulture. Clip his wings. As far as his claws are concerned, file them. Blunt his talons. Let him have his due share but let him not put his claws deep into the flesh of the investors and scoop everything out and bleed them to death. Therefore, shackle him, fetter him, manacle him within these reasonable limits. Give him a free scope but see that the moment he deviates from the path you clamp down the law without mercy but do retain his offices.

One is tempted to say a lot about the managing agents. My hon. friend, Shri Chatterjee, called him a shark. I do not agree with Shri Chatterjee. Shark is too honest a carnivorous animal. Among the carnivora, shark is an honest fellow. He looks at his prey; goes for him and devours him. But the managing agent, to my mind, is more like a leech, an insignificant little thing, crawling at your feet. But the moment it gets anywhere near your flesh, it does not bite you but it tickles you. Gradually, slowly and conveniently, it bleeds you and bleeds you to death. Once it has got a taste of your blood, it will swell and swell and become like a bag-pipe and no human being ever can easily detach him from his hold on his flesh.

**The Minister of Finance (Shri C. D. Deshmukh):** You can use salt.

**Shri Tek Chand:** You may also call him octopus, perhaps. Some of them are octopuses but most of them are like leeches. There is a story and that is not a story of every investor and every managing agent. The managing agent comes alone and makes a tall claim: 'I am a man with experience, with knowledge; my share in the partnership is going to be the contribution of my deep knowledge and experience.' The investor, of course, brings capital. After the partnership goes on for some time, you ask the investor: what has happened to your partnership; and he will say 'my other partner, the managing agent, has got all the capital and I am left with all the experience.' This is what is happening. Thus when the managing agency and investor partnership goes on, after a very brief time, there is a transference; there is an exchange. All the capital of the investor goes into the pocket of the managing agent and all the experience that arises out of the bitterness comes back to the investor.

But I have my serious doubts. When I examined some of the clauses, I doubt whether you have really made the grabbing managing agent innocuous. I was reading the other day a sort of a circular of the Federation of the Indian Chambers of Commerce and Industry. It has been circulated to the hon. Members I understand, because I saw it in the hands of most, at pages 7-8, you find their calculation—a calculation with which I do not necessarily agree. While holding a special brief for the managing agents, their calculation is that this fellow—the managing agent—gets about 1 to 2 per cent; that is his average share on the total sales. It may or may not be so. What I am surprised and startled to find is that the draftsman of this Bill, in their generosity have enacted clause 329 wherein they have given him profit—remuneration for the managing agent—up to 12½ per cent. of the net profits. That is your clause 329. 12½ per cent. out of the net profit is to go to this gentleman. He gets all the cream and you leave the shareholders

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with skimmed milk. Most of the grain he gets, most of the husk the others get. It is not only that. In clause 335, there is a further provision that under special circumstances, the remuneration of 12½ per cent. may further be increased and enhanced. I think you have dealt with this gentleman a little too generously.

**Shri S. V. Ramaswamy:** May I draw the attention of the hon. Member to clause 330 where a number of deductions are given? The net profit is practically nil.

**Shri Tek Chand:** I had taken into consideration those deductions. I said 'net profit'. The time at my disposal is rather restricted and I would, if given an opportunity, convince my learned friend on the opposite bench, that this gentleman is getting more than his fair share of cream.

There are two other classes besides the shark or octopus. You have left them completely untouched and unaffected. The first among them comes the promoter of the company. The promoter of the company finds himself happily ignored by the penal provisions of your enactment. So much so, the word 'promoter' does not even find its place in the definition clause. Promoters are those persons who make all the hay, who make all the profit long before the company comes into existence. Most of these gentlemen are styled as professional promoters. They get huge remuneration for services, usually undisclosed. Their remuneration very often is in the form of either fully or partly paid-up shares and rarely lump sum. Very often, they manage to get commission from diversion of assets of business. They also get profits on property originally purchased by the promoter with the real intention of selling it many times over subsequently to the company. They play Dr. Jekyll and Mr. Hyde. As sellers they are there. In a different shape as directors or managers of the company, they are there and they want to sell their stuff

and walk out. These gentlemen get all the benefits.

It is curious that in a leading case in England Lord Cairne had to say some home truth. The case is that of Emile Erlanger *versus* The New Sombrero Phosphate Co. and others, in which Lord Kairne had to pass certain strictures which will be extremely helpful for the draftsmen of this Bill.

"They (that is promoters) stand, in my opinion, undoubtedly in a fiduciary position. They have in their hands the creation and moulding of the company; they have the power of defining how, and when, and in what shape, and under what supervision it shall start into existence and begin to act as a trading corporation. If they are doing all this in order that the company may, as soon as it starts into life, become, through the managing directors, the purchasers of the property of themselves, the promoters, it is, in my opinion, incumbent upon the promoters to take care that in forming the company they provide it with an executive, that is to say, with a Board of Directors, who shall both be aware that the property which they are asked to buy is the property of the promoters, and who shall be competent and impartial judges as to whether the purchase ought or ought not to be made."

**Mr. Deputy-Speaker:** The hon. Member may continue tomorrow. The House will now take up Private Members' business.

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MOTION RE SEVENTH REPORT OF  
COMMITTEE ON PRIVATE MEM-  
BERS' BILLS AND RESOLUTIONS

**Shri Altekar** (North Satara): I beg to move:

"That this House agrees with the Seventh Report of the Committee on Private Members' Bills and