

"BIRLA EMPIRE"

NEW DELHI, May 29.

THE Union Government has decided to undertake an inquiry to ascertain whether in the issue of industrial licences in the past there had been discrimination in favour of any of the big business houses. Announcing this in the Rajya Sabha today, Mr. Fakhruddin Ali Ahmed, Minister for Industrial Development, said the inquiry would also determine whether such discrimination had led to any improper foreclosure of capacity.

Mr. Fakhruddin Ahmed was initiating a two-day debate on the report of the Hazari Committee, which had drawn attention to the "huge licences" issued in favour of the Birla group of firms.

The Minister also announced that a detailed review of the licensing policy to ascertain how far it was consistent or in conflict with the objectives of the industrial policy resolution would be made "as early as possible."

This review would cover the drawing up of the industrial programme in the planning commission, policy on exports and imports, licensing and credit policy of financial institutions.

Mr. Fakhruddin Ahmed said the various studies undertaken so far by Prof. Mahalanobis, the Monopolies Inquiry Commission and Dr. Hazari "leave the impression on many minds about the existence of economic power in a few people."

Whether this concentration of power had flowed from the planned economy or was the inevitable result of economic development and how far the growth that had taken place was detrimental to the public interest and was opposed to and was in conflict with democratic socialism were questions which needed further detailed review.

'IMPROPER FORECLOSURE'

Mr. Ahmed said the Cabinet had, therefore, decided to make a thorough review of all these matters.

Regarding the inquiry to ascertain whether any particular business house had been favoured in licensing, Mr. Ahmed said the inquiring body would consider whether licences had been issued "consistent with the need to ensure rapid industrial development" and whether, "as a result of certain applications having been allowed, there has been any improper foreclosure of capacity."

The Minister did not indicate the nature of the body which would make the inquiry.

The Minister said if, during the debate, any specific allegations were made, the Government would take note of them and make a thorough inquiry and take necessary action.

TWO-FOLD ACTION

The Minister said the action to be taken by the Government was two-fold—short-term measures to improve the working of the present licensing system by certain procedural changes, and a detailed review and inquiry.

The procedural changes to be made would include a stricter regulation of extension of letters of intent. The possibility of inviting applications together over a short period for a specific industry so that a group of allied applications could be considered at the same time would also be kept in view.

Mr. Ahmed said his Ministry proposed to take "a stricter line" in extensions of the period of validity of letters of intent "where the parties fail to take requisite action within the validity period so as to minimise chances of anyone seeking to foreclose the capacity."

A detailed review, in addition, would be made of all long-standing licences and letters of intent to weed out those which had remained infructuous for a long period. It was proposed to carry out such reviews periodically.

Mr. Ahmed said the two-fold action being taken by the Government to rectify the "weaknesses" in the present licensing system pointed out by Dr. Hazari and for the fulfilment of the objectives set out in the Industrial Policy Resolution of 1956.

SPECIAL STUDY

Dealing with some observations contained in the Hazari report, Mr. Fakhruddin Ahmed said Dr. Hazari had made a special study of the licences issued to the House of Birlas.

"It is no doubt true that Dr. Hazari's analysis brings out the fact that, during the last few years, some of the bigger industrial houses, particularly the Birlas, have been able to increase their share in the industrial production of the country," he added.

The Minister said at the same time, Dr. Hazari had mentioned that the area of significance which industrial licensing occupied was "progressively shrinking." The figures of total investment and the share of the public sector were Rs. 1,788 crores and Rs. 938 crores in the Second Plan and Rs. 2,570 crores and Rs. 1,520 crores in the Third Plan respectively.

FAIR & DETAILED DISCUSSION

'Govt. is anxious'

At the outset, the Minister said the Government was anxious that the House should have a "fair and detailed" discussion on the report. Dr. Hazari was appointed an honorary consultant in the Planning Commission in July and his interim report, reviewing the operation of licensing under the Industrial Development Act over the last six to seven years, was submitted

in December. He had made a special case-study of licences granted to the Birla group of firms.

The Minister complimented Dr. Hazari on the time and labour he had devoted to the study and said the final report was expected in August. Mr. Ahmed said no one should get away with the idea that the interim report of Dr. Hazari was something which had been burst upon the Government. The various shortcomings in licensing were known and it was for this reason that Dr. Hazari was asked to make the study. The initiative for the inquiry had come from the Government itself.

Mr. Ahmed said the final report of Dr. Hazari would contain a more detailed analysis of the statistics and data he had collected, but was not likely to be different in substance. Therefore, the Government had taken up consideration of the issues raised in the interim report without waiting for the final report.

The Minister referred to the objectives of the Industrial Policy Resolution and said Dr. Hazari had emphasised the need for a more positive approach to the development of priority sectors of industries.

DISPOSAL OF EFFORT

He appeared to have been reinforced in his view by his assessment that the attempt to control or regulate development over a wide field of industry had resulted in the dispersal of effort without effecting achievement in any sector.

He had, accordingly, suggested that a few basic industries should be selected for development as priority industries for which the Government should pre-empt foreign exchange and necessary rupee resources and also provide other facilities like power and transport.

Mr. Ahmed also referred to certain other recommendations of Dr. Hazari, such as raising of the exemption limit for licensing new industries from Rs. 25 lakhs to Rs. 1 crore, and said all these would be considered by the Government.

The Minister said that, under the procedure currently followed, in most cases the licensing committee considered individual applications against the targeted capacity of each industry and not on the basis of collective examination of many applications received after inviting applications from all interested parties quarterly or half-yearly.

The result had been that, if capacity existed in a particular industry and an applicant's scheme was good, ordinarily it was approved.

BUNCHING OF LICENCES

Committee opposed

The Swaminathan Committee had considered this procedural aspect in 1966 and felt that the proposal for inviting applications quarterly or half-yearly and considering them all together was likely to lead to a bunching of licences instead of their being spread properly throughout the Plan. The committee also said such a proposal would result in delays or failure to utilise available foreign loans.

Mr. Ahmed added: "The Government is, however, having this procedure reconsidered since, in spite of the drawbacks to which the Swaminathan Committee drew attention, it can result in a number of licences in different fields being allowed to one or more large groups."

Dr. Hazari had, in his report, referred to licences having been used by big business houses to foreclose the capacity. The letters of intent had been given "rather liberally" in the past and it was proposed to regulate strictly this procedure.

GUPTA'S DEMAND

Speaking after the Minister, the leader of the communist group, Mr. Bhupesh Gupta, demanded a Vivian Bose type of inquiry into the question of industrial licensing.

Eight amendments to the official motion were moved by members, including Mr. Gupta, Mr. Mohan Dharia (Cong.), Mr. M. P. Bhargava (Cong.), Mr. Raj Narain (SSP), Mr. Banka Behari Das (PSP), Mr. Niren Ghosh (CPI-M) and Mr. A. M. Tariq (Cong.).

While Mr. Dharia's amendment wanted the setting up of a permanent high-power committee, comprising official and non-official members, to watch and control any further growth of monopolies, Mr. Gupta demanded the appointment of a special committee to inquire into all cases of approval of licences to the Birla family.

Mr. Bhargava's amendment asked for a parliamentary committee to study the concentration of wealth by the House of Birlas.

Mr. Gupta referred to many observations made by the Monopolies Inquiry Commission in 1965 and the Mahalanobis Committee regarding the licensing policy and said the industrial licensing committee had completely ignored the "salutary" observations of these two reports.

Mr. Gupta alleged that the industrial licensing committee and the Government had helped the House of Birlas to grow.

Mr. Gupta said the Monopolies Inquiry Commission report had revealed that as many as 75 business houses were at the apex of the industrial empire.

According to the Monopolies Inquiry Commission, Mr. Gupta said the 75

big business concerns nearly controlled half the paid-up capital in the private corporate sector. "Such a concentration has taken place and has been pinned down in the commission report."

Mr. Gupta said that, while the House of Tatas controlled 53 companies, the Birlas had under their control 151 companies. That there was a polarisation in the controlling interests of companies was also accepted by the Mahalanobis Committee.

The communist member said the Monopolies Inquiry Commission came to the conclusion that smaller business men were disfavoured in the issue of licences.

The House of Birlas had applied for 375 industrial licences out of a total of 938 with an investment worth Rs. 384 crores, of which the foreign component accounted for Rs. 284 crores, he added. The Birlas did not utilise all the licences granted to them.

POLITICAL CONNECTIONS

Mr. Gupta explained that the Birlas could get so many licences because of "political connections with the Government."

The communist member also referred to various political parties receiving contributions from the Birlas and said the Congress had received more than a crore of rupees.

He pointed out that many I.C.S. officials left Government jobs to join Birla concerns. He maintained that, because of political connection with the Congress leadership, the Birlas could even appoint Ministers. He predicted that "the Birla empire will not go so long as the Congress empire remains."

Mr. Gupta's another demand was that the members of the industrial licensing committee should be subjected to an inquiry.

NATION HAS BEEN 'HOODWINKED'

Congress MP's charge

The secretary of the Congress Parliamentary Party, Mr. Chandrasekhar, demanded the appointment of a parliamentary committee and said that, if proper investigations were carried out, not even one company or factory of the Birlas would be found where manipulations had not taken place.

"The Birlas have hoodwinked not only the Government but also the nation. Even Mundhra will be ashamed by the performance of the Birlas," he said.

Mr. Chandrasekhar said the House of Birlas had penetrated from Kashmir to Kanyakumari and Assam to Gujarat and the Government would not be able to check the growth unless and until they introduced some drastic economic measures and took over credit institutions from private hands.

Mr. Chandrasekhar disagreed with Mr. Bhupesh Gupta that "the Birla empire will not go so long as the Congress empire remains."

The Birlas had a "tremendous capacity" to influence anybody and manipulate things. Their influence was not confined to a particular party and had no barrier of political ideology.

In this connection he said that the agreement entered into with the Birlas by the communist Government in Kerala in the past for a rayon pulp factory was "the worst in human history."

'MORE BENAMIS'

Mr. Chandrasekhar also alleged that there were "many more benamis" than those included in the Hazari report.

He mentioned several cases which needed a thorough investigation. These included what he called the "sinister role" played by the Birlas in the Bokaro steel project, and under-invoicing and over-invoicing done by two companies run by the Birlas in London and America.

Mr. Chandrasekhar wanted the Minister to clarify whether the enforcement directorate had information about these two companies and what the Government had done in the matter.

It was also necessary to clarify the position about the Ratnagiri shipping affairs which were "more serious than those of Dharma Teja," he said.

Mr. Chandrasekhar also wanted to know how the Birlas were given the contract for construction of the Sone Barrage gate in Bihar in 1964.

This should be explained because the Jessops, a Government undertaking, had put forward the demand for foreign exchange worth Rs. 2.5 lakhs, against Rs. 40 lakhs by the Birlas.

The Central Water and Power Commission team had later opined that the Jessops' quotations were proper, he said.

'PITY AND SHAME'

Mr. Chandrasekhar said it was a matter of "pity and shame" that, despite constitutional safeguards and the Industrial Policy Resolution, the Birlas were able to penetrate the economic and political life of the country.

"The admirers of the Birlas," he added, "should remember that Mr. Mirafra, chairman of the Public Accounts Committee, had been prevented by the Birlas from entering parliament. Life would not be worth living if one individual is allowed to dictate to the nation."

Mr. S. S. Bhandari, leader of the Jan Sangh group, said while an investigation should be conducted into industrial licensing, one industrial

house should not be singled out and made a scapegoat.

Mr. Bhandari said the doings of the Birla concerns, about which several Congress members mentioned, were nothing recent. He asked why they kept quiet for so long.

OPPORTUNITY FOR ALL URGED

'End licensing policy'

Mr. Bhandari said there should be decentralisation regarding licences in fields earmarked for private industries. Licences had been issued merely on orders in files. The people who passed such orders should be traced.

Mr. Bhandari also demanded that the licensing policy should be done away with so that everyone got an opportunity to play his part in industrialisation.

DEEPER PROBE NEEDED

Mr. Talloki Singh (PSP—U.P.) said it was not enough for the Minister of Industrial Development to say that the Birla affairs were under review. A deeper probe was essential. It was still worse that it took the Government six months to decide that the matter should be reviewed.

Mr. Singh wanted to know what the Planning Commission and the Ministry of Industry were doing for all these years and why they did not care to see whether licences given were being fully utilised or not. The Planning Commission failed to his priorities. The licensing committee had been ignored while sanctioning licences.

A Birla concern in U.P., he said, got electricity below the rate of cost of production. The chief engineer himself had given him this information.

A Birla concern with a capital of Rs. 5 lakhs could have dealings worth Rs. 4 crores.

Unless the banking system was nationalised concentration of wealth could not be done away with, Mr. Singh said.

Mr. Singh said Birlas could manipulate things as they had control over the banking system. Giving an example, he said in U.P. during Pandit Pant's regime, one rupee on every mound of sugar produced was given to the Pradesh Congress and as a result of this millions of tons of sugar was sold in the open market at whatever rate the manufacturer fixed.

He supported the demand made by certain members that a parliamentary committee should be set up to go into the matter.

LICENCES GIVEN BY KERALA REDS

'MP's demand ignored'

Mr. M. P. Bhargava (Cong.) said he was in agreement with what the communist member, Mr. Bhupesh Gupta, had said on Birla affairs.

He said he raised the point during the last session with three objectives: first, to bring to light the Hazari report vis-à-vis the activities of the house of Birlas, secondly, to emphasise the need of fuller inquiry into the growth of economic power in the hands of a few; and thirdly, to devise ways and means to check and prevent a further concentration of economic power. The discussion, he hoped, would achieve all the three objectives.

Mr. Bhargava said Birla influence would not lessen with the exit of the Congress Government. In Kerala, the communist Government had sanctioned licences to Birlas in spite of persistent demand in Parliament that no licences should be granted to Birlas until an inquiry was held.

MONOPOLY PRACTICES

Mr. Bhargava wanted to know how half of the licences granted to Birlas were lying idle. Birlas were out to corner everything and shutting the scope for others. All the unutilised licences must be withdrawn immediately and an inquiry held into the monopoly practices of Birlas.

Mr. Bhargava said the Government should find out the extent of loan taken by Birlas from the Reserve Bank, State Bank of India, Industrial Development Corporation, Unit Trust and other Government financial institutions.

He said the Government should have its own machinery to determine the cost structure, and it should not be left to the manufacturer.

CHINAI'S ARGUMENT

Mr. Babubhai Chinai (Cong.) said the Hazari report was a valuable document and that its recommendations ought to be looked into from a socio-economic context.

He opposed the setting up of any parliamentary committee or commission since the Estimates Committee of Parliament was shortly coming out with its report on the same subject. "Please, for God's sake, do not make them (industrialists) a scapegoat," Mr. Chinai said.

In order to have better living conditions and industrial development, Mr. Chinai pleaded that opportunities be given to those who had the know-how and resources.

Referring to some of the suggestions put forward by the Hazari report, Mr. Chinai said he did not agree with the view that one licence should be given to one group of industry. (This did not fit in with the

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Big business praised: production of wealth

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present industrial system, he added. Similarly, he felt that the suggestion of package licensing system would retard industrial progress.

The industrialist member drew the attention of the House to an observation of the Monopoly Inquiry Commission report that the big business had done much for the betterment of the people. Big business had not only provided foreign collaboration, but supplied machinery and technical know-how, he said.

"I only look to this question from the point of view of industrial development."

He said he was not concerned whether Birlas had monopolised licences or not. If Birlas had produced wealth in the country, they should be congratulated, Mr. Chinai said.

The Hazari report, he said, had mentioned that Birlas had reduced import components in industrial production. "Is it not a compliment, and in the interests of the country?" he asked. He said there were a number of representatives in the industrial Licensing Committee, and it was an "exaggeration" to suggest that all of them were in the "pockets" of Birlas.

ASSETS OF MINISTERS

Mr. Raj Narain (SSP) said it was the Congress Government which was squarely responsible for the growth of concentration of economic power in a few hands, including Birlas. If the Government had performed its duty by the people and had remained loyal to the spirit of the Constitution and the Industrial Policy Resolution, the concentration of wealth would not have taken place.

He demanded the appointment of a high-power committee of members of Parliament to go into the assets of Ministers and their relationship with big business.

Mr. Raj Narain said financial institutions of the Government and high officials had gone out of the way to help Birlas. This was indicated in the Hazari report.

He said that in 1958 a weekly of SSP of which Dr. Ram Manohar Lohia was the editor published certain things about Birlas and the then Home Minister, Pandit Pant, had ordered a raid into the office of the magazine. This should be inquired into.

While making the point that the activity of big business was known to the "big wigs" of the Congress, Mr. Raj Narain said that before the Government advanced crores of rupees to Dr. Dharma Teja, a letter was written by a person in Bombay to Mr. Morarji Desai, who was Finance Minister in Mr. Nehru's Government, about the unreliability of Dr. Teja.

Mr. Desai who was present in the House intervened and said he had no knowledge of it.

RAJ NARAIN'S ATTACK

Mr. Raj Narain said an important member of the Congress, Mr. Arjun Arora, had said that two Central Ministers were in the pay rolls of Birlas. The Government should have cleared itself of this charge before facing Parliament.

"It is known to everyone that a particular Minister has got good relations with Birlas," Mr. Raj Narain added. "He hails from Bihar... I do not want to name him."

Mr. Raj Narain went on to say that "fifty per cent. of the Congress people" were taking money from Birlas.

The Congress Government had become so corrupt that it was quite right to say that so long as there was Congress Government at the Centre, one could not conceive of any prosperity or welfare of the country, he said.

RESERVATION FOR CO-OP. SECTOR Consumer items

Mr. Arvind Ganesh Kulkarni (Con.—Maharashtra) said if the licensing policy had been rationally worked, the malpractices including the obtaining of licences under fictitious names by big capitalists would have been checked.

He demanded a "rigid control" in licensing instead of gradual de-licensing saying that no further concession ought to accrue to the large industries which had enjoyed the protection of a sheltered market and "fleeced" the consumers to earn profits.

Mr. Kulkarni said that large and medium industries should be given concessions only if they were prepared to earmark 75 per cent. of their production for export. All consumer items should be distributed among the small-scale sector and agro-industries on a co-operative basis. Food and agricultural processing industries should be exclusively reserved for the co-operative sector.

CREDIT INSTITUTIONS

Stating that credit institutions were in the hands of capitalists like Birlas, Mr. Kulkarni demanded socialisation of credit institutions to wipe out monopolies. The Government must have hold over capitals for the community's interests.

Mr. Kulkarni called for "radical" reconstitution of the directorates of the Reserve Bank, IFC, ICICI and LIC and said the directors of these bodies had no "social thinking." Credit was denied to co-operatives.

He said Birlas were capable of "pocketing" not only Congressmen but also communists and referred to the reported proposal of Birlas to set up a factory in Kerala.

Mr. Niren Ghosh: The Chief Minister of Kerala has written to the Central Government that the licence need not be given.

'BIRLA LOBBY'

Mr. Niren Ghosh (communist Marxist—West Bengal) demanded a parliamentary probe or a judicial inquiry into the "octopus grip" of Birlas over the Central and State Governments. He charged the Government with "misleading" Parliament in the past by denying cornering of licences by capitalists. The Hazari report had only touched the fringe of the problem. All the skeletons in the cupboard had not come out in the open.

The Government owed an explanation to Parliament on how the "licensing malpractices" were committed and whether there was "tampering" with the decisions of the licensing committee by Ministers.

The probe, Mr. Ghosh added, should be thorough so as to find out the Ministers who were "on the pay rolls of Birlas" as well as the 'Birla lobby' in Parliament. Unless this was done, the entire Cabinet would become suspect in the eyes of the people.

MIXED ECONOMY BLAMED

Birlas' performance

Mr. R. K. Bhuyalka (Cong.) asked how Dr. Hazari got wrong information about Birlas. Some of the concerns listed in the report did not belong to Birlas.

Mr. Govinda Reddy (Cong.) said it was not fair on the part of Dr. Hazari to make Birlas "the subject matter of the report."

He was of the view that the performance of Birlas should be viewed in the context of the country's economic background and a policy of mixed economy adopted by the Government.

If the Government wanted a socialist society, the entire planning should have been different. In a mixed

economy, which was incompatible with socialistic ideals, big industrial houses with vast resources were bound to expand.

Mr. Reddy said allegations were made that Birlas had used influence to get licences. In the present conditions not even a railway ticket could be secured in the country without influence or money.

Every industrial concern was using influence and it was not confined to Birlas alone.

"We cannot therefore, condemn Birlas," he said.

The debate will continue tomorrow.—P.T.I.

U.N.I. adds: Mr. Niren Ghosh named Mr. Satyanarayan Sinha as a nominee of Birlas in the Union Cabinet. He said power had been supplied to a Birla concern in Rajasthan at a great loss to the Government under pressure from the Centre.

Fresh Bihar plea

PATNA, May 29: Bihar has made a fresh appeal to the Union Government to stagger the repayment of its Central loans in view of the present natural calamity, Mr. Sabhapati Singh, State Minister for Finance, said during question hour in the Bihar Legislative Council today.

He told a questioner that he expected soft treatment from the Centre. In case the Union Government insisted on clearance of its dues and interest, Bihar would try to adjust payments out of the loans it was expecting from the Centre.

Mr. Singh said that long-term Central loans to Bihar totalled about Rs. 413.25 crores and short-term ones Rs. 10.28 crores. He said the immediate liability for payment of interest amounted to about Rs. 2 crores.—P.T.I.