CHAPTER I
CONSTITUTION AND GROWTH OF HPP AND BOLL
The role of the public sector as an instrument of economic development has been increasingly felt with the adoption of socialistic pattern of society. In a country, where mixed economy prevails a gradual shift towards public sector from private sector can be observed with the introduction of the planning process. To achieve the objective of a socialistic pattern of society, and to accelerate industrial development in the country, it was necessary for the government to assume responsibility in developing certain industries. This is necessary in an under-developed country that a high rate of economic progress and co-operative sector are among the principal means to affect transition towards socialism.¹ The expansion of the public sector is expected to counter the tendencies of monopolies and the concentration of economic power in order to fulfill the objectives of planning in India.

The earliest reference to government ownership and operation of industry is contained in the report of the Indian Famine Commission, 1880, which recommended "development of industries" and "encouragement of occupations" as the complete remedy from frequent famines. The commission recognised the need for useful government aid and fostering for the inception of new industries on its own for purpose of demonstration, initiation, training and encouragement.² In July 1944, the


Department of Planning and Development was set up, which issued a statement on industrial policy of the government on 21 April 1945. The statement confirmed the continuation of ordinance factories, railways, post office and public utilities already under state ownership and operation. It also declared that basic industries of national importance be rationalised, provided (i) adequate capital is not forthcoming, and (ii) it is regarded as essential in the national interests to promote such industries.

When the Congress government came into power in 1947, after independence, it had the urgent and difficult task of uplifting the standards of economy and future development which was to be achieved only through the growth of the infrastructure. The Industrial Policy Resolution of 1948 enunciated the establishment of public sector undertakings (PUs), and the Industries Act of 1950 demarcated the respective areas of private and public sector undertakings.3

The Planning Commission in December 1952, indicated the need for a rapid expansion of the economic and social responsibilities of the state which "need not involve complete nationalisation of the means of production or elimination of private agencies in agriculture or business and industry, but by progressive widening of public sector and a reorientation of

the private sector to the needs of planned economy. In brief, the planning referred to the absolute growth of public sector undertakings at a faster rate than private sector undertakings.

The principal objectives of launching public sector undertakings are "(a) To accelerate the pace of economic growth to attain take-off stage as early as possible, (b) To maximise growth of national income, (c) To disperse socio-economic justice, and (d) To reduce inequalities in income and wealth for achieving socialistic pattern of society."5

The achievement of these objectives needed vast financial resources in areas where returns would not be expected over a short period. Government of India (GOI) took interest in the expansion of public sector undertakings for rapid economic and social transformation. The Industrial Policy Resolution of 1956 referred to the directive principles of state policy, the socialistic pattern of society and the need for a planned and rapid development. It further declared that all industries of basic and strategic importance or in the nature of basic utility services should be in the public sector.

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The government was, therefore, to assume direct responsibility for future development of industries over a wider area.\(^6\) The Industrial Policy Resolution of 1956 spelt out the role of public sector in the Indian economy and may be described "as an economic constitution for the country which gave expression to the objective of socialistic pattern and mixed economy in terms of industrial development".\(^7\)

The demarcation of areas gave scope for fast development of public sector undertakings (PUs). It has grown enormously during the last three decades, especially from Second Five-Year Plan, which emphasized the functioning of public sector undertakings in unison with private sector undertakings and were to be viewed as parts of a single mechanism. The Plan emphasized the interdependence of the two sectors and made that the investments in public sector be 50 percent of the total as indicated by table 1.1.

The Third Five-Year Plan emphasized on the absolute growth of public sector undertakings to prevent concentration of economic power and growth of monopolistic tendencies. The Third Five-Year Plan expected that "an expanding public sector, engaged specially in developing basic industries and producing


large surpluses for development, will itself be one of the most important factors determining the rate at which the economy can grow."\(^8\) The investments in the public sector undertakings virtually doubled in the Third Five-Year Plan whereas in private sector undertakings it was only 35.1 percent. The investment in public sector was 67 percent of the total investment. The succeeding Five-Year Plans also envisaged the expansion of public sector undertakings, which increased the investments in both sectors for rapid progress and development. The Fourth Five-Year Plan envisaged the emergence of public sector as the dominant and effective area of the economy and as gaining control in the production and distribution of basic and consumer goods. The Fifth Five-Year Plan emphasized on making public sector undertakings "as means of socialising the means of production in strategic areas and for providing a countervailing force to provide scope for growth of large PUs."\(^9\)

The term public sector as is generally defined, implies a wider coverage in relation to the term public enterprises, because the former includes administrative departments, departmental enterprises and non-departmental enterprises.

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\(^8\) P. Paramanand, p. 50.

Administrative departments consist largely of those which provide direct government services in the form of public administration, defence and other services. Departmental Enterprises are owned and managed directly by the government and whose accounts form part of the accounts of respective ministries. The departmental enterprises represent the traditional form of public sector undertakings and are generally believed to be less flexible than other forms of public enterprises. Non-Departmental Enterprises comprise all government owned public and private limited companies and statutory corporations. They represent the modern form of public enterprise which is considered to be more flexible and dynamic than other traditional forms. The departmental and non-departmental enterprises taken together constitute the public enterprises. 10

As the Second Five-Year Plan gave impetus to develop industries of basic and strategic importance, GOI finalised development programme, in 1955, for establishing public sector undertakings in collaboration with foreign firms. The collaboration was sought for their consultancy and technical services. This was enunciated owing to the negligible response from the private parties to the government's offer for setting up industries in various fields.

GOI realised the need for ensuring regular supply of cine, x-ray and roll films for Indian motion picture, health services, amateur and professional photographers as these demands were entirely met through imports. GOI encouraged private parties to set up the industry to manufacture sensitized photographic materials with foreign collaboration, but no significant progress has been achieved. The idea received fresh impetus when GOI set up Film Inquiry Committee in 1951 to consider the state of motion picture industry and the vital requirements of photo sensitized goods, namely, West German Agfa, East German Agfa, Kodak, Gevaert, Ferrinia, Adox and Fuji for collaboration. East German Agfa (Orwo) conducted a preliminary survey in 1955-56 to select a suitable place and chose Ootacamund in Tamil Nadu State based on favourable atmospheric conditions, availability of good quality water, dust free (important requisite) and other factors.\textsuperscript{11}

Based on the offer of messrs Bauchet et Cie of France and Adox of West Germany, GOI entered into a collaboration agreement with Bauchet et Cie on 25 April 1960, and the agreement came into force on 17 October 1960.\textsuperscript{12} Messers Bauchet et Cie was preferred not only on the basis of first cost involved,

\textsuperscript{12} Ibid., p. 204.
less royalty payments as compared to Adox, which prescribed five percent royalty on sales tax for twenty five years, but also it had initiative to produce a wide range of products.  

On the basis of the agreement, Hindustan Photo Films Limited (HPF) was incorporated on 30 November 1960, as a wholly owned government company for implementation of the project for manufacturing photographic products to meet country’s requirements in education, health and entertainment and to attain self sufficiency in forthcoming years. The agreement with the collaborators was drawn up and the collaborators would render the following services: (a) Preparation of progressive and detailed project report for the plant, (b) Delivery of machinery and equipment for the plant, from France and other countries (c) Supervision in erection of machinery and equipment, assistance in construction of the plant (d) Consultancy and technical services for the production of products, namely, positive cine film, sound cine film, negative cine film 100 ASA and flat cine film 100 ASA; rapid and screen types of x-ray film; roll film 50 ASA and 100 ASA orthochromatic film; aero film; bromide, chloromide and document copying papers in various grades of contrast and colour paper.

HPF commenced production on 9 June 1967. However during July and August 1966, it converted coated rolls of cine film,

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13 Ibid., p. 206.
14 Ibid., p. 207.
which was imported from the collaborator's factory. It also undertook partial production of this product. The initial production programmes were finalised with collaborators in February 1966, in accordance with the working arrangements. The film base department was first to be commissioned on 1 January 1967, emulsion and coating departments were inaugurated on 14 February 1967 and conversion department on 8 June 1966.  

HPF produced 0.915 million square metres of film in 1967-68 and on the basis of market indents increased its production in subsequent years. The production process of HPF consists of two types of functions – production and conversion.

HPF converted jumbo rolls of positive film (black and white) medical x-ray and bromide paper in initial years, but started manufacturing from its prepared base castings in subsequent years. HPF produces cine positive film (b/w), cine sound film, medical x-ray films, photographic paper and chemicals for x-ray and graphic arts films. It also undertakes conversion of cine colour positive film, amateur roll film (b/w) industrial x-ray and graphic arts films from the imported jumbo rolls.  

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15 Ibid., p. 205.

The controlling interests of Ets Bauchet et Cie were taken over by Minnesota Mining and Manufacturing Company of United States of America in May 1963. The collaborators discharged their obligations under the agreement and HPF was completely taken over by Indian technicians in October 1968.  

Hindustan Teleprinters Limited (HTL) Madras was established in December 1960 with collaboration of Messers Olivetti of Italy, as a joint stock company with an authorised capital Rs.3 crores. The primary objective of HTL was to manufacture and sell teleprinters and ancillary equipment of required quality and in sufficient quantity to meet the requirements of the country in modernising telegraphic network and introducing new services like telex, gentex and message switching. To achieve this objective, GOI emphasized in 1955 that for the wider application of high speed printing telegraphic equipment was necessary. As the necessary expertise was not available for setting up the industry, GOI offered proposals to the three leading manufacturers of teleprinters in the World then for collaboration. They were Messers Creed and Company of United Kingdom, Olivetti of Italy and Siemens and Halske of Germany. GOI entered into agreement on 24 August 1960 with messers Olivetti of Italy.


19 Ibid., p. 290.
HTL commenced operations from April 1961 in a temporary accommodation and assembled 270 teleprinters from imported components in 1961-62. HTL produced nine varieties of teleprinters initially and on the projections and feedback of requirements from posts and telegraphs and railways, increased its production capacity to produce thirty varieties of teleprinters. In 1981-82 it produced 7000 teleprinters.

OBJECTIVES

A brief general statement about the need and role of public sector undertakings in India is contained in the statement of Prime Minister Indira Gandhi: "We advocate a public sector for three reasons: to gain control of the commanding heights of the economy; to promote critical development in terms of social gain or strategic value rather than primarily on considerations of profit; and to provide commercial surpluses with which to finance further economic development."²⁰ The objectives of launching public sector undertakings can be divided into macro and micro objectives.

The macro objectives for public sector undertakings are to accelerate economic growth and achieve social justice by avoiding concentrations of wealth and means of production, reduction of disparities in income, help to the under-privileged and development of backward regions.

The micro-objectives of public sector undertakings are to resuscitate private enterprises, facilitate aid and trading, provide fair treatment to labour, control the "commanding heights" of the national economy, augment revenue of the state, help to achieve the socialistic pattern of society, provide a model and compete with private sector undertakings, avert unemployment, enhance production of essential goods, ensure scientific exploitation of natural resources and conserve foreign exchange.

The rationale of PU is varied and multi-dimensional.

The corporate objectives of these two PUs are:

(1) To strive to make the country self-reliant in photosensitive materials and in the field of telecommunications;

(2) To strive by their efforts to increase the country's rate of economic growth;

(3) To make HPF and HTL, the nucleus of national photographic industry and telecommunication system in the country and stimulate research and development efforts to keep abreast of international developments in a fast changing technology;

(4) To help the country to solve unemployment.

The micro-objectives of the two PUs are different as they belong to different groups, namely, chemical and engineering, and the products manufactured are also different in nature. The micro-objectives of HPF are - (1) To manufacture and market photo sensitized products of proven quality (2) To maintain full utilisation of capacity (3) To build capacity progressively
to the growing demands of photographic products and also make available its surplus production for exports (4) In terms of growth, directing diversification of product lines, such as, graphic arts, NDT and magnetic films (5) To strengthen its present sales and distribution facilities for achieving total market coverage (6) To adopt a rational pricing policy for entire product range (7) To develop indigenous research and development (8) To maintain an average growth of 15 percent in sales with a rate of minimum of ten percent return on investment (9) To maintain high standard of customer and product service (10) To promote ancillary industries by extending assistance in terms of technical know-how and raw materials (11) To encourage the development of art and science of photography in various fields (12) To upgrade skills of internal management by recruiting managerial and technical personnel for strengthening existing group, for achieving growth objectives of the Company (13) To establish better industrial relations for effective implementation of the production process (14) Lastly, to create a dynamic and customer oriented image of HFP.

The micro-objectives of HTL are: (1) To manufacture teleprinters of proven quality to upgrade telecommunication system (2) To maintain full utilisation of its capacity (3) To adopt a rational pricing policy for its products to achieve marginal profits (4) To encourage indigenous production of
various components of teleprinters for reducing the foreign expenditure incurred in procuring these items (5) To establish better relation between labour and management for higher production (6) To utilise the resources effectively for higher productivity (8) To help the country in solving unemployment.

In order to achieve the micro-objectives, both PUs have evolved strategies to organise themselves by adopting suitable organisational patterns, principles and procedures to undertake efficiently the production planning and schedule programmes to have a regular supply of finished products through effective utilisation of raw materials, labour, finance and related aspects.

The organizational pattern and other functional aspects have been dealt with in detail in the following chapters to assess the overall functioning of MPF and HTL.