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Standing Committee on Petroleum & Chemicals
PETROLEUM & CHEMICALS
(1995-96)

TENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPTT. OF CHEMICALS & PETRO CHEMICALS)
(1995-96)

NINETEENTH REPORT



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LOK SABHA SECRETARIAT
NEW DELHI

April, 1995/Vaisakha, 1917 (Saka)

NINETEENTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS

(1995-96)

(TENTH LOK SABHA)

DEMANDS FOR GRANTS — 1995-96

Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petro chemicals)



Presented to Lok Sabha on

Laid in Rajya Sabha on 2 MAY 1995

LOK SABHA SECRETARIAT
NEW DELHI

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**COMPOSITION OF THE STANDING COMMITTEE
ON PETROLEUM AND CHEMICALS
(1995-96)**

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- | | | | |
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| 4. | Shri Brahm Dutt | – | <i>Under Secretary</i> |

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (1995-96) having been authorised to submit the Report on their behalf, present this Nineteenth Report on Demands for Grants of the Ministry of Chemicals & Fertilisers Deptt. of Chemicals & Petro-chemicals for the year 1995-96.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers Deptt. of Chemicals & Petro-chemicals for the year 1995-96 which were laid on the Table of the House on 30th March, 1995.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals at their sittings held on 18th April, 1995.

4. The Committee (1995-96) considered and adopted the Report at their sitting held on 21st April, 1995.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-Chemicals for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1995-96 and for giving evidence before the Committee.

6. The Committee would also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For the sake of convenience, the recommendations have been printed in bold letters.

NEW DELHI;
April 21, 1995

Vaisakha 1, 1917 (Saka)

SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum & Chemicals.

REPORT

A. EIGHTH FIVE YEAR AND ANNUAL PLANS

The main objectives of the Department of Chemicals and Petro-chemicals are to plan, develop, regulate and control industries in the field of chemicals, pharmaceuticals and petro-chemicals. Besides, 9 public sector undertakings and 3 autonomous bodies, private sector has also a vast share in the sector. Explaining the role of PSUs in the sector, the Secretary, C&PC stated during evidence :-

"We mainly have a promotional role. Our Department deals particularly with four distinct subjects viz. chemicals, petro-chemicals, pharmaceuticals and the Bhopal Gas Tragedy. The scope of our Deptt. is very wide in the sense that it covers industries whose total production is something like 15 per cent of the total industrial production of the country, with more than about Rs. 50,000 crore. We give about 20 per cent of the tax revenue to the Government. Since we play mostly a promotional role, many of our projects and schemes are implemented by our public sector undertakings purely on the basis and strength of their internal resources or the market borrowings."

2. As against the approved out lay of Rs. 2402 crores for PSUs for the 8th Plan, the annual plan expenditure during the last 3 years has been as under:-

| (Rs. in crores) | | | |
|-----------------|---------|--------|--------------------|
| Year | B.E. | R.E. | Actual Exp. |
| 1992-93 | 762.80 | 537.33 | 320.93 |
| 1993-94 | 1205.76 | 683.04 | 399.80 |
| 1994-95 | 935.83 | 794.88 | 450.00 (estimated) |
| 1995-96 | 1069.18 | - | - |

3. During the course of evidence the Committee pointed out that the Annual Plan outlays were revised to lower estimates and even the revised outlays could not be achieved during any first 3 years of the 8th Plan.

4. Asked about the reasons for downward revision of Annual Plans and low utilisation of the funds in first 3 years of the plan, the Ministry stated in a note :-

"The Annual Plan outlays are decided keeping in view the expected generation of internal and extra-budgetary resources by the PSUs, and their investments proposals. Due to change in Government policies and the duty structure, the profitability of major PSUs, under the Deptt. of Chemicals and Petro-chemicals, as well as their ability to raise funds from the market has been severely affected. Further, as environmental clearances have been taking quite some time, there have been delays in grating investment approvals. The implementation of some projects has been affected due to non-availability of right type of technologies. In some cases, the projects required rescheduling due to delays in the backward/forward linkages. Mainly on account of these factors, there has been downward revision of Annual Plans and low utilisation of funds."

5. When asked whether the Ministry would be able to spend the outlay earmarked for the 8th Plan, the Secretary C&PC stated:-

"Sir, we are optimistic in the Eighth Five Year Plan also. It is because our approved Plan Outlay was Rs. 2,401.80 crore. Although our first three years expenditure shows that – even what was provided in the Annual Plan – we have not incurred expenditure provided in the outlay yet we have reviewed the whole position. In 1995-96 and 1996-97 our base would be built up for execution of projects particularly in IPCL and HOC which really account for a major chunk of this Plan outlay for the whole sector. In the Eighth Five Year Plan, not only we would be utilising , whatever is the outlay given to us, but may be exceeding it also."

6. In reply to a further question about wide gaps between plans and actual expenditure the Committee were informed by the Ministry that major delays have been in the implementation of Gandhar Petro-chemicals complex of IPCL and MDI Project of HOCL.

7. Explaining the reasons for delay in IPCL Project, CND, IPCL informed during evidence that the project could not be taken up for implementation in time for the following reasons :-

- (i) Problems in availability of gas for the proposed project from ONGC/ GAIL.

- (ii) Required technology was not being made available by foreign companies.
- (iii) Problems in having internal resources due to recession in petro-chemical industry during 1992-94.

8. Regarding the latest position of the project Secretary, C&PC stated that now IPCL had started taking that project on their own and going ahead with it. For three years there was some set back..

9. The Committee regret to note that the Annual Plan outlay of the Deptt. have not been utilised in any of the first 3 years of the 8th Plan. All Annual plans during 8th Plan period so far have been revised downward considerably and the actual expenditure have been far below the revised plans. For instance as against the budgetted plan outlay of Rs. 762 crores for 1992-93, the revised outlay and actual utilisation was Rs. 537 crores and Rs. 320 respectively.

10. Similarly as against the budgetted plan outlay of Rs. 1205 crores for 1993-94 the revised and actual expenditure were Rs. 683 crores and Rs. 399 crores respectively. The figures for 1994-95 also repeats the same sad state of affairs as the expenditure would be about Rs. 450 crores against the original plan outlay of Rs. 936 crores. According to the Ministry, environment clearance, non-availability of right type of technologies are the main reasons for low utilisation of funds. Reportedly due to change in Government policies and the duty structure, the profitability of major PSUs as well as their ability to raise funds from the market has been severely affected. In Committee's view, the Government should be able to anticipate all such factors at the time of finalisation of Annual Plans and once these are finalised/approved, these should be meticulously implemented so that desired results are achieved in time.

B. ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 1995-96

11. The Demands for Grants of the Ministry of Chemicals and Fertilisers (Deptt. of Chemicals and Petro-chemicals) (Demand No. 5) contains the following figures of Revenue as well as capital expenditure for the year 1995-96:-

(Rs. in crores)

| | Plan | Non-Plan | Total |
|-----------------|-------|----------|--------|
| Revenue Section | 20.28 | 92.08 | 112.36 |
| Capital Section | 13.63 | 10.61 | 24.24 |
| | 33.91 | 102.69 | 136.60 |

12. The details of the actual Revenue and Capital expenditure for the year 1993-94, Budget estimates and Revised estimates for 1994-95 and Budget Estimates for 1995-96 of the Deptt. are as under :-

| Sl. No. | Major Items Head | Plan/Non-Plan | 1993-94 Non-Plan | 1994-95 Actuals | B.E. | 1995-96 R.E. | B.E. |
|---------|---|------------------|---------------------|--------------------|---------------|-----------------|---------------|
| 1. | 3451 Secretariat Plan Eco. Services | Non-Plan | - Non-Plan | - 1.44 | - 1.57 | - 2.52 | - 2.60 |
| | 2852 B. Industries B. 1 Petrochemicals | | | | | | |
| 2. | Central Institute of Plastics Engineering Technology Chemicals & Pharmaceuticals Industries | Plan Non-Plan | Plan Non-Plan | 17.60 3.00 | 23.00 3.00 | 16.00 3.00 | 16.00 3.00 |
| 3. | Bhopal Gas Leak Disaster | Plan Non-Plan | Plan Non-Plan | - 21.95 | - 34.44 | - 75.32 | - 10.75 |
| 4. | Grant of Institute of Pesticides Formu- lation Technology | Plan Non-Plan | Plan Non-Plan | 0.64 - | 0.37 - | 0.37 - | 0.95 - |
| 5. | National Institute of Pharmaceuticals Education & Research | Plan Non-Plan | Plan Non-Plan | 2.50 - | 1.50 - | 1.50 - | 3.28 - |
| 6. | DC (PI) | Non-Plan | Non-Plan | 0.27 | 0.30 | 0.31 | 0.33 |
| 7. | IPFI/RENPAF | Plan | Plan | 0.05 | 0.05 | 0.05 | 0.05 |
| 8. | Chemicals Weapons Convention | Non-Plan | Non-Plan | 0.04 | - | 0.25 | 0.30 |
| 9. | NPPA | Non-Plan | Non-Plan | - | - | 0.10 | 0.10 |

| Sl. No. | Major Head | Items | Plan/ Non-Plan | 1993-94 Actuals | 1994-95 B.E. | 1994-95 R.E. | 1995-96 B.E. |
|---------|------------------------------|-------|-------------------|--------------------|-----------------|-----------------|-----------------|
| 10. | Subsidy to Assam Gas Project | | Non-Plan | - | - | - | 75.00 |
| 11. | VRS's in PSUs | | Plan | 41.20 | 27.00 | 29.00 | ₹ |
| | Revenue Total | | | 88.69 | 91.23 | 128.42 | 112.36 |

CAPITAL SECTION

| | | | | | | | |
|-----|------|--|----------|--------|--------|--------|--------|
| 12. | 4857 | Investment in Public Sector and other Undertakings | Plan | 3.13 | 4.06 | 4.06 | 4.32 |
| | | | Non-Plan | - | - | - | - |
| 13. | | Loans to Public sector and other undertakings | Plan | 4.22 | 9.05 | 9.05 | 9.31 |
| | | | Non-Plan | 29.55 | 23.48 | 31.29 | 10.61 |
| | | Capital Total : | | 36.90 | 36.59 | 44.40 | 24.24 |
| | | Total : | | 125.59 | 127.82 | 172.82 | 136.60 |

13. It may be seen from the above that under Revenue Section, the estimated expenditure on Secretariat Economic Services of the Ministry of Chemicals and Fertilisers (Deptt. of Chemicals and Petrochemicals) during the current financial year 1995-96 is expected to be Rs. 2.60 crores. Out of this, Rs. 1.80 crores will be on salaries, Rs. 4 lakhs on wages, Rs. 6 lakhs on OTA, Rs. 4 lakhs on Domestic Travel Expenses, Rs. 8 lakhs on Foreign Travel expenses, Rs. 55 lakhs on office expenses, Rs. 50,000 on professional services, Rs. 1.50 lakhs on publications and Rs. 1 lakh on other Administrative Expenses. The other major items under Revenue Section are Rs. 16 crores for CIPET, Rs. 10.75 crores for Bhopal Gas Disaster, Rs. 3.28 crores for NIPER and Rs. 75 crores for Assam Gas Cracker Project.

14. The outlay of the order of Rs. 24.24 crores under capital section is for making investment and giving plan and non-plan loans to public sector enterprises, other undertakings. The 'Head' wise demands are discussed in succeeding paragraphs.

REVENUE SECTION

MAJOR HEAD "3451"- Secretariat Economic Services

15. This head is mainly for salary of the Ministerial staff. The expenditure under this head has increased from Rs. 1.44 crores in 1993-94 to

Rs. 2.60 crores in 1995-96. The main increase has been on account of salary *i.e.* from Rs. 94.54 lakhs in 1993-94 to Rs. 1.80 crores in 1995-96. This increase has been attributed to an increase in the staff strength of the Ministry from 188 in 1993 to 287 in 1994 and further to 327 in 1995.

16. During the course of examination the Committee wanted to know the reasons for sharp increase in the manpower strength of the Ministry. The Deptt. of C&PC replied in a note that the increase in the staff strength was on account of transfer of 113 posts from the erstwhile DGTD as a part of an overall Government policy apart from 6 posts transferred from the Deptt. of Fertilisers as a part of internal reviews. The Deptt. further informed that as against the sanctioned strength of 327 the actual filled up strength as of date was 284.

17. In their report on Demands for Grants for 1994-95 the Committee recommended for conducting a scientific study to identify the actual manpower requirement. The Ministry had informed that they proposed to conduct a study by the Staff Inspection Unit of Ministry of Finance as the Ministry lack the necessary expertise to conduct such a study.

18. Asked about the latest position in this regard, the Ministry in a note stated :-

"In compliance of the recommendations of the Standing Committee, the Department of Chemicals and Petrochemicals requested the Department of Expenditure (Staff Inspection Unit), the Ministry of Finance to conduct a study of the manpower requirements of the Department. The data, desired by the SIU for conducting the study has been made, available to them. SIU now proposes to depute a team for on the spot study in the Department."

19. The Committee find that the expenditure under the Secretariat Services has increased sharply from Rs. 1060 crores in 1993-94 to Rs. 2.60 crores in 1995-96. The increase is mainly on account of salary which increased due to rise in manpower strength of the Deptt. from 188 in 1993 to 287 in 1994 and further to 327 in 1995. The Deptt. has informed the Committee that increase in staff strength is on account of transfer 113 posts from DGTD as part of an overall decision of the Government. The Committee note with satisfaction that in pursuance their recommendation made last year the Ministry has entrusted a manpower study to Ministry of Finance (Staff Inspection Unit). The Committee would like the Ministry to have the study completed at the earliest with a view to rationalise the staff deployment in the Ministry.

MAJOR HEAD 2852

Sub Head B (1) (1) (1)

Central Institute of Plastics Engineering & Technology

20. The main aims of CIPET are training, development testing and quality control. The Institute is providing assistance to various centres/units at Amritsar, Mysore, Imphal and West Bengal. The budgetted estimates of Rs. 23 crores for the year 1994-95 were revised to Rs. 16 crores. Budget Estimates for 1995-96 have also been kept at a level of Rs. 16 crores.

21. Asked about the reasons for lowering down the estimates in 1994-95, the Ministry stated in a note :-

" The budget estimates of Rs. 23 crores for the Plan schemes of CIPET during 1994-95 comprised funding from the World Bank to the extent of Rs. 17 crores and the balance of Rs. 6 crores for the other projects. Keeping in view the time taken in the finalisation of the international bids for procurement of equipments and opening of letter of credit, the estimates were scaled down to Rs. 16 crores in which the World Bank funding amounted to Rs. 10 crores. The actual expenditure on plan schemes during 1994-95 has however, been Rs. 8.5 crores. The reasons for incurring less expenditure than the revised estimates are as below :-

- (i) The provision of Rs. 1 crore meant for West Bengal centre of CIPET could not be utilised as the confirmation from the State Government for sharing of expenditure on the centre on equal basis was not received in time.
- (ii) Against the provision of Rs. 10 crores meant for purchase of equipments funded by World Bank, only Rs. 4 crores could be released as CIPET was not in a position to establish the letter of credit for procuring the equipments worth Rs. 10 crores."

22. The Committee regret to note that as against Rs. 23 crores budget for 1994-95 the Institute could spend only Rs. 8.50 crores. Due to tardy pace of work Institute could get only Rs. 4 crores out of the proposed assistance of Rs. 17 crores from the World Bank. The Ministry has stated that main reason for non-utilisation of earmarked funds was delay in finalisation of bids and opening of letter of credit. The Committee would like the Ministry to ensure that project is completed in the stipulated time and cost estimates so that World Bank grant is utilised fully. The Committee hope that funds of the order of Rs. 16 crores allocated for 1995-96 will be utilised fully.

MAJOR HEAD 2857**Sub Head B-2 (1) (1) – Bhopal Gas Disaster**

23. The following table shows the provisions made under the Head during the years 1993-94, 1994-95 and 1995-96 :-

(Rs. in crores)

| Year | Amount for interim relief | Amount for establishment of office of Welfare Commissioner/ Other items | Total |
|----------------------|--|---|-------|
| 1993-94 (Actuals) | 19.00 | 2.95 | 21.95 |
| 1994-95 (B.E.) | 25.50 | 8.94 | 34.44 |
| 1994-95 (R.E.) | 15.50 (Rs. 53.48 cr. for hospital) | 6.34 | 75.32 |
| 1995-96 | 1.00 | 9.45 | 10.95 |

24. During the course of examination the Committee pointed out that in terms of Supreme Court corrections given in October 1991 all claims of victims of Bhopal gas tragedy were to be settled in 3 years time. Asked about the latest position in regard to disbursement of relief, the Ministry in a note informed as on 14.3.1995 the position of disposal of claims was as follows :-

Death Cases :

| | |
|-----------------------------|--------|
| 1. No. of cases received | 16,709 |
| 2. No. of cases adjudicated | 12,396 |
| 3. Awards passed | 7,968 |

Injury cases :

| | |
|-----------------------------|---------|
| 1. No. of cases received | 597,306 |
| 2. No. of cases adjudicated | 157,718 |
| 3. Awards passed | 156,322 |

25. As regards the relief amount disbursed so far, the Ministry informed in a note that the total amount of awards passed as on 14.3.1995 was Rs. 65.12 crores for death cases and Rs. 432 crores for injury cases. As on 28.2.1995 the balance amount available in the claims and relief fund was Rs. 848.79 crores.

26. Asked about the reasons for delay in settling all cases, the Secretary C&PC stated during evidence :-

"We wanted to have 56 Courts for disposing of the various cases. So far 44 of them have started functioning. We hope by next year all the 56 Courts would start functioning. The main problem, in this regard, is of finding adequate number of judicial officers."

27. On being asked further by the Committee whether some senior advocates could be entrusted with this work, the witness replied :-

"There are a lot of allegations about the cases not being properly disposed of. So, the welfare Commissioner was very cautious about taking somebody from outside. He preferred to have people who are judicial officers from the Courts.

28. When asked about the estimated time by which all cases would be settled., the Secretary, C&PC replied that they would be asked to complete within 2 more years.

29. The Committee further pointed out that in 1994-95 there was a provision of Rs. 53.48 crores for Bhopal Hospital. Asked about the project, the Secretary C&PC stated:

" This is a referral hospital not meant for treating patients in the first instance. These are going to the clinics and according to the Government of Madhya Pradesh, they have got a system of looking after the victims. "

30. When asked whether the location of the Hospital was within affected areas, the witness stated: -

"This is ultimately going to be a 500 bed hospital with much specialisation. It requires a lot of land. It may not be just in a crowded area at all. It has to have a properly and otherwise the whole purpose of the land will be lost. This land has been given to us by the Madhya Pradesh State Government. It is just behind the Union Carbide Factory where the accident took place. It is easily accessible by roads to the main areas and

I had personally gone and seen this site sometime back and I was given all the assurances by all the concerned officials of the State Government. I have had discussions with them."

31. On being asked further that when the Supreme Court had directed for Rs. 60 crores, for the purpose why it was reduced Rs. 53 crores, the witness replied: -

"That is not like that. Rs. 60 crore has already been available for the construction of hospital out of the sale proceeds of shares of the Union Carbide Corporation in the Union Carbide (India) which were attached under the orders of the Supreme Court. The Government of India transferred a sum of Rs. 53.48 crore received by it by way of capital gains tax on the sale of shares, for purpose of construction of the hospital. So, Rs. 60 crore is there in addition to this amount of Rs. 53 crores. "

32. When asked whether the selection of site of the hospital was made in consultation with State Government the witness stated that the site had been provided by the State Government they had no other such large area.

33. In reply to a further question whether it had approval of the Action Committee, the witness replied:

"Sir, as far as that Committee is concerned, it looks after the Action Plan schemes. But the selection of the site does not come under the Action Plan. This is an entirely different project which is being implemented under the orders of the Supreme Court. This is, of course, being implemented after the government took a decision based on the decision of the Supreme Court. This has nothing to do with the Action Plan for which that committee, namely the Bhopal Gas Disaster Committee, exists. The Supreme Court decided to form an Empowered Committee and the Government endorsed that decision and in that Committee there are representatives of the State Government."

34. The Committee's examination of the details about the relief to the victims of the Bhopal gas tragedy has revealed that even a decade after the tragedy the relief has not been provided/distributed to all affected families/persons. Out of the 16,709 death cases, awards have been passed in 7968 cases. Similarly out of about 6 lakh injury cases awards have been passed in 1.5 lakh cases only. Some of the courts could not function due to lack of requisite number of judges. In terms of money out of Rs. 1500 crores, awards have been passed for about Rs. 500 crores (Rs. 65 crores for death cases, and Rs. 432 crores for injury cases). The Committee once again urge upon the Government to take up the matter with Madhya Pradesh Government/

Welfare Commissioner at the appropriate level so that there is no further delay in disbursing the relief to the victims and pending cases of victims for relief are settled positively within the stipulated period. In this connection the Committee also reiterate their recommendation made in their Report.

35. The Committee are happy to note that the Government has decided to set up a 500 bed referral hospital at Bhopal with all modern facilities. The land for this project has been given by the Madhya Pradesh Government. The Committee desire that Government should take all possible measures to get the plans cleared from the concerned authorities and construct the Hospital in time bound schedule. Needless to emphasise that Hospital would give utmost priority to victims of gas tragedy and also carry out necessary research for the possible diseases in the coming years.

MAJOR HEAD 2852

Sub Head B-1 (1) (2) Subsidy to Assam Gas Cracker Complex

36. A Budget provision of Rs. 75 crores has been made for the year 1995-96 for Assam Gas Cracker Complex. Asked about the details of the project, the Ministry stated in a note:

"The letter of intent for setting up 3 lakh ethylene cracker project was issued by the Government in January, 1991, to Assam State Industrial Development Corporation. The share holding pattern approved and mentioned in the aforesaid LOI is as under :-

| | | |
|-------|--------------|-----|
| (i) | ASIDC | 11% |
| (ii) | Co-promotion | 40% |
| (iii) | Public | 49% |

There would be no direct funding from the Central Government in the project. However, investment amounting to 11% of the paid up equity capital would be made by the State Government of Assam through ASIDC. The Central Government has, however, approved provision of subsidy of Rs. 377 crores for the project (Total cost of project Rs. 3090 crores) in view of the disadvantages inherent in the location of the project. Some of the major difficulties are:-

- (i) The seismic nature of terrain;**
- (ii) Higher cost of transportation due to geographical location; and**
- (iii) Less effective working time due to prolonged rainy season; etc.**

The Central Government will also be providing associated gas for the project at a price of Rs. 600 per thousand cubic metres for a period of 15 years."

37. During the course of evidence the Committee wanted to know the rationale behind giving subsidy of Rs. 377 crores. Secretary, C&PC do replied that it was important because it was part of Assam package and it was the better way to use gas. Due to geographical problems there were problems in having a big project in North-Eastern region.

38. Asked further whether Government will have any sort of control over the project, the witness stated :-

"We are following a policy of non-interference. We will not have any control on it."

39. The Committee note that owing to various disadvantages of setting up of Assam Gas Cracker Project at the cost of over Rs. 3000 crores in Assam, the Government would give one time capital subsidy of Rs. 377 crores. The Government would also give associated gas at a fixed price for 15 years. Out of Rs. 377 crores, the Ministry has made a provision of Rs. 75 crores for the year 1995-96. Since the project is likely to be completed in 3 years time, the Committee would like the Ministry to release the money in some instalments after ensuring the progress of the project.

CAPITAL SECTION

MAJOR HEAD 4857/6857

Investment in PSUs/Loans to PSU's

40. The Government investments in the PSU's have been Rs. 3-4 crores during the last 3 years. There is provision of Rs. 4.32 crores during the year 1995-96.

41. The Government has also been providing plan and non-plan loans to PSUs (under Major Head 6857) which amounted to Rs. 33.77 crores in 1993-94, Rs. 40.34 crores in 1994-95. Provision of Rs. 19.92 crores has been made for 1995-96.

42. Some of the PSUs in the Ministry being sick were referred to BIFR after examining the viability of the PSU's has approved the revival packages as under :-

| PSU | BIFR Clearance |
|---|---|
| 1. Indian Drugs and Pharmaceuticals Ltd. (IDPL) | Approved on 10.2.1994 (Revival plan put into operation w.e.f. 1.4.1994) |
| 2. Bengal Immunity Ltd. | Approved on 3.1.1995. (Revival plan put into operation w.e.f. 1.4.1994) |
| 3. Smith Stanistreet Pharmaceuticals Ltd. | Approved on 31.8.1994. (Revival plan put into operation w.e.f. 1.4.1994) |
| 4. Bengal Chemicals and Pharmaceuticals Ltd. | Approved on 28.3.1995 (Revival plan put into operation w.e.f. 1.4.1994) |

43. During the course of examination the Committee enquired about the reasons for substantial decrease in loans to sick PSUs particularly when these were implementing their revival plans. The Ministry informed in a note that provision of funds in the Budget for 1995-96 had been made in accordance with the requirements projected in the approved revival packages.

44. The Secretary, C&PC also stated during evidence that besides providing of loans they had written off earlier loans amounting to hundreds of crores which were due from PSU's. They had also given Bank guarantees so that PSU's could get loans from Banks.

45. When asked whether the Government ensured that revival packages were not hampered for want of funds, the Ministry replied in a note :-

"The financial support, as envisaged in the approved packages, have been provided for. In the event of a short-fall, the question of additional provisions can be considered at the time of preparation of the revised estimates."

46. The Committee wanted to know the impact of implementation of the revival packages. The Secretary, C&PC replied: -

"The situation differs from company to company. For example, if I could start with Bengal Chemicals, I think, I am really satisfied with the progress

that they are making. Not only have they reached the targets under very difficult circumstances but they have also created a very right atmosphere to do much better in the future. As regards Bengal Immunity, although they have not increased their production which has been more or less like the previous year, they are now preparing well. They also attempt to bring well under control all the implementation aspects".

47. Asked about the cooperation from labour, the witness stated:—

"The Labour force has been very good. All the unions have cooperated. Although VRS are not much, the productivity has improved. The marketing has also improved."

48. The Committee further pointed out that IDPL was the first PSU to be cleared by the BIFR and was supposed to be a model revival package. During first year of its implementation, results had been mixed.

49. Explaining it further, he stated:—

"Last year was the first full year of revival implementation and their production was Rs. 215.39 crores as against Rs. 171.29 crores in the previous year. Sales were Rs. 195 crores as against sales of Rs. 155.80 crores in the previous year and the losses were about Rs. 48.54 crores which were below the loss of Rs. 71.71 crores in the previous year. So, the production/sales have gone up considerably. Thirty-eight per cent increase has been there. But while this is a good sign, on the negative side if you compare to the target for the first year in the revival package, the production was Rs. 328 crores and the sales target was Rs. 305 crores. They were supposed to balance their profit and loss. But that did not happen. I have conducted ten personal meetings with them. This is the kind of close interaction and we try to support them. However, what we found that the target was too ambitious. Probably it was over estimated.

The second problem comes in the marketing side. This is a very good thing. If the marketing cannot sell the thing then you do not get money back for further putting in production.

The third difficulty was banks. They have not come up with their support in accordance with the package because they are wanting more Government packages which was not envisaged. As you all know, the IDPL has got three main units. The Rishikesh Plant has increased its production. They have done good production of panicillin. But that is not the case with two other units".

50. He further added: –

"Now, we have come to conclusion that we have to review the revival package and we may have to go to the group of Ministers according to the procedure which has been laid down and then go to the BIFR. But certainly it would be our attempt while on the one hand to see that gaps which we have found in the first year's of implementation gets filled in and IDPL starts working better and on the other hand the package becomes more realistic."

51. When attention of witnesses was drawn to revival package, (clause II) of the IDPL reads as follows:–

"The management of IDPL will be able to achieve targets of production and profitability. The performance of the company, *vis-a-vis* targets set forth in the revival plan will be reviewed by the Secretary, C&PC and such measures will be taken as may be necessary to improve the performance".

52. The witness reacted:–

"But I have no other alternative, I have myself taken ten meetings and we are giving all kinds of support. We should give them some more time. It cannot be done over night. I think, we will have to be more patient with IDPL. We want that IDPL should be revived".

53. In reply to a question that there was no work in Hyderabad unit, CMD, IDPL explained as under :–

"In the Hyderabad unit, the failure is not because of the business environment. When we started the revival package, the industrial drug formulations were not very much affected by policy changes. But in the case of synthetic drugs, the customs tariff rate was hundred and ten per cent in Hyderabad, and it was brought down in a phased manner to about sixty per cent and now it is around fifty per cent. So, where imports have become much more cheaper than indigenous production, how this sector will maintain its pace ? I must admit that we were not able to maintain the overall pace."

54. In reply to question as to how the unrealistic plans were approved by the Government, the witness replied that these were prepared by operating agencies.

55. On being asked whether IDPL revival plan alone was unrealistic or it was in some other cases also, the witness stated:—

"Bengal Chemicals is all right. As far as SSPL is concerned I am very sorry to say that things are very bad. But this was purely a total management failure. The rotation of capital is most important part of the revival package. They did not do it very well. They just spend the money."

56. The Committee further wanted to know the action taken by Government once it was proved that there was management failure in SSPL. A representative of the Ministry stated that they came to know about it in September-October last year. He added:—

"We brought it to the notice of the Secretary. The Managing Director was called. He was warned to improve his position. He went on three months leave. When the Ministry wanted to remove, the M.D. resigned and left. They did get good M.D. thereafter."

57. The Committee further wanted to know the system for taking action against the corrupt management. The Secretary, C&PC replied:—

"Sir, if any specific case of corruption comes to us we certainly do take action against that. But if the cases are such which could be dealt with by the Management itself, we pass them on to the Management for action".

58. On being asked as to how the management would go against their intents if complaints were passed on to them, the witness stated:—

"Sir, we seek comments on the specific point and looking into the circumstances we take action".

59. The Committee further enquired about the response of workers for VRS in sick units, the Secretary, C&PC informed:—

"Sir, in the IDPL, they had to have 3300 employees going out through this VRS Scheme. But they had done so far, 2056. So, the shortfall is 1241. In Bengal Immunity Ltd. they had to send out a total of 113 persons and they have been able to achieve that. In the Bengal Chemicals and Pharmaceuticals, they had to send out about 500 persons and they have been able to send out 166 persons. They have still to send out 334 persons more. Similarly, in Smith Stanistreet Pharmaceuticals Ltd., they had to send out 127 persons and they have been managed to send out 127 persons."

60. The Committee find that quantum of investment and loans to PSU's has declined to Rs. 19.92 crores in 1995-96 from Rs. 40.34 crores in 1994-95. The Committee view this shortfall with concern as four PSU's under the Ministry viz. IDPL, BIL, SSPL and BCPL are implementing the revival packages after these have been approved by BIFR. Even though the Ministry has stated that provision of necessary funds in the Budget for 1995-96 has been made in accordance with the requirements projected in the approved revival packages, the Committee would however, like the Ministry to ensure that revival packages of PSUs do not suffer on account of shortage of funds.

61. In regard to the impact of revival packages the Secretary, C&PC informed the Committee that it was a mixed one. There was success in case of Bengal Chemicals Ltd., Bengal Immunity Ltd., while it failed in case of SSPL and IDPL. In case of SSPL it was a management failure and MD had to be removed and efforts were now being made to appoint a new M.D. to implement the revival package.

62. The Committee are distressed to note that IDPL which was the first PSU to be cleared by BIFR for revival and which as such was supposed to be the model has failed to come up to the expectations. The production and sales achievements are far below the target set in the Revival Package. During 1994-95 i.e. first year of implementation of revival package against the production target of Rs. 328 crores, the actual production was worth Rs. 215.39 crores. Similarly as against the target of sales of Rs. 306 crores the achievement was Rs. 195 crores only. According to the Secretary the targets were unrealistic one and they propose to review the revival package by placing the matter before group of Ministers. After having accepted the targets and giving a different explanation at a much later stage does not give a good account of a big PSU like IDPL. In Committee's view there seems to be something very serious about the working of IDPL. They, therefore, recommend that the Government should examine whether the management of the company failed to implement the revival package as was the case in SSPL. In case it was found so, the Government should not hesitate in taking stern action against the guilty.

63. In the context of sickness of PSUs the Committee also desire that complaints/charges of corruption, mismanagement etc. against the top official of these PSUs should be got investigated through CBI/Vigilance Commission and stern action be taken against the delinquent officials. This will ensure a clean and efficient management and would definitely have the moral support of the workers. Needless to emphasize healthy industrial relations holds key to success of any industrial concern. The Committee accordingly desire that

all out efforts should be taken to inspire confidence amongst workers and thus restore such congenial climate to achieve the desired results.

NEW DELHI;
April 21, 1995
Vaisakha 1, 1917 (Saka)

SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum & Chemicals.