

FIFTEENTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1995-96)
(TENTH LOK SABHA)

DEMANDS FOR GRANTS — 1994-95

MINISTRY OF CHEMICALS & FERTILISERS
(DEPTT. OF CHEMICALS &
PETROCHEMICALS)

*(Action taken by Government on the recommendations contained in the
6th Report of the Standing Committee on Petroleum & Chemicals 1994-95)*



सत्यमेव जयते

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LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Recommendations that have been accepted by Government	6
CHAPTER III Recommendations in respect of which the Committee do not desire to pursue in view of Government's replies	14
CHAPTER IV Recommendations in respect of which replies of Government have not been accepted by the Committee	15
CHAPTER V Recommendation in respect of which final replies of Government is still awaited	16
APPENDICES	
I Minutes of the 3rd Sitting of the Committee held on 17th April, 1995	19
II Analysis of action taken by Government on the recommendations contained in the 6th Report of the Standing Committee on Petroleum & Chemicals (Tenth Lok Sabha)	20

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

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Shri Sriballav Panigrahi

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4. Shri Surinder Singh Kairon
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SECRETARIAT

- | | |
|-------------------------|-------------------------------|
| 1. Shri S.N. Mishra | — <i>Additional Secretary</i> |
| 2. Smt. Roli Srivastava | — <i>Joint Secretary</i> |
| 3. Shri G.R. Juncja | — <i>Deputy Secretary</i> |
| 4. Shri Brahm Dutt | — <i>Under Secretary</i> |

INTRODUCTION

1. the Chairman, Standing Committee on Petroleum & Chemicals (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on Action Taken by Government on the recommendations contained in the 6th Report of the Standing Committee on Petroleum and Chemicals (1994-95) (Tenth Lok Sabha) relating to Demands for Grants of the Ministry of Chemicals & Fertilisers (Deptt. of Chemicals & Petrochemicals).

2. The Sixth Report of the Committee was presented to Lok Sabha on 22nd April, 1994. Replies of Government to all the recommendations contained in the Report were received on 21st October, 1994.

3. The Committee considered and adopted the Report at their sitting held on 17 April, 1995.

4. An analysis of action taken by Government on the recommendations contained in the Sixth Report (1994-95) of the Committee is given in Appendix II.

NEW DELHI;
April 19, 1995

Chaitra 29, 1917 (Saka)

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

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Sixth Report (1994-95) (Tenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals on Demands for Grants 1994-95 relating to Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petrochemicals which was presented to Lok Sabha on 22nd April, 1994.

2. Action Taken notes have been received from the Government in respect of all the 11 recommendations contained in the Report. These have been categorised as follows:—

(i) *Recommendations/observations which have been accepted by the Government:*

S. Nos. 1 to 5, 7, 8 and 9

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the Government replies:*

NIL

(iii) *Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee:*

Sl. No. 10

(iv) *Recommendations/observations in respect of which final replies of the Government are still awaited:*

Sl. Nos. 6 and 11

3. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. Actual Requirement of Manpower

Recommendation Sl. No. 3 (Para No. 17)

4. The Committee had observed that the Department had not carried out any O&M study during the last 3 years to know the actual requirements of manpower. The Committee, had therefore, recommended that some scientific study should be made to know the actual requirements of the Department particularly in view of the fact that in the context of economic liberalisation policy of the Government, many sections/Departments might have lost their role or significance.

5. In their reply the Ministry stated:

"The Department of Chemicals and Petrochemicals although having an Internal Work Study Group (Section) for the purpose of work study, do not possess the required level of expertise to conduct a scientific study in order to ascertain the actual requirements of manpower of the Department of Chemicals and Petrochemicals particularly keeping in view the on-going liberalisation policy of the Government of India. The Department is taking up the issue with the Ministry of Finance (Department of Expenditure) SIU, in order to enable a scientific study of the actual requirements of manpower in the Department of Chemicals and Petrochemicals to be worked out."

6. The Committee desire that the matter regarding scientific study of the actual requirement of the manpower should be addressed on priority basis and the Ministry of Finance should be impressed upon to take up the work study urgently so as to have the same completed and implemented in a fixed time frame in the interest of optimum utilisation of the manpower.

B. Setting up of CIPET Centres

Recommendation Sl. No. 4 (Para No. 19)

7. The Committee had desired that the grants amounting to Rs. 32.50 crores provided by the World Bank for (CIPET) during 1993-94 and 1994-95, should be utilised properly so that the Institute could bring desired results. The Committee had also recommended that proposed centres at Amritsar, Mysore, Imphal and West Bengal should be set up in a time-bound schedule.

8. In their reply the Ministry stated:

"CIPET has received a sum of Rs. 15.50 crores by the end of the financial year 1993-94 out of the World Bank assistance of Rs. 38.50 crores provided in the form of grant by the Government. In order to ensure that the amount is spent by CIPET for the purpose specified in the agreement, the Department of Chemicals and Petrochemicals in the Ministry of Chemicals & Fertilisers monitor the expenditure at regular intervals.

The centres of CIPET being set up at Amritsar and Mysore are progressing well. From the academic year 1993-94 onwards, 65 students in three long-term courses at Mysore centres and ICS students in four long-term courses at Amritsar centre are currently undergoing training. Students at Mysore centre have already been shifted to CIPET hostel and class rooms in the new building.

In so far as Imphal centre of CIPET is concerned, the Government of Manipur is yet to hand over the land. Therefore, for the time being, only two long term courses are being conducted.

It has been decided, in principle, to set up an extension centre of CIPET in West Bengal. The Government of West Bengal has agreed, in principle, for sharing of capital expenditure with Central Government on equal basis. They have also agreed, in principle, for sharing of recurring expenditure on equal basis with the Central Government till the centre becomes self-sufficient. Director (CIPET) has been advised to prepare the Project Report for obtaining appropriate approval for the project."

9. The Committee feel satisfied at the progress of work in respect of CIPET centres at Amritsar and Mysore but are dismayed at the tardy pace of work in so far as the Imphal centre and extension centre in West Bengal are concerned. The Committee expect the Ministry to pursue the matter vigorously with State Governments of Manipur and West Bengal as to ensure that these centres become fully operational at the earliest.

The Committee have not been informed about the monitoring mechanism in the Ministry to keep a proper track on the amount spent and the result achieved by these centres and would therefore desire that an appropriate institutional mechanism be set up urgently for periodic and comprehensive reviews and monitoring of these centres.

C. Victims of Bhopal Gas Tragedy

Recommendation Sl. No. 5 (Para No. 26)

10. The Committee had expressed their concern at the fact that out of Rs. 1500 crores earmarked for relief only an amount of Rs. 118 crores has been disbursed to the victims so far. The Committee had also been informed that only in October, 1991 Supreme Court removed the hurdles for payment of compensation and to expedite the settlements of claims. The number of courts was to go up from 36 to 56. The Committee had desired that the Ministry should expedite the whole process of setting up of courts, disbursement of relief etc. Concerted efforts should be made to settle all claims and related matters within the stipulated period of 3 years.

11. In their reply the Ministry stated:—

"The payment of Interim Relief is being done through the Government of Madhya Pradesh and the Central Government is not incurring any expenditure on the machinery for distribution of the relief. The establishment expenditure is on the machinery set up for the distribution of compensation.

The actual amount awarded to victims on account of relief is Rs. 291.50 crores as on 14.8.1994. At present 38 courts of Deputy Commissioners and 5 appellate courts of Additional Commissioner are functioning. There was less expenditure during 1993-94 due to

the establishment of lesser number of courts for distribution of compensation. A higher provision of Rs. 6.04 crores has been provided during 1994-95 as all the 56 courts are expected to be set up during the year. Concerted efforts are being made to make all the 56 courts operational.

The Welfare Commissioner has intimated that these courts will start functioning as soon as services of the judges are made available by the High Court of Madhya Pradesh with whom the matter has been taken up by him and that all possible efforts are being made to expedite the disposal of the remaining cases within the stipulated period of 3 years."

12. The Committee are deeply anguished at the lackadaisical manner in which the matter regarding early payment of compensation to the victims of Bhopal Gas Tragedy has been handled by the Government. The Committee wonder whether at this pace the compensation would actually reach and help the victims in their life time. The Committee are sure that if the Ministry fails to take concrete steps at once, the possibilities of disposal of the remaining cases within the stipulated period of 3 years are very remote. The Committee, therefore, reiterate that the Ministry should gear up its coordination machinery and chalk out an action plan in consultation with the Ministry of Law and State Government, of Madhya Pradesh to achieve the targets within the stipulated period of 3 years. The Committee would also like to be apprised of the progress made in the matter on quarterly basis.

D. R&D Activities

Recommendation Sl. No. 10 (Para No. 47)

13. The Committee while examining the Demands for Grants of the Department found that one of the most important areas viz., Research and Development had been neglected so far as substantial funds were not allocated for the activities related to R&D. The Secretary, C&PC had deposed before the Committee that some of the PSUs like IDPL provided funds out of their budgets. The Committee had expressed their surprise as to how the sick units could have concentrated on R&D activities when some of them were not having even working capital to run their units and had, therefore recommended that adequate provisions should be made in the Demands for R&D work which crucial for economic growth.

14. In their reply the Ministry has stated:

"As the Central Government do not generally give grants to the PSUs, for their R&D activities, in the Budget for 1994-95 no separate provision has been made for assistance to the PSUs in pharmaceuticals industry sector for R&D work. For specific proposals of R&D, financial assistance could be considered for inclusion in the revised estimates for 1994-95 and budget estimates for 1995-96. The PSUs in pharmaceuticals industry sector have been advised to send proposals, if any. In addition to the efforts made by the Administrative Department, grants for R&D are also

given to these PSUs. through the Deptt. of Science and Technology and Deptt. of Bio-Technology.

The Eighth Plan outlay for R&D capital expenditure programme in respect of IPCL and PCL are Rs. 45.90 crores and Rs. 36.38 to be funded out of their internal and extra budgetary resources. Both these PSUs are satisfied with the provisions made for R&D programme during the Eighth Plan period.

15. The Committee need not over emphasise the importance of R&D work and provision of adequate funds for the same in the interest of economic growth of the industry. The Committee therefore regret to found the low priority accorded to this important aspect by the Ministry. The Committee are particularly concerned about the R&D activities relating to sick units which are not having even the working capital. The Committee, therefore, desire that the Ministry should on their own initiate an exercise to promote R&D activities by providing adequate financial assistance to all PSUs particularly the sick units.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Para No. 6)

The Committee note that the plan outlay during the initial years of the 8th Five Year Plan is not being utilised by the concerned PSUs under the administrative control of the Department of Chemicals and Petrochemicals. Out of total outlay of Rs. 2403 crores for the 8th Plan, only Rs. 320 crores i.e. just 1/8th was spent during the year 1992-93. Similarly as against the Annual Plan outlay of Rs. 1205 crores for the year 1993-94, the estimated expenditure was Rs. 683 crores only. On account of non-generation of sufficient funds by concerned PSUs like IPCL some of the big projects could not be taken up in time. The Committee would like the Ministry to ensure that realistic plans should be prepared and thereafter these should be meticulously implemented so that production capacity of Public Sector Undertakings is built up well in time.

Reply of Government

During the year 1993-94 the major provisions for capital expenditure towards projects of IPCL were as under:—

		(Rs. /crores)
1. Expansion in Baroda Complex	—	120.00
2. Expansion in Nagothane Complex	—	62.00
3. Gandhar Petrochemicals Projects	—	450.00

2. Of this, the expansions in Baroda and Nagothane are funded from the World Bank loan. The projects were conceived and licence agreement signed by late 1991/early 1992. The final CCEA approval was obtained during December, 1992. Major commitments could commence only thereafter i.e. early 1993-94. This had affected the progress of project expenditure. However, there has been improvement thereafter and several orders have been processed and issued after obtaining the necessary consent from the World Bank as per the terms of the loan. Therefore, the projected expenditure for Baroda based projects amounting to Rs. 120 crores appear to be achievable. In case of Nagothane projects, the expenditure depends entirely on finalisation of the expansion for HDP project which is still under negotiation. After a decision is taken on forming a Joint Venture with the proposed collaborator for this project only, IPCL can start committing expenditure for the ethylene expansion as well.

3 In so far as Gandhar project is concerned, the cumulative expenditure in the project is Rs. 290 crores and the commitments in respect of Phase-I is around Rs. 600 crores. The provision for the current year for Phase-I is Rs. 400 crores. Phase-II will be implemented with a gap of two to three years after synchronising backward and forward integration of feedstock and end product utilisation. Considering the progress made and the scheduled date of completion i.e. March, 1996, for Phase-I the provision for the year is quite reasonable and achievable.

4. During 1992-93 and 1993-94, IPCL's capacity to generate funds was affected mainly on account of following three factors:—

- a. Steep-increase in the in put price of naphtha, despite low international prices prevailing at present.
- b. Sharp reduction in the tariff for finished products manufactured by the company and the low international prices on account of over capacity prevailing in the international market. This was further aggravated due to Value Based Licence (VABAL) scheme introduced by Government which permitted import of finished petrochemical products without duty and the misuse of the scheme by traders which affected the domestic producers.
- c. The operations in Nagothane had not fully stabilised particularly in respect of LLDPE/HDPE plant.

5. However, in 1994-95, the scenario appears to be changing. The international prices have started strengthening. Operations of LLDPE/HDPE plants of MGCC have improved significantly. VABAL scheme has been modified to ensure that it does not affect the domestic manufacturers. Therefore, IPCL will be able to improve the internal generation during the year.

[Department of Chemicals and Petrochemicals O.M. No. 16(10)/94-Fin.]
Recommendation Sl. No. 2 (Para No. 16)

The Committee note that as against the actual expenditure of Rs. 1.38 crores during 1992-93 on salary etc. for the staff of the Deptt. and estimated expenditure of Rs. 1.52 crores during 1993-94, a provision has been made for Rs. 1.57 crores for the year 1994-95. The Deptt. has reportedly taken economy measures such as abolition of 6 posts freeze on O.T.A. etc. In the interest of overall economy, the Committee would like the Deptt. to ensure that effective measures are taken from the very

beginning to restrict the expenditure on items like travelling, O.T.A., petrol consumption, office expenses, hospitality expenses etc. so that there is no need to ask for supplementary or additional grants during the later part of the year. Similar restrictions could be imposed on the PSUs and other offices under the administrative control of the Department. This will help PSUs to reduce their overhead expenses/operating cost so that these units are able to compete with the private/multinational companies.

Reply of Government

As already informed to the Committee, the Department has taken various economy measures with a view to restrict the expenditure of Secretariat Proper and the Office of Development Commissioner (PI). Keeping in view the recommendations of the Committee, the Deptt. has appointed an Expenditure Monitoring Committee under the Chairmanship of Joint Secretary and Financial Adviser of the Ministry of Chemicals & Fertilizers. The Expenditure Monitoring Committee meets once in a month to conduct a detailed review of actual expenditure incurred under each sub head and the commitments made by the Department as well as by the office of Development Commissioner (PI). The important decisions for the purchase of office equipments etc. are also taken under detailed discussions in the Expenditure Monitoring Committee. In the case of PSUs, Under the administrative control of Department of Chemicals and Petrochemicals, the Board of Directors of each PSU or the Board of Governors of Autonomous Bodies monitor the performance of the PSU as well as the expenditure incurred on a quarterly basis, with a view to reduce their overhead expenses/operating cost and to bring about overall improvement in their performance. In addition, the performance of each PSU/Autonomous Body is also reviewed in detail in the Review meetings taken by Secretary (C&PC) on a quarterly basis.

[Department of Chemicals & Petrochemicals O.M. No. 16(10)/94-Fin.]

Recommendation Sl. No. 3 (Para No. 7)

The Committee find that the Department has not carried out any O & M study during the last 3 years to know the actual requirements of manpower. The Committee recommend that some scientific study should be made to know the actual requirements of the Department particularly in view of the fact that in the context of economic liberalisation policy of the Government, many sections/Departments may have lost their role or significance.

Reply of Government

The Department of Chemicals and Petrochemicals although having an Internal Work Study Group (Section) for the purpose of work study, do not possess the required level of expertise to conduct a scientific study in order to ascertain the actual requirements of manpower of the Department of Chemicals and Petrochemicals particularly keeping in view the on-going liberalisation policy of the Government of India. The Department is taking up the issue with the Ministry of Finance (Department of Expenditure) SIU, in order to enable a scientific study of actual requirements of manpower in the department of Chemicals and Petrochemicals to be worked out.

[Department of Chemicals and Petrochemicals O.M. No. 16(10)/94-Fin.]

Comments of the Committee

Please see para 6 of Chapter I of the Report.

Recommendation Sl. No. 4 (Para No. 19)

Taking note of the fact that during 1993-94 and 1994-95 a grant amounting to Rs. 32.50 crores has been provided by the World Bank for CIPET, the Committee would like the Department to ensure that the money provided for the purpose should be utilised properly so that the Institute could bring desired results. The Committee also desire that proposed centres at Amritsar, Mysore, Imphal and West Bengal should be set up in a time-bound schedule.

Reply of Government

CIPET has received a sum of Rs. 15.50 crores by the end of the financial year 1993-94 out of the World Bank assistance of Rs. 33.50 crores provided in the form of grant by the Government. In order to ensure that the amount is spent by CIPET for the purpose specified in the agreement, the Department of Chemicals & Petrochemicals in the Ministry of Chemicals & Fertilizers monitor the expenditure at regular intervals.

2. The centres of CIPET being set up at Amritsar and Mysore are progressing well. From the academic year 1993-94 onwards, 65 students in three long-term courses at Mysore Centre and 108 students in four long-term courses at Amritsar Centre are currently undergoing training. Students at Mysore Centre have already been shifted to CIPET hostel and class rooms in the new building.

3. In so far as Imphal centre of CIPET is concerned, the Government of Manipur is yet to hand over the land. Therefore, for time being, only two long-term courses are being conducted.

4. It has been decided, in principle, to set up an extension centre of CIPET in West Bengal. The Government of West Bengal has agreed, in principle, for sharing of capital expenditure with Central Government on equal basis. They have also agreed, in principle, for sharing of

recurring expenditure on equal basis with the Central Government till the Centre becomes self-sufficient. Director (CIPET) has been advised to prepare the Project Report for obtaining appropriate approval for the Project.

[Department of Chemicals & Petrochemicals O.M. No. 16/10/94-Fin.]

Comments of the Committee

Please see para 9 of Chapter I of the Report.

Recommendation Sl. No. 5 (Para No. 26)

The Committee feel concerned to note that out of Rs. 1500 crores earmarked for relief only an amount of Rs. 118 crores has been disbursed to the victims so far. The Committee have been informed that only in October, 1991 supreme court removed the hurdles for payment of compensation to expedite the settlements of claims, the number of courts is to go up from 36 to 58. the committee would like the ministry to expedite the whole process of setting up of courts, disbursement of relief etc. concerned efforts should be made to settle all claims and related matters within the stipulated period of 3 years.

Reply of Government

The payment of Interim Relief is being done through the Govt. of Madhya Pradesh and the Central Govt. is not incurring any expenditure on the machinery for distribution of the relief. The Establishment expenditure is on the machinery set up for the distribution of compensation.

The actual amount awarded to victims on account of relief is Rs. 291.50 crores as on 14.8.1994. At present 38 courts of Deputy Commissioners and 5 appellate courts of Additional Commissioner are functioning. There was less expenditure during 1993-94 due to the establishment of lesser number of courts for distribution of compensation. A higher provision of Rs. 6.04 crores has been provided during 1994-95 as all the 56 courts are expected to be set up during the year. Concerted efforts are being made to make all the 56 courts operational.

The Welfare Commissioner has intimated that these courts will start functioning as soon as services of the judges are made available by the High Court of Madhya Pradesh with whom the matter has been taken up by him and that all possible efforts are being made to expedite the disposal of the remaining cases within the stipulated period of 3 years.

[Department of Chemicals & Petrochemicals O.M. No. 16 (10)/94-Fin.]

Comments of the Committee

Please see para 12 of Chapter I of the Report

Recommendation Sl. No. 7 (Para No. 38)

The Committee note that Demands for the year 1994-95 provide a sum of Rs. 4.06 crores for investment in some of PSUs. It is a matter of concern to the Committee that out of 9 PSUs under the administrative control of the Department as many as 4 PSUs had been incurring huge losses and had been referred to BIFR. These were IDPL, BIL, BCPL and SSPL. The Committee were informed that the revival package of IDPL had since been approved by BIFR and necessary funds were being provided for its revival. The revival packages of other PSUs are reportedly under finalisation scrutiny and the same are expected to be finalised by June 1994. The Committee recommend that all out efforts should be made to expedite the revival packages. Since there is no provision of funds for revival packages (except IDPL) in the Demands, some arrangement may be made with the Finance Ministry so that adequate funds are made available to these PSUs even at a short notice.

Reply of Government

The revival packages of all the four sick PSUs referred to BIFR have now been approved. While the revival package for IDPL was approved on 10.2.94, BIFR approved the package for BIL on 19.7.74, for SSPL on 31.8.94 and for BCPL on 16.9.94. While in the Budget Estimates for 1994-95, adequate provision of funds was made to provide further financial assistance to these PSUs with a view to sustain operations at current levels, additional provision of funds as required as per the revival packages approved by the Government and the BIFR are now being made in the Revised Estimates for 1994-95 and the Budget Estimates for 1995-96. Release of funds to IDPL has been done during the year as desired by the company as per the Action Plan approved by the Board of Directors of the company. For the remaining PSUs, efforts are being made to release the additional financial assistance, as required in the revival packages, at very short notice after obtaining necessary approvals from the Ministry of Finance without waiting for the additional grants to be passed in the Supplementary Demand for Grants. This is being done in order to ensure that the PSUs are able to perform as per the targets laid down in the revival package.

[Department of Chemicals & Petrochemicals O.M. No. 16(10)/94-Fin.]

Recommendation Sl. No. 8 (Para No. 39)

In the context of revival of sick PSUs, the Committee need not over emphasise the importance of restricting the operating costs of these PSUs. Admittedly, the salary cost of PSUs is as high as 35 to 40 per cent as compared to the industry average of 14 or 15 percent. The Committee trust that all possible measures would be taken to reduce the avoidable and

infructuous expenditure of the PSUs. The Ministry should keep a constant vigil over the functioning of the PSUs. The Government nominees on Boards of the PSUs can also play an active role over the functioning of public sector undertakings.

Reply of Government

In the four sick PSUs in the drug sector under this department referred to BIFR, efforts are being made to reduce the operating cost including the salary cost so as to bring it gradually to the industry average. This has been clearly brought out in the revival packages of these PSUs approved by the Government and the BIFR. While the incidence of operating cost will get reduced by corresponding increase in operations, close monitoring is also done to reduce the costs as such. For example, the salary cost is being reduced by reduction of man power through the implementation of Voluntary Retirement Scheme. The unprofitable and un-productive marketing/branch offices/depots and other functional areas are being closed down gradually. The Administrative service departments of these PSUs are being re-organised in order to smoothen their functioning and reduce costs. As per the directions given by the BIFR, a Management Committee consisting of representative of the company, financial institutions, banks, BIFR and the Government have been constituted which meet frequently to take important operational decisions. The Management Committee also monitors and oversees the implementation of the revival packages, besides monitoring the performance on a fortnightly basis. In addition, the Board of Directors of these PSUs monitors the performance on a regular basis and conduct detailed discussions with regard to the future operations in order to improve performance and reduce costs. The performance of these PSUs is further periodically reviewed by the Secretary of Department of Chemicals and Petrochemicals and also by the Minister of Chemicals and Fertilizers.

[Department of Chemicals & Petrochemicals O.M. No.16(10)/94-Fin.]

Recommendation Sl. No. 9 (Para No. 43)

The Committee find that besides investment, the Government provides funds to PSUs, through plan and non-plan loans. The health and growth of PSUs under the Department can be gauged by the fact that during the last 2-3 years the plan loans was of the order of Rs. 2 crores whereas non-plan loan was about Rs. 18-30 crores. For the year 1994-95 as against the provision of plan loan of Rs. 7.55 crores the non-plan loan is Rs. 23.48 crores. The increase in plan loan appears to be account of finalisation of revival package of IDPL. The Committee would like the Ministry to make necessary efforts to reduce the non-plan outlay/loans once the working of sick units is stabilised.

Reply of Government

Provisions for Non-Plan assistance to PSUs in the PI Sector have been made for IDPL, BIL, BCPL and SSPL. While the revival package for IDPL has been finalised and the provision of Rs. 20 crores as Non-Plan assistance is in accordance with the assistance envisaged in the revival package, the provisions made for BIL, BCPL and SSPL are to enable these sick companies to sustain the current operations. As soon as the revival packages for these companies are finalised, adequate provision for non-plan support, as per the revival packages, are to be provided. The non-plan assistance, as per the current indications, required for revival of these PSUs are only for a limited period of 2-3 years. In fact, from 1996-97, the non-plan assistance will automatically come down by a significant quantum and from 1997-98 onwards, no non-plan assistance would be required.

[Department of Chemicals & Petrochemicals O.M. No. 16 (10)/94-Fin.]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

—NIL—

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl.No. 10 (Para No. 47)

The examination of Demands for Grants of the Department by the Committee has revealed that one of the most important areas viz., Research and Development has been neglected so far as substantial funds have not been allocated for the activities related to R&D. The Secretary, C&PC deposed before the Committee that some of the PSUs like IDPL provide funds out of their budgets. The Committee wonder how the sick units could have concentrated on R&D activities when some of them were not having even working capital to run their units. The Committee therefore recommend that adequate provisions should be made in the Demand for R&D work which is crucial for economic growth.

Reply of Government

As the Central Government do not generally give grant to the PSUs for their R&D activities, in the Budget for 1994-95, no separate provision has been made for assistance to the PSUs in Pharmaceuticals Industry Sector for R&D work. For specific proposals of R&D, financial assistance could be considered for inclusion in the revised estimates for 1994-95 and budget estimates for 1995-96. The PSUs in Pharmaceuticals Industry Sector have been advised to send proposals, if any. In addition to the efforts made by the Administrative Department, grants for R&D are also given to these PSUs, through the Department of Science and Technology and Department of Bio-technology.

The Eighth Plan outlay for R&D capital expenditure programme in respect of IPCL and PCL are Rs. 45.90 crores and Rs. 36.38 lakhs respectively to be funded out of their internal and extra budgetary resources. Both these PSUs, are satisfied with the provisions made for R&D programme during the Eighth Plan period.

[Department of Chemicals & Petrochemicals O.M. No. 16 (10)/94-Fin.]

Comments of the Committee

Please see para 15 of Chapter I of the Committee.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 6 (Para No. 30)

The Committee have been informed that response to VRS introduced in sick PSUs like IDPL, BCPL, BIL and SSPL has been very good. Upto December, 1993, as many as 2481 workers opted for VRS in these PSUs. With a view to make operations of these units viable, scientific study should be conducted to ascertain the actual manpower requirements and efforts should be made to keep the manpower strength within prescribed limit.

Reply of Government

The Revival Package for Indian Drugs & Pharmaceuticals Ltd. (IDPL) has a target of manpower rationalisation through Voluntary Retirement Scheme by 3300 over a period of two years *i.e.* 1993-94 and 1994-95. The extent of excess manpower has been assessed by IDPL through inhouse expertise and the targets of manpower rationalisation, the employment cost as a percentage of value of production have been vetted by Industrial Development Bank of India (IDBI), Bombay.

For Bengal Chemicals & Pharmaceuticals Ltd. (BCPL), the revival plan which is under finalisation envisages reduction of the manpower by 500 from the level of 1365 (as on 1.4.1993) to 865 by the end of 1994-95 through VRS. The extent of excess manpower, with reference to strength as 1.4.1993 worked out by a Working Group comprising the representatives of the management the officers and the employees of the company. Further, it was given a relook by an Expert Group set up by the Department of Chemicals & Petrochemicals. Finally the Industrial Reconstruction Bank of India (IRBI), Calcutta, the Operating Agency (O.A.) has assessed that it would be necessary to rationalise the manpower by about 500 to bring down the total strength to 865 by 31.3.1995.

Bengal Immunity Ltd. (BIL) had a total manpower of 1605 as on 1.4.1991. With the implementation of the Voluntary Retirement Scheme and as also from normal retirements etc. the strength came down to 1258 as on 31.3.1994. According to the Revival Plan of the company as prepared by the IRBI, Calcutta 106 more employees are to be rationalised by the end of March, 1995.

Smith Stainstreet Pharmaceuticals Ltd. (SSPL) had a total manpower strength of 790 as on 31.3.1993. The manpower strength as on 31.3.1994 was 674. The revival plan envisages that the manpower strength would be rationalised to bring it down to 590 by the end of 1994-95. This is through the process of Voluntary Retirement Scheme as well as normal retirements. However, over the years addition to the extent of 170 persons in different disciplines particularly in the operational areas like Marketing would be made. The assessment of the manpower requirement keeping the projected operations of production and sales have been made in consultation with IRBI, Calcutta. The draft scheme for revival of the company which also includes the manpower rationalisation is on the basis of the Report of the Operating Agency (IRBI) appointed by the BIFR.

In all the cases of the public sector undertakings in the Pharmaceuticals Industry sector namely, IDPL, BCPCL, BIL & SSPL the endeavour is to bring down the manpower/employment cost within the prevalent Industry norms of 12 to 15% (with reference to the value of production). The employment cost can be brought down in two ways, one is to reduce the manpower and the other is to simultaneously increase the operations particularly production and sales. Depending on the performance of the company in terms of production and sales the extent of further rationalisation of the manpower can be considered. While reduction in strength in certain non-productivity areas would be essential, it may be necessary to strengthen the Operational areas. The extent and need of strengthening the Operational areas would be constantly reviewed by these PSUs.

Expert advice to determine of extent of manpower rationalisation would be availed after review of first year's performance of these companies during the Revival period.

[Department of Chemicals & Petrochemicals O.M. No. 16 (10)/94-Fin.]

Recommendation Sl. No. 11 (Para No. 48)

The Committee were also informed that the Ministry proposed to set up Petro-chemicals Development Agency. However, the Planning Commission has not agreed to it so far. Since the Department has sought only a crore of rupees as seed money for the same and they are hopeful to raise necessary funds from the industry, the Committee find merits in the suggestion. The Committee accordingly recommend that Planning Commission/Finance Ministry should reconsider the matter.

Reply of Government

The matter pertaining to release of Rs. 1 crore by Planning Commission/ Finance Ministry as seed money for commencing the activities of the proposed Petrochemicals Development Agency is being taken up again with the Planning Commission. Efforts are also being made to raise funds from industry.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16 (10)/94-Fin. Dated]

NEW DELHI;
April 19, 1995

Chaitra 29, 1917 (Saka)

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

APPENDIX I
MINUTES
STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1995-96)

3rd Sitting
(17.4.95)

The Committee sat from 11.00 hrs. to 11.30 hrs.

PRESENT

Shri Sriballav Panigrahi — Chairman

MEMBERS

Lok Sabha

2. Dr. Ravi Mallu
3. Shri Sant Ram Singla
4. Shri C.P. Mudalagiriappa
5. Shri V.S. Vijayaraghavan
6. Dr. Laxminarain Pandey
7. Shri Janardan Prasad Misra
8. Shri Rameshwar Patidar
9. Shri Surya Narayan Singh

Rajya Sabha

10. Shri E. Balanandan
11. Shri Mohd. Masud Khan
12. Shri Pasumpon Tha. Kiruttinan
13. Shri G.Y. Krishnan
14. Shri Suresh Pachouri
15. Shri Jagdish Prasad Mathur
16. Shri V. Narayanasamy
17. Shri Chimanbhai Haribhai Shukla
18. Shri Balbir Singh
19. Shri S.S. Surjewala
20. Shri Dineshbhai Trivedi

SECRETARIAT

Shri Brahm Dutt—Under Secretary

The Committee considered the draft report on action taken by the Government on the recommendations contained in the 6th Report of the Committee on Demands for Grants 1994-95 relating to the Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals. After some discussion the Committee adopted the Report.

2. The Committee also authorised the Chairman to finalise the Report after factual verification by the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals and present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 4 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 6th Report of the Standing Committee on Petroleum and Chemicals 1994-95 (Tenth Lok Sabha) on 'Demands for Grants 1994-95' relating to Ministry of Chemicals and Fertilisers, Department of Chemicals & Petrochemicals.

I Total number of recommendations	11
II Recommendations that have been accepted by the Government (Vide Recommendation at Sl. Nos. 1 to 5, 7, 8 and 9)	8
Percentage to total	72.73%
III Recommendation which the Committee do not desire to pursue in view of Government's reply.	NIL
IV Recommendation in respect of which reply of Government has not been accepted by the Committee. (Vide Recommendation at Sl. No. 10)	1
Percentage to total	9.09%
V Recommendations in respect of which final replies of Government are still awaited. (vide Recommendation at Sl. Nos. 6 and 11)	2
Percentage to total	18.18%