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**STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1996-97)**

ELEVENTH LOK SABHA

DEMANDS FOR GRANTS (1996-97)

**MINISTRY OF CHEMICALS AND FERTILISERS
(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)**

FIRST REPORT



सत्यमेव जयते

159

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 1996/Bhadra, 1918 (Saka)

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N6010/97

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Presented to Lok Sabha on 6.9.96

Laid in Rajya Sabha on 6.9.96



LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1996-97)

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Shri A.R. Antulay

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2. Dr. L.N. Pandey
3. Shri Chandubhai Deshmukh
4. Shri Dileep Sanghani
5. Shri Tejvir Singh
6. Shri Ratilal Verma
7. Shri Dwarka Nath Das
8. Dr. G.L. Kanaujia
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44. Dr. Y. Lakshmi Prasad
45. Shri Parag Chaliha

SECRETARIAT

- | | | |
|----------------------|---|-----------------------------|
| 1. Dr. A.K. Pandey | — | <i>Additional Secretary</i> |
| 2. Shri J.P. Ratnesh | — | <i>Joint Secretary</i> |
| 3. Shri G.R. Juneja | — | <i>Deputy Secretary</i> |
| 4. Shri Brahm Dutt | — | <i>Under Secretary</i> |
| 5. Shri S.N. Dargan | — | <i>Asstt. Director</i> |

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1996-97) having been authorised to submit the Report on their behalf, present this First Report on Demands for Grants of the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-chemicals for the year 1996-97.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-chemicals for the year 1996-97 which were laid on the Table of the House on 2nd August, 1996.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-chemicals at their sitting held on 17th August, 1996.

4. The Committee considered and adopted the Report at their sitting held on 27th August, 1996.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and 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 1996-97 and for giving evidence before the Committee.

NEW DELHI;
August 29, 1996
Bhadra 7, 1918 (Saka)

A. R. ANTULAY,
Chairman,
Standing Committee on Petroleum and Chemicals.

REPORT

A. Introductory

The Department of Chemicals and Petro-chemicals under the Ministry of Chemicals and Fertilisers is entrusted with the responsibility of Policy planning, development and regulation of Chemicals, Petro-chemicals and Pharmaceutical Industries. The Deptt. has also following 8 Public Sector Undertakings (PSUs) and 4 other organisations under its administrative control.

Attached Office

Office of the Development Commissioner (Pharmaceuticals Industry)

Public Sector Undertakings

1. Hindustan Organic Chemicals Ltd. (HOCL)
2. Hindustan Insecticides Ltd. (HIL)
3. Indian Drugs and Pharmaceuticals Ltd. (IDPL)
4. Hindustan Antibiotics Limited (HAL)
5. Smith Stanistreet Pharmaceuticals Ltd. (SSPL)
6. Bengal Chemicals and Pharmaceuticals Ltd. (BCPL)
7. Bengal Immunity Limited (BIL)
8. Indian Petro-chemicals Corporation Ltd. (IPCL)

Other Organisations

1. Petrofils Co-operative Limited (PCL)
2. Central Institute of Plastic Engineering and Technology, (CIPET)
3. Institute of Pesticides Formulation Technology (IPFT)
4. National Institute of Pharmaceuticals Education and Research (NIPER).

2. The Demands for Grants of the Deptt. of Chemicals and Petro-chemicals (here in after referred to as Department) were laid on the Table of Lok Sabha on

2nd August, 1996. Demand No. 5 of the Deptt. contains the following figures of Revenue as well as Capital expenditure for the year 1996-97 :—

(Rs. in crores)			
	Plan	Non-Plan	Total
Revenue Section	7.10	447.75	454.85
Capital Section	12.00	26.88	38.88
	19.10	474.63	493.73

(The item-wise actual Revenue and Capital expenditure for the year 1994-95, Budget Estimates and Revised Estimates for 1995-96 and Budget Estimates for 1996-97 are given at Appendix I).

3. Out of total Demands of Rs. 493 crores for the year 1996-97, the major heads are 'Funds for Bhopal Gas Tragedy' (Rs. 363 crores), 'Subsidy to Assam Gas Cracker Project' (Rs. 75 crores) and 'Investment in PSUs and loans to sick PSUs' (Rs. 38 crores). These are dealt with in subsequent paragraphs.

Major Head 3451

B. Secretariat Services (Total Rs. 3.12 crores)

4. This head is mainly for salaries of the Ministry's officials and other expenses like office expenses, Travelling, OTA, Publications, etc. as given below :—

(Rs. in lakhs)				
Items of Expenditure	Actual 1994-95	BE 1995-96	RE 1995-96	BE 1996-97
Salary	158.24	180.00	190.00	200.00
Wages	3.84	4.00	4.50	4.50
OTA	6.00	6.00	6.25	6.25
Domestic Travel	-	4.00	8.00	8.00
Foreign Travel	*8.70	8.00	8.00	8.00
Office Exp.	53.93	55.00	78.00	80.00
Professional Services	-	0.50	-	-
Publications	4.61	1.50	5.00	5.00
Other Expenses	0.19	1.00	0.25	0.25
Total	235.51	260.00	300.00	312.00

*Inclusive of Domestic Travel Expenses.

5. The expenditure under the 'Secretariat Head' has increased from Rs. 2.35 crores in 1994-95 to Rs. 3.12 crores in 1996-97. This is mainly due to transfer of

113 posts from DGTD to the Deptt. as part of decision of the Government. In pursuance of the Committee's recommendation made in their earlier Report, the Department had entrusted a Man Power Study to Staff Inspection Unit (SIU) of Ministry of Finance. During the course of examination of the Deptt. the Committee wanted to know the findings of this study and subsequent action taken by the Government. The Deptt. in a written reply stated as follows :—

“The Staff Inspection Unit (SIU) of the Ministry of Finance has since completed the work study of the Department of Chemicals and Petrochemicals and submitted a report to the Department on 22nd July, 1996. In their report the SIU has assessed the staff strength of the Department as 268 against the 350 sanctioned posts of which 317 is the actual working strength. Action regarding reduction of the 54 net posts as recommended by the SIU of the Ministry of Finance on 22.7.1996 is being taken by the respective cadre authorities for the posts identified as surplus.”

6. On being pointed out by the Committee that if the posts were not filled within a year they stand abolished, the Secretary, Chemicals and Petro-chemicals (C&PC) stated :—

“Sir actually some of these posts have not been filled in as a matter of policy.....We have not initiated action to fill the posts.”

7. Asked about the least position, the witness stated :—

“We have a detailed discussion with SIU. The actual SIU report was received on 22nd July and slowly these people will be absorbed somewhere else. We have agreed that we are going to surrender these posts.”

8. In reply to a question about exact number of surplus posts, the Secretary, C&PC informed :—

“In terms of reduction, from 317 to 268, it should be 49. But the point is out of the vacant posts the difference is 49. Actually, after our discussion with SIU and all the other officers, it was agreed that out of the remaining posts, five posts will not be abolished. They are Industrial Advisors – 2; Deputy Secretary-1; Senior Investigator – 1 and Stenographer Gr. ‘D’ – 1. So, forty nine plus five comes to fifty four. Technically it is fifty four because these five posts will not be abolished.”

9. The Committee further wanted to know whether the surplus manpower would be retrenched. The witness stated that those declared surplus would be absorbed elsewhere in the Government.

10. The Committee note that the Staff Inspection Unit (SIU) of the Ministry of Finance has assessed the staff strength of the Department as 268 against the 350 sanctioned posts of which 317 is the actual working strength. The Deptt. has initiated action to reduce the 54 net posts as recommended by SIU. The Committee fail to understand why as many as 113 posts were transferred to Deptt. when so many posts were not actually required. While deprecating the *ad hoc* approach of the Government in increasing the manpower of the Deptt. without assessing the real requirements, the Committee would like the Deptt. to bring the manpower strength at the level recommended by SIU study in a time bound manner.

Major Head 2852

C. Central Institute of Plastics Engineering and Technology (CIPET)

11. CIPET was established in 1968 at Madras with the primary objective to develop trained manpower and provide technical services to plastics and its allied industries. Presently there are eight extension centres of CIPET at Ahmedabad, Lucknow, Hydreabad, Bhopal, Bhubaneshwar, Imphal, Amritsar and Mysore besides the headquarters centre at Madras with thrust areas as processing and machinery development, teletronics and automobiles, Engineering Plastics, Plastics in Agriculture, Packaging and Housing Water Management and household appliances, plastic as substitute for conventional material, plastics in precision engineering and evaluation and quality control. A service centre of CIPET at Goa has been set up in December, 1993 to provide requisite support to plastic industries in and around Goa. The budget provisions for the Institute have been as under :—

Year	(Rs. in crores)
1994-95 (Actuals)	11.50
1995-96 (BE)	19.00
1995-96 (RE)	25.40
1996-97 (BE)	9.00

The above provisions include Rs. 37 crores given by World Bank as assistance to the Institute. Asked by the Committee about the reasons for lowering the allocations for CIPET during the current year viz. 1996-97, the Deptt. stated in a note :—

“The Central Government has approved modernisation of CIPET facilities at an estimate cost of Rs. 38.50 crores comprising of 12 million US\$ (approx.

Rs. 37 crores in Indian currency) as World Bank Assistance and Rs. 1.50 crores as GOI counterpart expenditure. The project was scheduled to be completed by September, 1996. The actual release of World Bank funds in this project under the annual plan outlay are as follows :—

(i)	1993-94 (Actuals)	Rs. 15.50 crores
(ii)	1994-95 (Actuals)	Rs. 4.00 crores
(iii)	1995-96 (Actuals)	Rs. 16.90 crores
(iv)	1996-97 (BE)	Rs. 0.60 crores
		Rs. 37.00 crores

It may thus be observed that on account of this project, Rs. 36.40 crores has actually been released and the balance amount of Rs. 0.60 crores has been provided in the plan outlay for 1996-97, which is yet to be released.”

12. As regards the assistance given by GOI (other than World Bank assistance) the Deptt. stated that they have proposed or this year a plan fund of Rs. 4 crores and Rs. 4.40 crores towards non-plan outlay.

13. The Committee pointed out that the project was to be completed by September 1996 and enquired about the actual utilisation of the World Bank grant. The Deptt. informed the Committee in a note that out of Rs. 36.40 crores released to the Institute so far, the machine worth Rs. 10 crores had been procured. The action for procuring other components/machinery was under process.

14. In reply to a question about achieving the objectives of the World Bank Project, the Deptt. stated that the main objective of this grant was to modernise training and testing facilities at various existing centres of CIPET. Since the project was in the implementation stage, the objectives would be achieved fully in due course.

15. The Committee further wanted to know the number of students trained by the Institute so far. Secretary, C&PC informed the Committee that annually about 1400 to 1500 trainees were being trained and so far they have already trained 10,080 trainees in long term courses and about 7800 people in short term courses.

16. When asked about the criteria for admission in the courses of the Institute, a representative of the Institute stated that they advertise and conduct admission tests all over the country.

17. In reply to a question about giving encouragement to poor and SC/ST candidates the witness informed the Committee that they give scholarship to

candidates whose annual income was less than Rs. 24000. Besides, SC/ST candidates are required to pay only nominal fees.

18. The Committee further wanted to know whether the Institute had conducted and study to know about the utility of courses offered by it. Directory CIPET stated during evidence :—

“We have collected data in this regard. The number of old students trained is 1605. Our experts say that the students coming out to these institutions go in for a job for four or five years and after that they start their industries.....Out of these 10 per cent are running their own industries the size of which ranges from Rs. 30,000 to Rs. 1.5 lakh. They are all in the plastic and related industries. And 35 per cent are in managerial positions.”

19. On being pointed out by the Committee that the number of persons trained by the Institute during its about 28 year of existence was not impressive, the witness stated that out of 10,000, 7000 students took training during last 5 years. He added:—

“10,000 may look smaller but in fact it is not so. In 1968, the Centre was only in Madras and the second Centre came up at Ahmedabad around 1974.”

The Deptt. further stated in a note that the students intake capacity for long term courses has increased from 490 during 1989-90 to 1815 in 1996-97.

20. The Committee further wanted to know whether there were any plans to set up Centres in backward areas like North-Eastern States, the Secretary C&PC stated :—

“I may submit as of now we have really no plans. There are two important criteria for a Centre to be opened. Firstly the State Governments should bear 50 per cent share for us to start a Centre. The second criterion is that it should be set up in an area where industries are coming up, particularly plastic etc. If we put it in a place X, where people have to go 300 or 400 miles then it will not be of any use.”

21. The Committee note that even though the provision of Rs. 9 crores for CIPET during 1996-97 is in conformity with its training activities, they find that the implementation of World Bank assisted project (costing Rs. 38 crores) for upgrinding its existing facilities has been very slow. As against the scheduled completion of the project by September 1996, machines/equipments worth Rs. 10 crores only have been procured so far. The Committee would like the Deptt. and the Institute to expedite the completion of the project in a time bound programme.

22. The Committee note that Institute was set up as early as 1968. In Committee's view cumulative performance of the Institute i.e. 10080 persons trained by the Institute in its regular courses and 7800 persons in short duration courses is hardly impressive. They were informed by the Deptt./ Institute that till 1974 the Institute was having training facilities only at Madras. The other Centres came up later as a result of the intake of student has increased from 490 in 1992-93 to 1815 in 1996-97. Taking un-employment factor in to consideration the Committee would like the Institute to utilise its resources optimally so that its training facilities are availed by maximum possible persons through its regular long term and short-duration courses.

23. The Committee regret to note that one of the criteria for opening up of new Centres by CIPET is the areas where plastic industries are coming up. This way such Centres can never be opened in industrially backward areas like North Eastern States. The Committee strongly recommend that this criteria for opening up of new Centres should be reviewed. They also urge upon the Govt. to open training Centres in backward areas so that the employment opportunities are made available to the most needy people.

Major Head 2852

D. Subsidy to Assam Gas Cracker Complex

24. Assam Gas Cracker Project costing about Rs. 3000 crores (without participation of Central Govt.) is to be set up in Assam. Owing to various disadvantages of setting of the plant in Assam and unwillingness of the co-promoters, the Central Govt. propose to give one time subsidy of Rs. 377 crores to be disbursed over next three years. For this purpose provision of Rs. 75 crores has been made in the Demands of the Deptt. for the year 1996-97. The Project is to be undertaken by Reliance Assam Petrochemicals with the proposed share holding as under :-

AIDC	-	11%
Co-Promoter (RIL)	-	40%
Public	-	49%

25. During the course of evidence of the representatives of Deptt. of C&PC the Committee pointed out that the project was a part of Assam accord, signed by the then Prime Minister as back as 1985 and another Prime Minister laid foundation of the Project two years back. Asked why the project has not taken off even after a lapse of over a decade, the Secretary, C&PC stated :—

“When this project was envisaged to bring about industrial development in a backward area of Assam, the Government of India's role was not to

implement the project but only to facilitate the project being setup. That is why the license was issued to the Assam Government for setting up this project in the joint sector and the Assam Government took a decision that the Assam Industrial Development Corporation will be one partner along with another joint sector partner, the Government of India in terms of the Assam accord agreed to give a few facilities in order to facilitate setting up of this project. Assam being the backward area, in terms of its difficult infrastructural facilities or other difficulties, it was decided that in order to compensate those difficulties, the Government of India would give a one time capital subsidy of Rs. 377 crores. Now, this Rs. 377 crores subsidy was linked to the progress of the project. We did not release the money because there was practically no progress. In the current year's Budget we have kept a provision of Rs. 75 crores and in case the project proceeds, then only this amount will be issued. That was one of the facilities which the Government of India wanted to give them."

He added :—

The Government of India gave another concession for producing two hundred thousand tonnes of Ethylene which was the gas requirement given by them. The Government of India felt that Government of Assam must retain a stake in this particular project and, therefore, it was agreed that at least 11 per cent of the equity will be held either by the Assam Industrial Development Corporation or by the Assam Government, whichever way the Government decides."

26. Asked about the progress of this Project, the Deptt. stated in a note :—

"A new company in the name of Reliance Assam Petrochemicals Ltd. has been incorporated to implement the project. The site of the project is Tenkaghat in the Dibrugarh District of Assam where 350 acres of land has already been handed over to the company. Action is being taken for acquiring another 500 acres. The downstream processing units will be set up at Guwahati. Environmental impact assessment study is being undertaken for the site. Applications have also been submitted for pollution and environmental clearances from the State and Central Government. Regarding funding for the project, no firm commitments have been made so far. A consortium of banks led by IDBI is to give loans for the project. The company has applied to Ministry of Finance for external commercial borrowings. As regards technology, only preliminary discussions are on with various parties.

The actual implementation of the project and commencement of physical activities at the site have been delayed as the project authorities have raised several issues relating to the project which are pending for resolution with the Ministry of Petroleum and Natural Gas.”

27. The Committee further pointed out that cost of project might also had gone up due to delay of implementation of project. Asked why the commitment of the Central Govt. given to the people of sensitive and industrially backward region; the Secretary, C&PC replied :—

“The Govt. of India’s role was not to implement the project but only to facilitate the project being set up. We hold continuous dialogues and try to see that some of the difficulties are sorted out.”

28. The Committee are distressed to note that Assam Gas Cracker Project which was a part of Assam Accord and was signed by the then Prime Ministry of India as back as 1985 is yet to take off. The Committee regret to note that instead of setting up a project in a politically sensitive and industrially backward region of the country, the Government became a facilitator agency. The Committee do not approve this approach of the Government. For this project the Government propose to give a subsidy of Rs. 377 crores and out of which a provision of Rs. 75 crores has been made in the demands of the Ministry for the current year. Similar amount was provided in last year’s demands. Since the project is yet to take off and implementing agency is yet to get a firm commitment of funds for the project, even a single paisa has not been released so far. To the Committee’s dismay, even when the funds for the project have not been tied till date, another Prime Minister of India laid the foundation stone of the project two years back. In Committee’s view, this is a cruel joke played on the people of North-east. The Committee strongly recommend that since the solemn assurance for installation of the project was given by the Central Govt. in the Assam Accord, they (GOI) are morally bound to implement this project. In this background, the Govt. ought to have ensured that this project is translated into action through big Public Sector Undertakings and/ or private giants. The Committee would like the Govt. to implement this project rather than persisting in claiming be merely facilitator. The Committee would also like to know the action taken by the Government on this recommendation within 3 months of the presentation of the Report in Parliament.

Major Head 2857

E. Bhopal Gas Disaster

29. The following table shows the provisions made under the Head during the years 1994-95 to 1996-97:—

Year	(Rs. in crores)
1994-95 (Actuals)	64.95
1995-96 (BE)	10.75
1995-96 (RE)	242.73
1996-97 (BE)	363.68

30. During the course of examination of the Deptt. the Committee enquired about the reasons for which Budget Estimates of Rs. 10.75 crores was revised to Rs. 242.73 crores in 1995-96. The Deptt. of C&PC replied in a note that additional funds were required for the following schemes and not for payment of compensation :—

- (i) A sum of Rs. 104 crores was taken as an advance from the Compensation Fund by the Govt. of India for payment of Interim Relief to the Bhopal Gas victims. This amount was recouped to the Settlement fund from the provision made in the revised estimates 1995-96.
- (ii) A sum of Rs. 47 crores was required due to the extension of the scheme of payment of interim relief in 36 affected wards.
- (iii) A sum of Rs. 1.90 crores was required for payment to the bankers for advancement of the scheme for payment of interim relief in the year 1990. The payment of interim relief started in April, 1990 as against originally proposed from 1.6.1990.
- (iv) Funds to the extent of Rs. 31.02 crores were required for payment to the Govt. of M.P. for implementation of the Action Plan.
- (v) A provision of Rs. 50 crores was made in RE to meet the differences of exchange rate variation in the Settlement Funds."

31. Explaining the exchange variation provision the Deptt. in a note stated that while transferring the compensation amount with interest to the Welfare Commissioner for payment of compensation, the Supreme Court in its Order of October, 1992 directed that the rupee component of the compensation amount should be utilised first and thereafter the funds should be drawn from the Dollar Account and the Govt. should meet the difference of exchange rate prevailing at the

time of payment of compensation i.e. February, 1989 and at the time of drawal from the Dollar Account.

32. The provision of Rs. 363.68 crores for 1996-97 is meant for expenditure on account of exchange variations (Rs. 305 crores), office of Welfare Commissioner (Rs. 8.57 crores) and for interim relief (Rs. 50 crores). The Committee wanted to know the latest position in regard to settlement of cases and disbursement of relief. The Deptt. of C&PC replied in a note that the position of disposal of compensation cases as on 21.7.96 as intimated by the Welfare Commissioner's office was as follows:—

	Death cases	Injury cases
Total claims received	15,310	4,94,488
Cases adjudicated	14,896	3,21,664
Awards passed	10,653	2,95,858
Amount of awards passed (Rs. crores)	74.12	788.88
Amount disbursed (Rs. crores)	72.61	741.30

33. In the context of delay in settlement of cases the Committee pointed out that as per Supreme Court order there should have been 56 courts. Asked about the number of courts working presently, a representative of the Department of Chemicals and Petro-chemicals stated that till recently 44 courts were working.

Explaining it further the Deptt. in a note stated:—

“At present 38 courts of Deputy Commissioners as against 56 courts sanctioned are functioning. The Welfare Commissioner who is a sitting judge of the High Court of M.P. has been requesting from time to time the High Court of M.P. to make available the judicial officers for appointment as Deputy Commissioners. At one stage 44 courts of Deputy Commissioners were functioning but subsequently some of the judicial officers were transferred by the High Court of M.P. and their replacement have not yet been posted.”

34. Asked about the time-frame to complete the distribution of compensation to the satisfaction of all affected persons/families, the Deptt. stated :—

“It is expected that the pending claims will be disposed of by the Welfare Commissioner by March, 1997.

Besides the claims already received, the Welfare Commissioner is required to notify a date inviting fresh applications for claims under the Bhopal Gas Leak Disaster (Registration and Processing of Claims)

Scheme, 1985. This notification has not yet been issued and the Welfare Commissioner proposes to issue this notification only after claims already filed are disposed of. The final disposal of fresh claims will depend on the number of claims received by him."

35. The Committee further pointed out that by issuing notification at this stage, the process of giving compensation would never be completed. Enquired as to how this notification has not been issued so far, a representative of the Deptt. informed the Committee that the Bhopal city was divided in 56 wards and out of which 36 wards were close to the factory.

36. It also came out that there have been different criteria for preferring the claims *i.e.* residence proof for the people living in notified 36 wards and medical proof for remaining 20 wards. On being pointed out by the Committee that there should have been a uniform criteria for Bhopal city as a whole, the witness stated :—

"That would have been an ideal situation. After all, three lakh cases have been decided by now and today if it is to be decided the other way, then the amount of compensation will be reduced much less. Further, it will have to be done with the approval of the Supreme Court."

37. As regards the total amount received from Union Carbide, the witness replied that they got Rs. 710 crores and with interest accrual it had become came to Rs. 1400 crores and out of its Rs. 813 crore have been disbursed so far.

38. The Committee are deeply anguished at the lackadaisical manner in which the matter regarding proper payment of compensation to the victims of Bhopal Gas tragedy has been handled by the Government. Over 400 death cases and over 1,70,000 injury cases are yet to be settled. The Committee are further dismayed to learn that after disposing these cases tentatively by March, 1997, another notification would be issued for seeking fresh claims. In this way the Committee feel that it will be an unending process. The Committee also fail to understand as to why the proposed notification has not been issued so far. The Committee would like the Government to consider these points and prepare a comprehensive plan so that the compensation is given to all affected and needy persons without any further loss of time.

39. The Committee also regret to note that as against the 56 courts sanctioned for the purpose, only 37 courts of Deputy Commissioners are functioning. The Committee take a serious view of the situation (Dr. Pandey's suggestion). The Ministry have explained that the required number of Judicial Officers were not made available by the High Court of Madhya Pradesh. The

Committee feel that the Ministry should have approached the Supreme Court to impress upon Madhya Pradesh High Court to make available required number of Judicial Officers. Functioning of Courts in full strength would have expedited the settlement of cases and it would have certainly been given much needed relief to the victims.

40. The Committee are constraint to note that there have been different criteria for entertaining the claims of victims of the Bhopal Gas Tragedy. For instance, people residing in the notified 36 wards needed proof of their living in these areas and people living in other 20 wards needed medical proof to prefer their claims. In Committee's view there should have been uniform criteria for Bhopal City as a whole. The Committee would like the Government to examine the matter afresh and to take remedial measures to give relief to the remaining 20 wards of the city without further delay. The Committee would also like to be apprised of the action taken in this regard.

Major Head 2852

F. National Institute of Pharmaceuticals Education and Research (NIPER)

41. This is a new project being set up at SAS Nagar (Mohali) near Chandigarh. The Institute seeks to promote excellence in the sphere of pharmaceutical education in India and to meet the current and future need of the pharmaceutical sector in India. The initial estimated cost of the project was Rs. 25 crores. The Institute however, has submitted a proposal for approving the Revised Cost Estimates at Rs. 87.30 crores. Pending approval of the RCE, a token provision of Rs. 1.00 crore has been made in the B.E. 1996-97 for providing plan assistance to the Institute.

42. Asked about the factors for cost escalation over 300% the Deptt. in a note stated that the escalation was on account of following factors:—

	(Rs. in crores)
(i) Increase in Price Index between Dec. 90 to Dec. 95.	9.28
(ii) Foreign Exchange variation	7.00
(iii) Under estimation of cost at initial stage	9.22
(iv) Due to site conditions	2.70
(v) Change in scope of the project	34.10
	62.30

43. Explaining the reasons further a representative of the Deptt. stated during evidence :—

“The National Institute of Pharmaceutical Education and Research is a concept which has been in existence over the last 25 to 30 years which kept on getting passed, as a proposal, from Ministry to Ministry, from Education Ministry to Health Ministry and finally, sometime back in 1989, it landed in the lap of the Department of Chemicals and Petrochemicals. At that time, a proposal was prepared. A Committee which had been set up by experts had initially drawn up a proposal at that time in 1987 for a National Institute of this sort at a total cost of Rs. 88 crores. Then, we went to the Expenditure Finance Committee. All major proposals have to be taken up to the EFC. When the proposal was taken before the EFC, the proposal was curtailed to Rs. 47 crore. Finally, in December, 1990 when the Cabinet approved this proposal, they approved it at a total cost of Rs. 25 crore.”

44. When asked about the actual progress of the project, the Deptt. in a note stated :—

“The project was scheduled to be completed in 5 years *i.e.* by the end of December, 1995. The first phase of the project is now mostly complete. The Library, Secretariat, complex of six teaching wings and Research Block, Animal House, Pilot Plant, Students Hostel, visiting Faculty House and Faculty residential houses are ready. The Internal and external services have been laid. Procurement of minimum essential equipment is under process. A Director and few Faculty Members have also been appointed. Necessary supporting staff is being engaged. Research fellows are being admitted from the current academic session.”

45. When asked about the expected period by which the project would be completed, a representative of the Deptt. stated during evidence :—

“If the Planning Commission is able to find the money, if the money, is released to the Department for expenditure then definitely by 1998 we will be able to spend the money and complete this project. But if the whole process takes another seven to eight months or one years – because of non-availability of money, then it is likely to be delayed.”

46. The Committee find that for the current year a provision of Rs. one crore has been made for NIPER. While going into implementation of the project the Committee, however, have come across a unique case of working of the Government Department Project Estimates of Rs. 88 crores based on the

expert Committee were placed before the Government in 1987. The Cabinet approved the project in December, 1990 at a total cost of Rs. 25 crores. After spending Rs. 25 crores the project has come to a halt and concerned authorities have now sought revision of project cost to Rs. 87 crores. While deprecating such faculty approach on the part of the Government the Committee desire that the Revised Estimates should be approved by the Government at the earliest so as the whole investment and objectives of the project are put to best use.

Major Head 4857/6857

G. Investment in Public Sector Undertakings and Loans to PSUs

47. The following table shows the amount given to Public Sector Undertakings under the administrative control of the Department :—

		(Rs. in crores)			
		Investment		Loan	
		Plan	Non-Plan	Plan	Non-Plan
1		2	3	4	5
1994-95 (Actuals)		3.63	-	8.63	31.29
1995-96	BE	4.32	-	9.31	10.61
	RE	4.32	-	9.31	26.87
1996-97	BE	6.00	-	6.00	26.88

PSU-wise projections of Demand for the year 1996- 97 are as under :—

PSU

		Investment		Loan	
		(Rs. in crores)		(Rs. in crores)	
(1)	IDPL	20.00			Revival Package approved by BIFR on 10.2.1994. Revival package could not bring desired results and another revival plan is under preparation by IDBI which has been appointed as operating agency by BIFR.
(2)	Bengal Immunity Ltd.	0.50	2.50	Revival	Package approved by BIFR on 3.1.1995.

1		2	3	4	5
(3)	Smith Stani- Street Pharma- ceuticals (SSPL)	0.50	3.38	Revival	Package approved by BIFR on 31.8.1994.
(4)	Bengal Chem. & Pharm. Ltd. (BCPL)	0.50	2.50	Revival	Package approved by BIFR on 28.3.1995.
(5)	Hindustan Antibiotics Ltd. (HAL)	1.50	1.50		
(6)	Hindustan Insecticides Ltd. (HIL)	3.00	3.00		

48. During the course of examination of the Department of Chemicals and Petro-chemicals the Committee pointed out that the major assistance was proposed for IDPL. Explaining the need of Rs. 20 crores for the current year, CMD, IDPL stated during evidence :—

“IDBI is making a long term plan which come later. Just for the holding operations we need Rs. 18 crores. If this is not given, the unit will come to & closure and there would not be any revival possibility at all.”

49. When asked about the reasons for the failure of earlier revival package of IDPL, the Deptt. stated in a note :—

“The main reasons in the opinion of the Government for the failure of the revival package of IDPL were the inability of the management to reach the targetted levels of production and sales in the first year *i.e.* 1994-95. The projected levels of production of Rs. 3287.00 crores and sales of Rs. 306.00 crores envisaged levels of efficiency in working capital management, marketing which were found to be beyond the capacity of the company. The company could not make any progress in the matter of sale of surplus land and thus, generate funds. The pace of reduction in manpower through the voluntary retirement schemes was also slower. The targets in 1994-95 were at over optimistic levels. Absence of aggressive marketing, inability to introduce new products were also reasons for performance below the targets.”

50. It also came out during the course of examination that even Central and State agencies were procuring their requirements from Public Sector Undertakings

like IDPL which has been a leading unit in drugs/pharmaceuticals sector. Asked about the reasons for it, CMD, IDPL stated:—

“Institutional business are of two types; one is at the Central and the other is at the State level. Under the Central level when we give quotations, by and large, we are able to compete with our price and we can match with other big private concerns. But we cannot compete with very small scale sectors being run in a cycle or a scooter shed. On the paper what happens is when there drug licensee quotes a low price, the problem that the Ministry faces is to go along with that tender. That is why I suggest that whenever the Health Ministry purchases drugs, they have to send an expert committee to go around and see how the suppliers are working. This is what happens in European countries where more care is taken when drugs are purchased for the public health care.”

CMD, IDPL also stated :—

“I would plead that at least for five years price preference should be given for IDPL.”

51. Asked about the position of other sick units which were under revival process, the Deptt. in note stated that while there was improvement in sales/production performances of BCPL the funds in 1996-97 of BIL and SSPL were not very positive.

52. The Committee note that for the year 1996-97 a provision of Rs. 38.88 crores has been made for investment (Rs. 6 crores) plan loans (Rs. 6 crores) and non-plan loans (Rs. 26.88 crores) in the Demands of the Department. The major portion of this will go for IDPL which has been declared sick and is under BIFR reference. The Committee regret to note that the earlier revival package approved in 1994 could not bring desired results and consequently the operating agency viz. IDBI is preparing a revised revival package. The requirement of Rs. 20 crores is only for holding up its operations till IDBI gives its report. The Committee strongly desire that all necessary measures should be taken by the Govt. as also by the management of IDPL to revive this premier organisation (manufacturing life saving drugs) which was once a pride of the country. Needless to emphasise that Govt. should help in providing the necessary funds to IDPL once its revised revival package is approved.

53. It also came during course of examination of the Demands that even Central and State agencies are not giving any preference to IDPL in the matter of placing orders. CMD, IDPL expressed their inability to compete with very small manufactures through tenders as their establishment costs were very less. In this context he pleaded that IDPL should be given price preference

treatment for the next 5 years. The Committee would like the Deptt. to take up the matter with Govt. Deptts. to provide necessary help to IDPL whose products are in no way inferior to any and without in any way compromising the quality.

54. The Committee also note that apart from IDPL other PSUs under the Deptt. viz. Bengal Immunity Ltd., Smith Stanistreet Pharmaceuticals Ltd., Bengal Chemicals and Pharmaceuticals Ltd., Hindustan Antibiotics Ltd. and Hindustan Insecticides Ltd. are also not doing very well. The Committee would like the Govt. to monitor the performance of all PSUs closely and effectively under its administrative control through quarterly performance reviews and also through Govt. Directors on the Board of these PSUs to provide them guidance and assistance to improve the working of these units.

NEW DELHI;
August 29, 1996

Bhadra 7, 1918 (Saka)

A.R. ANTULAY,
Chairman,
Standing Committee on Petroleum & Chemicals.

APPENDIX I

ITEM-WISE DETAILS OF THE DEMANDS

(Vide Para 2 of the Report)

Revenue Section

(Rs. in crores)							
Sl. No.	Major Head	Items	Plan/ Non-Plan	1994-95 Actuals	1995-96		1996-97
1	2	3	4	5	B.E.	R.E.	B.E.
1	2	3	4	5	6	7	8
1.	3451	Sectt. Eco. Services	Plan Non-Plan	- 2.36	- 2.60	- 3.00	- 3.12
	2852	B. Industries B. I. Petrochemicals					
2.	Central Institute of Plastics Engineering Technology		Plan Non-Plan	8.50 3.00	16.00 3.00	21.40 4.00	4.60 4.40
Chemicals & Pharmaceuticals Industries							
3.	Bhopal Gas Leak Disaster		Plan Non-Plan	- 64.95	- 10.75	- 242.73	- 363.69
4.	Grant to Institute of Pesticides Formu- lation Technology		Plan Non-Plan	0.37 -	0.95 -	0.95 -	1.45 -
5.	National Institute of Pharmaceuticals Education & Research		Plan Non-Plan	1.50 -	3.28 -	3.28 -	1.00 -
6.	DC (PI)		Non-Plan	0.25	0.33	0.33	0.35

1	2	3	4	5	6	7	8
7.	RENPAF/(Through IPFT)		Plan	0.05	0.05	0.05	0.05
8.	Chemicals Weapons Convention		Plan Non-Plan	- 0.18	- 0.30	- 0.30	- 0.50
9.	NPPA		Non-Plan	-	0.10	0.10	0.70
10.	Subsidy to Assam Gas Project		Non-Plan	-	75.00	75.00	75.00
11.	VRS's in PSUs		Plan	25.50		16.00	6.00
Revenue Total				106.66	112.36	367.14	460.85

Capital Section

(Rs. in crores)

Major Head	Items	Plan/ Non-Plan	Actuals 1994-95	B.E. 1995-96	R.E.	B.E. 1996-97
4857	Investment in Public Sector & other Undertakings	Plan Non-Plan	3.63 -	4.32 -	4.32 -	60.00 -
6857	Loans to Public Sector & other Undertakings	Plan Non-Plan	8.63 31.29	9.31 10.61	9.31 26.87	6.00 26.88
Capital Total			43.55	24.24	40.50	38.88
Total (Revenue + Capital)			150.21	136.60	407.64	499.73

*Rs. 6 crores will be reimbursed from National Renewal Fund for Voluntary Retirement Scheme (VRS) for PSU's employees.

APPENDIX II

MINUTES OF THE FIRST SITTING OF THE STANDING COMMITTEE ON PETROLEUM AND CHEMICALS HELD ON 17TH AUGUST, 1996.

The Committee sat from 1030 hrs. to 1600 hrs.

PRESENT

Shri A.R. Antulay — *Chairman*

MEMBERS

Lok Sabha

2. Shri Tejvir Singh
3. Shri Ashok Argal
4. Shri Bhanu Pratap Singh Verma
5. Shri Oscar Fernandes
6. Shri Paban Singh Ghatowar
7. Dr. Girija Vyas
8. Shri Kodikunnil Suresh
9. Shri Satyajitsinh D. Gaekwad
10. Shri Surendra Yadav
11. Shri Uddab Barman
12. Dr. Asim Bala
13. Shri P. Shanmugam
14. Shri M. Selvarasu
15. Shri Sanat Kumar Mandal
16. Shri Bir Singh Mahato

Rajya Sabha

17. Shri H. Hanumanthappa
18. Mohd. Masud Khan
19. Shri Nabam Rebia
20. Shri Parmeshwar Kumar Agarwalla
21. Shri Narain Prasad Gupta
22. Shri Chimanbhai Haribhai Shukla
23. Shri Naresh Yadav
24. Dr. Y. Lakshmi Prasad
25. Shri Parag Chaliha

SECRETARIAT

- | | | | |
|----|-------------------|---|---------------------------|
| 1. | Shri J.P. Ratnesh | — | <i>Joint Secretary</i> |
| 2. | Shri G.R. Juneja | — | <i>Deputy Secretary</i> |
| 3. | Shri Brahm Dutt | — | <i>Under Secretary</i> |
| 4. | Shri S.N. Dargan | — | <i>Assistant Director</i> |

**Representatives of Ministry of Chemicals & Fertilisers
(Deptt. of Chemicals & Petro-Chemicals)**

1. Shri N.R. Banerji, Secretary, Deptt. of C&PC
2. Shri S. Kabilan, JS & FA
3. Shri P.C. Rawal, JS (A, B&C)
4. Shri S.K. Sopod, JS (PC & DPEA)
5. Shri Shantanu Consul, JS (PI)
6. Smt. Lalita B. Singh, Adviser (PC)
7. Shri M.M. Srivastava, Director
8. Shri Arun Kumar, DS (A&CH)
9. Shri B.B. Goyal, Dy. F.A.
10. Shri S.S. Gupta, OSD (Bhopal)
11. Shri N. Chunder, Director (Fin.), IPCL
12. Dr. (Ms.) Reena Ramachandran, CMD, HOC
13. Shri J.K. Desai, CMD, PCL
14. Shri B.E. Rao, CMD, IDPL
15. Shri A. Jayaprakash, CMD, HIL
16. Shri A.K. Basu, MD, HAL
17. Dr. J.S. Anand, Director, CIPET
18. Dr. S.P. Dua, Chairman, IPFT
19. Dr. H.P.S. Chawla, Professor, NIPER
20. Shri Probir Roy, MD, BCPL
21. Shri R.K. Mukherji, MD, BIL
22. Shri A.K. Mallik, MD, SSPL
23. Smt. Archana Nigam, CA
24. Shri K.M. Kaul, Project Officer (PI)

The Committee took oral evidence of the representatives of Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-Chemicals in connection with examination of Demands for Grants of Deptt. of Chemicals and Petro-Chemicals for the year 1996-97.

2. The main issues came up for discussion include analysis of Demands for Grants, in Revenue Section—Secretariat Services, Central Institute of Plastics Engineering and Technology (CIPET), Subsidy to Assam Gas Cracker Complex, Bhopal Gas Disaster, National Institute of Pharmaceuticals Education and Research (NIPER), in Capital Section—investment in PSUs and Loans to PSUs and plan outlay for 8th Five Year Plan etc.

3. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX III

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1996-97)

FOURTH SITTING

27.8.96

The Committee sat from 1000 hrs. to 1030 hrs.

PRESENT

Shri A.R. Antulay — *Chairman*

MEMBERS

Lok Sabha

2. Dr. L.N. Pandey
3. Shri Tejvir Singh
4. Dr. G.L. Kanaujia
5. Shri Ashok Argal
6. Shri Bhanu Pratap Singh Verma
7. Shri Paban Singh Ghatowar
8. Shri Uddab Barman
9. Dr. Asim Bala
10. Shri K. Kandasamy
11. Shri P. Shanmugam
12. Shri M. Selvarasu
13. Shri Sanat Kumar Mandal
14. Shri Bir Singh Mahato

Rajya Sabha

15. Shri Karnendu Bhattacharjee
16. Shri Mohd. Masud Khan
17. Shri Narain Prasad Gupta

18. Shri R.K. Kumar
19. Dr. Y. Lakshmi Prasad
20. Shri Parag Chaliha

SECRETARIAT

- | | | | |
|----|-------------------|---|-------------------------|
| 1. | Shri J.P. Ratnesh | — | <i>Joint Secretary</i> |
| 2. | Shri G.R. Juneja | — | <i>Deputy Secretary</i> |
| 3. | Shri Brahm Dutt | — | <i>Under Secretary</i> |
| 4. | Shri S.N. Dargan | — | <i>Asstt. Director</i> |

2. The Committee took up for consideration the draft reports on Demands for Grants for 1996-97 relating to the following Ministries/Department:

- (i) First Report relating to the Ministry of Chemicals & Fertilisers (Deptt. of Chemicals & Petrochemicals).
- (ii) * * * * *
- (iii) * * * * *

3. After some discussion, the Committee adopted the above draft reports. The Chairman however, gave an opportunity to the Members to give their suggestions on draft reports, if any, by today (27th August, 1996) evening for consideration of the Chairman for inclusion in the Reports.

4. The Committee, thereafter, authorised the Chairman to finalise the reports after factual verification by the concerned Ministries/Departments and present them to Parliament.

The Committee then adjourned.