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**STANDING COMMITTEE ON
PETROLEUM AND CHEMICALS
(1998-99)**

TWELFTH LOK SABHA

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

**DEMANDS FOR GRANTS
(1999-2000)**

ELEVENTH REPORT

PAPERS LAID ON THE TABLE
OF THE RAJYA SABHA

23 APR 1999



AUTHENTICATED

[Signature]
Chairman,
Standing Committee on
Petroleum and Chemicals

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1999/Chaitra, 1921 (Saka)

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DEMANDS FOR GRANTS
(1999-2000)

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

Presented to Lok Sabha on 15.4.99

Laid in Rajya Sabha on 15.4.99



LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON PETROLEUM AND CHEMICALS
(1998-99)

Dr. Balram Jakhar — *Chairman*

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* Nominated *w.e.f.* 10.7.98 *vice* Shri Chandubhai Deshmukh expired on 28.6.1998.

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- | | | |
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| 5. Shri Ram Raj Rai | — | <i>Committee Officer</i> |

** Nominated w.e.f. 5.8.98 vice Prof. Naunihal Singh retired from the Membership of Rajya Sabha w.e.f. 4.7.98.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on Demands for Grants of the Ministry of Chemicals and Fertilisers, Department of Chemicals & Petrochemicals for the year 1999-2000.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petrochemicals for the year 1999-2000 which were laid on the Table of the House on 16th March, 1999.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Department of Chemicals and Petrochemicals at their sitting held on 22nd March, 1999.

4. The Committee considered and adopted the Report at their sitting held on 7th April, 1999.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry, for the year 1999-2000 and for giving evidence before the Committee.

NEW DELHI;
April 9, 1999
Chaitra 19, 1921 (Saka)



DR. BALRAM JAKHAR,
Chairman,
Standing Committee on Petroleum & Chemicals.

REPORT

A. Introductory

The main objective of Department of Chemicals and Petrochemicals under the Ministry of Chemicals and Fertilisers is to plan, develop, regulate and control industries in the field of chemicals, pharmaceuticals and petrochemicals. The main activities of this Department in relation to these industries are overall sectoral planning, development and control of the industries. It also includes issues like monitoring of production and imports and in the case of pharmaceuticals include ensuring availability as well as pricing of drugs and formulations. The activities of this Department also include the administrative control of the public sector undertakings in these areas and administration of Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985. The following public sector undertakings/institutions/organisations are under the administrative control of the Department :—

- (i) Hindustan Organic Chemicals Ltd. (HOCL)
- (ii) Hindustan Insecticides Ltd. (HIL)
- (iii) Indian Drugs & Pharmaceuticals Ltd. (IDPL)
- (iv) Hindustan Antibiotics Ltd. (HAL)
- (v) Smith Stanistreet Pharmaceuticals Ltd. (SSPL)
- (vi) Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)
- (vii) Bengal Immunity Ltd. (BIL)
- (viii) Indian Petrochemicals Corporation Ltd. (IPCL)
- (ix) Petrofils Cooperative Ltd. (PCL)
- (x) Central Institute of Plastics Engineering & Technology (CIPET)
- (xi) National Institute of Pharmaceuticals Education & Research (NIPER)
- (xii) Institute of Pesticides Formulation Technology (IPET)
- (xiii) Regional Network on Pesticides for Asia & Pacific (RENPAF)
- (xiv) National Pharmaceutical Pricing Authority (NPPA)

Analysis of Demands for Grants

2. The Demands for Grants (No. 5) of the Department of Chemicals and Petochemicals (hereinafter referred to as the Department) were laid on the table of the Lok Sabha on March 16, 1999. Demands for Grants has made provisions for Plan and Non-Plan expenditure. It consists of two Parts viz., Revenue Section and Capital Section for the year 1999-2000 and contains the following figures :—

(Rs. in crores)			
	Plan	Non-Plan	Total
Revenue Section	21.96	101.10	123.06
Capital	16.04	41.19	57.23
	38.00	142.29	180.29

3. A detailed statement showing the item-wise actual expenditure for the year 1997-98. Budget Estimates and Revised Estimates for 1998-99 and the Budget Estimates for 1999-2000 are given at Appendix-I. Out of total Demands for Rs. 180.29 crores, the major heads are :- compensation to victims of Bhopal Gas Tragedy (Rs. 62.50 crores), National Pharmaceutical Pricing Authority (Rs. 4 crores), subsidy to Assam Gas Cracker Project (Rs. 26 crores). Grants to National Institute of Pharmaceutical Education and Research (Rs. 13 crores) Central Institute of Plastics Engineering and Technology (8.40 crores) and loans to PSUs (Rs. 41.19 crores.)

4. The Committee approve the Demands subject to the recommendations/ observations made in the subsequent paragraphs of the Report.

Major Head '3451'

B. Secretariat/Economic Services (Rs. 4.78 crores)

5. A provision of Rs. 4.78 crores has been made under the 'Secretariat Head'; against the revised estimate of Rs. 4.58 crores (1998-99) and actuals of Rs. 4.13 crores in 1997-98. The increase under Secretariat Head over the previous year has been due to normal increase in the salary and allowances including the increase in DA, bonus etc.

6. Explaining the reasons for the decrease in allocation for the purpose of publication over the previous year, the Department informed as follows :—

"The bills for the publication are not being received regularly from the Government of India press, so the payments are made as and when the bills are received. The Budget Estimates of Rs. one lakh for 1999-2000 are only token estimates which can be enhanced at the revised estimate stage according to the requirement of the funds on receipts of the bills."

7. When the Committee enquired about the fate of surplus UDCs in the surplus cell of the Department, the Department informed that five surplus UDCs have since been absorbed in various Ministries/Departments.

8. The Committee sought a clarification for allocation under the Head 'Wages' and reasons for not putting it in salaries Head, the Department explained as under :—

“There are 16 casual workers who have been conferred temporary status under the Casual Labourers (Grant of Temporary Status and Regularisation) Scheme of Government of India, 1993. The conferment of temporary status was without a reference to the creation/availability of regular Group 'D' posts. According to the Scheme, these casual workers are paid wages. These casual workers are to be adjusted against the regular Group 'D' vacancies, as and when such vacancies arise. So long as they are not appointed against regular Group 'D' posts, their wages will not form part of salaries.”

9. The Committee observed the enhanced allocation for various items like wages, OTA, Domestic Travel and Foreign Travel and wanted to know about the measures being taken to cut expenditure in the Ministry, the PSUs under the administrative control and other offices under the Department. The Department in a written reply stated as follows :—

“The instructions of the Ministry of Finance with regard to the need for control in administrative and other expenditure in the Government Departments are being observed and the effort is to rationalise the expenditure except in most essential and unavoidable areas.

In so far as PSUs and other organisations/offices under the administrative control of the Department of Chemicals & Petro-chemicals are concerned, the adoption of cost reduction measures, particularly in the areas of operations and also in administrative expenditure, is a matter of day to day management of public sector undertakings and such organisations. The Public Sector Undertakings and Organisations under the Department are conscious of the need for adopting cost control measures, particularly by higher capacity utilisation, controlling wastes and also reducing administrative expenditure”.

10. The Committee note that as against the actual expenditure of Rs. 4.13 crores in 1997-98, the estimated and revised estimates in 1998-99 were Rs. 4.68 crores and 4.58 crores respectively. As against this, the Budget allocation for 1999-2000 has been placed at Rs. 4.78 crores, which the Committee feel is reasonable.

11. The Committee note that there are 16 casual workers with temporary status who are being paid wages only. These casual workers have been conferred temporary status under the Casual Labourers (Grant of Temporary Status and Regularisation) Scheme of Government of India, 1993. The Committee hope that that as agreed to by the Department, all these casual

workers would be adjusted against the regular Group 'D' vacancies as and when such vacancies arise.

Recommendation (Sl. No. 1)

12. The Committee note that the allocation under 'Secretariat Head' meant for salary of the officials and other office expenses like wages, OTA, Domestic Travel and Foreign Travel etc. has increased from Rs. 4.13 crores in 1997-98 to Rs. 4.78 crores in 1999-2000. The Committee desire that the Department should strictly adhere to the instructions of the Ministry of Finance with regard to the need for control in administrative and other expenditure and make all necessary efforts to adopt cost control measures so that expenditure under this Head is minimised. Similar instructions should be issued to all the PSUs and other organisations/offices under the administrative control of the Department. PSUs and other organisations should also be asked to intimate quantum of economy effected annually.

Recommendation (Sl. No. 2)

Major Head '2852'

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

13. The main aims of CIPET are training, development, testing and quality control in plastics industry through its 9 centres located at Chennai (HQ), Ahmedabad, Lucknow, Hyderabad, Bhubaneswar, Bhopal, Amritsar, Mysore and Imphal. In addition, the establishment process of extension centres at Patna in Bihar and Haldia in West Bengal is in progress. These are supposed to be completed during the 9th Five Year Plan. The Budget provisions for the Institute during the last 3 years have been as under :—

(Rs. in crores)			
Year	Plan	Non-Plan	Total
1997-98 (Actuals)	3.25	4.40	7.65
1998-99 (B.E.)	4.75	4.00	8.75
1998-99 (R.E.)	5.25	5.37	10.62
1999-2000 (B.E.)	4.00	4.40	8.40

14. Asked about the latest position in regard to setting up of CIPET centres at Patna, Haldia and Guwahati, the Department stated :—

(a) CIPET Extension Centre at Patna in Bihar

Government has approved the setting up of a fullfledged CIPET Extension Centre at Patna in Bihar in November, 1998 at an estimated cost of Rs. 9.20 crore. This Centre is at present, functioning in the industrial shed provided by Bihar State Industrial Development Corporation. The Centre is conducting three long term courses and has so far trained 113 students. At present, 88 students are undergoing training in this Centre. As regards funds for setting up of this Project, Government of Bihar has released a sum of Rs. 3.50 crore and the Government of India has released Rs. 2.50 crore. Plant and machineries have been installed and are functioning well. The land initially allotted by PIDA within Patna for construction of permanent building of this Centre has been cancelled by the Government of Bihar on 18.03.1999 and action is being initiated to take up a suitable land at Hajipur Industrial Area *i.e.*, outskirts of Patna city. In the meantime, the architect has been identified and the award of contract for construction of building is being finalised. The Chief Manager (Project) has joined this Centre on 18th March, 1999.

(b) CIPET Extension Centre at Haldia in West Bengal

This Centre is currently functioning in a rented shed given by NSIC Complex at Howrah. Three long term courses have been organised and at present 1390 students are undergoing training at this centre. The Govt. of West Bengal has released Rs. 3 crore so far. CIPET has taken over 7.75 acres of land in the institutional zone of Haldia on 15th March, 1999. Selection of an architect is being finalised for the construction of the building complex.

(c) CIPET Extension Centre at Guwahati in Assam

The Government has approved on 10th March, 1999, a proposal for setting up of a fullfledged CIPET Extension Centre at Guwahati in Assam at an estimated cost of Rs. 10.35 crore. The project cost is to be shared on the basis of 50:50 pattern and the Govt. of India's share amounts Rs. 517.50 lakh. Suitable land measuring 36 bighas has been identified by the State Government for this purpose. This project will be completed within 3 years from the date of taking over possession of land. A Chief Manager (Project) has been appointed to look after the affairs of this Project."

15. When the Committee wanted to know whether the present Budget allocation would be sufficient to meet the expenses of these three centres and the old centres too, the Ministry replied as follows :—

"The budget allocated under Plan for CIPET Extension Centres during 1998-99 is Rs. 4.75 crore, which amount has already been released to CIPET.

Annual Plan for 1999-2000 is Rs. 4.00 crore for CIPET. The Ninth Plan Allocation approved for CIPET is Rs. 65 crore of which Rs. 50.00 crore consists of Internal External Budgetary Resources (IEBR) and Rs. 15 crore as Budgetary Support. Efforts to obtain financial assistance through international bodies would supplement the Budgetary Support, Furthermore, funds to the extent of Rs. 11.50 crore are also being obtained from the Oil Industry Development Board (OIDB).

Thus the existing facilities would be upgraded and the three approved new Centres started during the Ninth Plan."

16. The Deptt. further informed :—

"The Oil Industry Development Board has approved grants-in-aid of Rs. 11.50 crore to CIPET, to be made available for three years for strengthening of training facilities of CIPET Extension Centres. Separately, a proposal is under the consideration of the Govt. for modernisation of facilities at CIPET through external funding. The Deptt. of Economic Affairs has been requested to take up this proposal with OPEC for funding of US \$ 14 million from the OPEC funds. A project report is also being forwarded to OPEC for their consideration."

17. When the Committee asked about the requirement of funds for other proposed CIPET centres in the approved 9th Five Year Plan document, the Department replied that funds presently indicated for Ninth Plan would not be adequate for opening any new centres.

17A. Asked further about the specific steps being taken to generate more internal resources by CIPET centres, the Ministry submitted as follows :—

"The following specific steps have been taken up/being taken to generate adequate internal resources by the concerned CIPET Centres to meet the increase in expenditure :—

Proposal to take up new Developmental/Consultancy projects; Plan to strengthen the Marketing & Consultancy Deptt., so as to get more Job orders and provide services at competitive rates; Plan to run the plant and machineries in two shifts to take job orders; Adopting austerity measures such as power, fuel; Avoiding wastages Measures for optimum utilisation of plant and machineries; Upward revision of testing charges has been implemented; Increase in output of various activities."

18. The Committee note that the Ninth Plan Allocation approved for CIPET is Rs. 65 crores of which Rs. 50 crores consists of Internal External Budgetary Resources (IEBR) and Rs. 15 crores as Budgetary Support. This fund does not seem adequate to meet the targets made for the Ninth Plan period. The Committee apprehend that most of the schemes may remain incomplete due to paucity of funds. The Committee hardly need to emphasize that in view of additional fund requirement, the Ministry should take up the

matter at the highest level to arrange the requisite funds from all possible sources so that approved programmes for the 9th Five Year Plan are started and completed within the fixed time frame.

Recommendation (Sl. No. 3)

19. The Committee feel that the modernisation and upgradation of existing CIPET centres is also very important. For this purpose the Internal/ External Budgetary Resources (IEBR) should be arranged sincerely. Every existing CIPET centre should keep a target to generate internal resources and all the efforts should be made to achieve them within the stipulated time. Marketing and Consultancy Departments should be strengthened and the centres should start taking more job works from the industry. This approach will give a dual benefit i.e., on one side more funds will be generated and on the other side the trainees will also get better exposure. The Committee also trust that the Ministry will make sincere and vigorous efforts to arrange US \$ 14 million funds from OPEC and other similar international agencies.

Recommendation (Sl. No. 4)

20. The Committee feel satisfied that in pursuance of the recommendations made by them, the Government have approved the proposal for setting up of a fullfledged CIPET extension centre at Guwahati at an estimated cost of Rs. 10.35 crore. The Committee hardly need to emphasise an early setting up of the centre at Guwahati which is a must for the development of this backward region. The Committee would like the Government to pursue the matter relating to acquisition of land with the State Government on top priority basis and make vigorous efforts to start and ensure completion of the project within three years of time.

Recommendation (Sl. No. 5)

Major Head '2852'

D. Subsidy to Assam Gas Cracker Project

21. The Assam Gas cracker Project was initiated in 1984 for utilisation of Petroleum fractions of natural gas resources of the State for polymer production which could create a large scale employment and help in the economic development of Assam. Letter of Intent was issued to Govt. of Assam in 1991 based on feasibility report of EIL. The Project is to be undertaken by Reliance Assam Petrochemicals Ltd. with Assam Industrial Development Corporation as partner. The share holding partners will be as under :—

AIDC	=	11%
RIL	=	40%
PUBLIC	=	49%

22. The project costing over Rs. 3600 crores (without Participation of Central Govt.) is proposed to be located at Tenguhat in Dibrugarh District. Owing to various disadvantages of setting up the unit in Assam, the Central Government has agreed to grant one time capital subsidy to Rs. 377 crores for the proposed complex. A provision of Rs. 75.00 crores was made in Budget Estimates for 1996-97 and BE 1997-98 and Rs. 25.00 crores in 1998-99 which could not be utilised. Provision of Rs. 26.00 crore has been made during 1999-2000.

23. During the course of examination of the Department, the Committee pointed out that the Committee in their earlier reports since 1996 had emphasised the need for early implementation of the Assam Gas Cracker Project in view of its importance and the socio-economic structure of the north eastern region. At the time of examination of Demands for Grants (1997-98) of the Department in April 1997, the Committee were informed that most of the issues were settled and the remaining issues would be settled soon. Asked about the progress made so far in regard to setting up of the project after 1996, the Department in a written note stated :—

“The Assam Gas Cracker Project is primarily being implemented by the Government’s of Assam who hold a Letter of Intent in the name of the Assam Industrial Development Corporation (AIDC). Government of Assam/AIDC have selected Reliance Industries Limited as a Joint Venture Partner and a new company, namely, Reliance Assam Petrochemicals Ltd. (RAPL) has been formed for the implementation of the project.

The Government of India had, in September 1994, approved the following special concessions/incentives:

- (a) Capital Subsidy of Rs. 377 crore;
- (b) Provision of gas at a price of Rs. 600 per thousand Cubic Metre for a period of 15 years; Since some feed stocks and related infrastructure issues were subsequently raised, the Government in March 1997 took the following further decisions :
 - (a) Additional gas, over and above the base requirement, for producing 2 lakh TPA Ethylene would be given for the project on priority;
 - (b) Naphtha would be allocated on a priority basis for the project;
 - (c) Infrastructure subsidy to OIL for putting up facilities would be paid by the Government of India; and
 - (d) Transfer of Gas Separation Plant under implementation at Lakwa by GAIL at a price to be determined by independent agency.

Substantial progress as follows has been achieved thereafter :

- (i) Commitment of the Ministry of Petroleum and Natural Gas for supply of gas for a period of 15 years at the price approved by the Government;

- (ii) Supply of additional gas on priority at a price applicable to other consumers in the region;
- (iii) 3.25 lakh TPA Naphtha supplied as supplementary feed stock on a priority basis;
- (iv) Final decision on the amount (Rs. 64 crore) to be paid as reimbursement towards infrastructure as subsidy for additional infrastructure put up by OIL;
- (v) Report of BICP on the transfer price of GAIL's Lakwa Separation Plan received and ripe for Government's decision.
- (vi) 128 acres out of the total requirement of 1262 acres acquired by the Government of Assam and handed over to RAPL;
- (vii) Recruitment process started by the promoter company.

Government of India and Government of Assam are making all possible efforts to resolve the issues and ensure that the actual implementation commences. As per RAPL's schedule, the project is expected to be completed within 44 months of the finalisation of the gas supply agreement and of handing over of the total land required."

24. On being pointed out by the Committee that the issues were not sorted out in view of recommendations made by the Committee and as promised by the Secretary C&PC to the Committee, the Department explained as follows:—

"The Department of Chemicals & Petrochemicals has been constantly reviewing the progress of the project and coordinating with Government of Assam, Ministry of Petroleum and Natural Gas and other agencies to facilitate the implementation of the project. The Department has been following up the recommendations made by the Standing Committee on Petroleum and Chemicals and actively pursuing the matter with agencies concerned for resolution of pending issues."

25. During the course of evidence of the representatives of the Department, the Committee expressed their anguish over the lethargy shown by the Ministry in sorting out the minor issues particularly relating to gas supply agreement. The Secretary C&PC stated :—

"When the Cabinet decision was taken in September a direction was given that Department of Petroleum and Chemicals should sort out the matter. We have made a fair amount of progress. I am not saying that we have not taken time. But there were some problems, which cropped up from time to time. Two problems came from time to time which had to be solved.

I would like to submit for the hon. Committee's consideration that in September 1994 when the Cabinet decided, following that Cabinet decision certain issues cropped up regarding the costs, phasing of the gas construction plant, etc. We have solved every conceivable issue which we could, at that point of time we have been able to solve.

Unlike any other similar joint ventures for which we have lots of independence to industries and to others, here it is not so. I would like to mention that it is one project where it is monitored definitely on a fortnightly basis, what happened the officers follow it constantly and I am also kept in touch. We hoped that it would be possible to start the gas supply after December, 1998.

Similarly, the agreement went on some protracted negotiations and ultimately the State Governments said that they were ready to give us the possession of the company. The RAPL were ready only after the gas supply agreement was concluded. As the hon. Member mentioned in his remarks I find that there were some problems cropping up. He took a meeting on the 19th March when I was present and the Secretary, Petroleum was supposed to come, the Chief Secretary, Assam, was to come. The representative of the promoter was to come. It will be not perhaps correct to say that because the major partner of the LOI holder did not come we could not meet. We found that there was a consensus has to be reached in the case because the civil agreement was to be reached and RAPL was also there, I requested that on the basis of the agreement it may be done."

26. Explaining the implications of new clause proposed by RAPL for gas supply agreement, the witness stated :—

"This clause about damages was requisitioned on behalf of the RAPL. It is a new clause which does not figure in any Gas Supply agreement of gas supply authorities like GAIL, OGIL or the consumer in other parts of the country. It is, very briefly, about compensation being paid in case damage is suffered, which dwindles over a period of time. Secretary, Petroleum and others have not agreed to any damage. They said that they had not agreed to any such clause in any other agreement to other users of the gas anywhere in the country. It will be virtually opening a Pandora's Box. We found out the reason. The reason we found out was the officials have pointed out that the financial institutions have asked for liquidated damages for gas supply.

When we discovered this, there was no need then to go further. At that point of time, on the 19th March itself, I did receive a copy of a letter which Reliance Industries Ltd. at the highest level had addressed to the Chief Minister of Assam on 17th March saying that the company is committed to the project and there is no intention on their part to withdraw from the joint venture which they have with Assam Industrial Development Corporation. So, since 19th, the Department has taken up with the Ministry of Finance pointing out their attention that in this important project perhaps the Indian financial institutions have sought certain reassurances from the project operating entities in the forms of liquidated damages which are difficult for the gas producers to agree to because similar provision has not been incorporated in any other agreement which has been signed in the country so far.

The Ministry of Petroleum feel that they cannot agree to this clause. Perhaps, we could have talked about it, we could have discussed with the Reliance, if they had come that day at the highest level. But we feel that since the suggestion has come from a financial institution, let us get back to the financial institution. I have got back to the Ministry of Finance under intimation to the financial institution concerned. In any gas production, nobody can give a 15-year warrantee for production at a certain level, gas of certain composition and in lieu of that pay damages. That is the problem now."

27. He further clarified the position of the Department as follows :—

"This must have happened during the discussions the promoters were having with the financial institutions because normally we are not involved in those discussions. At some point it has cropped up and to my best knowledge this cropped up in the third week of February. Now, whether it should have cropped up at that stage we do not know because I do not know whether any formal application for term loan has been made, whether the formal appraisal has been made. So, these facts are not known to me. Normally, we would not also go into such matters hoping and expecting that this would go on in a normal manner without need for any interference, support by us. We were expecting that were going on normally.

Sir, if I may be permitted to mention to the hon. Committee, in addition to the problems which we have pointed out in between other problems arose. I must give credit to my Sister Department, the Ministry of Petroleum. They have more than bent themselves backwards to give support to this project. They have agreed to certain very difficult conditions which were probably not envisaged even in September, 1994 when we had gone to the Cabinet. Other problems in relation to pricing did come up. I must give credit to them that they have supported the project by agreeing to or relaxing some of the other things. Therefore, I also do not think that there was any obdurate stand on their part. But they have a genuine problem as I understand from my colleague in the Ministry of Petroleum. They have a genuine problem in accepting any clause which may have a bearing on similar contracts signed elsewhere. The problem having come to fore, I have written to the Secretary (Finance) in the Ministry of Finance today. The letter has gone. I propose to follow it up and perhaps I could have come back to you with more information, but for the fact that I could not get through to the top Finance Ministry officials in the last few days."

28. When the Committee inquired about the degree of commitment of the promoter, the Secretary Chemicals & Petrochemicals stated :—

"So far as the promoting company, RAPL joint venture is concerned, their partner RIL have said that they have recruited about 88 engineers and other persons for this project and have trained them to ultimately implement the project. We did write to the Assam Government as well as the RAPL to find out how much equity has been paid up and how much has been subscribed, but unfortunately no

categorical letter has come back to us either from the State Government or from RAPL on that particular question. We wanted to ascertain ourselves what has been the commitment of either partner on both sides."

29. On being asked about the further action of the Department in the matter, Secretary replied :—

"I have written to the Finance Ministry asking them to resolve this issue. We have also written to the promoters saying that it is difficult in view of the stand taken by the Ministry of Petroleum to agree to such a clause. Therefore, let them go ahead and sign gas supply agreement by 31st of March and discuss this issue later on."

30. During the course of evidence of the representatives of Ministry of Petroleum & Natural Gas the Committee enquired as to how they were not able to expedite the long pending issue relating to gas supply agreement. The Petroleum Secretary replied :—

"We are not just airing on hopes and ambitions but putting forward a concrete form of action on the Assam Gas Cracker Project which falls within the purview of the Department of Chemicals and Petrochemicals. Hon. Chairman had convened a meeting a couple of days ago. This was a joint venture between the Government of Assam and Reliance Petroleum.

Now, as far as we are concerned, we give gas in the sense that out of about five million standard cubic metres per day of gas which we can make available between Oil and Natural Gas Commission and Oil India to this project, the higher fraction of that gas which is called C2 and C3, which are the richer fractions which are rally required for petrochemicals to be manufactured and extracted, the gas returns back after about one-sixth of the volume is consumed. From the Ministry of Petroleum, I said that there is no question of any debate of discussion on the price of this gas.

There is no question of any debate or discussion in compensating these two organisations for losing the richer fraction from the total gas. The richer fraction is taken from the entire five million though only 800 Lakhs CMD is consumed here. All this will go as per the decision of the Cabinet. This is the first priority. If there is any loss anywhere down the line to any organisation, this will be met out of the oil pool account. ONGC and Oil India will be compensated on this. Some officers interpreted that this would only be for three or four years. As the Secretary I took the responsibility and said that as long as this project is there, it shall get gas at this price for the period agreed to by the Cabinet. Someone asked a question as to what will be the future escalation formula for this. I said that the question does not arise. This was the extent to which we stood committed and these decisions were taken within a week and communicated to the Secretary, Chemicals and Petro-chemicals.

Now, I do not know why the joint venture partner is not proceeding with the project. The Secretary, Chemicals and Petro-chemicals convened a meeting last week-in that meeting the hon. Member also has attended it- to settle this issue, to find out whether he is serious or not. The representative of the joint venture did not turn up at that meeting. But on his behalf someone who appeared demanded for liquidated damages. This is the point I would request the Committee to appreciate. Today our gas production, as things stand, is about 75 million standard cubic metres per day on an all India basis. Of course, we hope we will get more gas. If we do not get any more gas on the basis of whatever discovered fields we have, the falling profile would come to 65 million standard cubic metres by the year 2010. In this situation, how do I agree for the liquidated damages. If there is some way by which I can get gas through Gujarat pipeline, still it would be possible and I would like to do it but we are prepared absolutely to commit to saving any gas which is found in Assam or in that region or North-East is reserved only for this project and for any other project which comes up in the North-East. We are prepared to go to whole hog on any assurances, short of promising to create gas in order to get this project through. That is the assurance I give to this hon. Committee and to the hon. Member. I am sure that another meeting is going to be taken up when we would like to see what ails the joint venture partner.”

31. When the Committee wanted to know about the way to find out the solution of newly created demand of promoter regarding payment of liquidated damage, the Petroleum Secretary replied that he would try to arrive at a formula on these two aspects which could satisfy the joint venture partner.

32. The Committee are dismayed to note that solution to several long pending issues relating to Assam Gas Cracker Project is still eluding. They are surprised to find that Department of Chemicals and Petrochemicals which is working as coordinator between all the concerned agencies for expediting the pending issues, does not have the basic information about the promoters investment and commitment. Since 1996 there is almost no change in the situation. The Committee are not satisfied with the progress of the project and also the role being played by the Ministries of the Government of India in this matter.

Since the matter has already been considerably delayed, the Committee expect that the Department of Chemicals and Petrochemicals should bring various implementing agencies together so that differing perceptions can be reconciled in the interest of expeditious project implementation. The Committee desire that all the pending issues (including the gas supply agreement for which Petroleum Secretary assured the Committee to solve the issue) should be resolved in a month's time.

Recommendation (Sl. No. 6)

33. The Committee understand that any further delay in implementation may create more problems and desire that the commitment of the promoter should be ensured first to take the project to a logical conclusion. The Committee hardly need to emphasise that the Department should convince the State Government of Assam and the promoter of the advantages of early execution of the Project as even after finalisation of all the issues it would still take 44 months to complete the Project.

Recommendation (Sl. No. 7)

34. The Committee observe that the process of land acquisition is very slow. Out of 1262 acres required only 128 acres of the land has been acquired. There is no change in the position for about one year. The Committee once again urge upon the Government to impress upon the State Government to expedite the process of land acquisition.

Recommendation (Sl. No. 8)

Major Head '2852'

E. Bhopal Gas Leak Disaster

35. Budget provision under this 'head' consists of two parts viz. Voted and Charged. The following table shows the provisions made under the 'head' during the years 1997-98 to 1999-2000 :—

(Rs. in crores)				
	Actuals 1997-98	BE 1998-99	RE 1998-99	BE 1999-2000
Voted	29.86	59.90	33.53	62.50
Charged	-	0.10	-	-
	29.86	60.00	33.53	62.50

36. The major component of the above Budget Provision is for meeting administrative expenditure incurred by the office of Welfare Commissioner, Bhopal (Rs 12.26 crores) and for the cost of exchange rate difference on the compensation (Rs. 23 crores).

37. According to the Department, the latest position in regard to settlement of cases and disbursement of relief as on 28.2.1999 is as follows :—

Category	Cases Registered	Decided	No. of Awarded cases	No. of pending cases	Total amount Awarded Rs. crore	Total Disbursed Rs. crore
1	2	3	4	5	6	7
Injury	10,01,723	780790	406286	220933	1071.48	966.40

1	2	3	4	5	6	7
Loss of live stock	658	569	212	89	0.09	0.06
Loss of property, means of livelihood Business etc.	4,901	4575	415	326	0.10	0.59
Death	22,149	17410	12290	4739	78.83	76.08

38. The Committee wanted to know the reasons for under utilisation of Budget provisions made for providing relief to Bhopal Gas victims during 1997-98 and 1998-99, the Department stated in the written reply as follows :—

“In 1997-98, a provision of Rs. 25 crore was kept in BE to pay the interim relief where the cases have not been finally settled. However, it was observed that the amount available in the banks was sufficient to meet the requirement of interim relief. It was also observed that most of the cases from the affected wards were decided during the year. Therefore, no fund was released from the budget.

There was also under utilisation of Rs. 27.13 crore in 1998-99 which was earmarked for various rehabilitation schemes under the Action Plan. The Action Plan is to be implemented by the State Government and the expenditure is shared between the Central Government and the State Government in the ratio of 75:25. A total outlay of Rs. 258 crore was approved for the implementation of the Action Plan. According to the report sent by the State Government of Madhya Pradesh, an expenditure of approximately Rs. 204 crore has been incurred on various schemes upto January, 1999. Of it, the contribution of the Central Government comes to Rs. 153 crore. The Central Government had already released a sum of Rs. 166.37 crore. Therefore, the remaining contribution was not released during 1998-99 as the State Government did not contribute its share of expenditure.”

39. On being asked about the amount spent so far as a cost exchange rate difference on the compensation and whether this heavy payment could have been avoided by quick disposal of the cases and completion of rehabilitation schemes in time, the Department stated in a written reply :—

“So far, Rs. 87.39 crore has been spent as a cost of exchange rate difference on compensation. The work of paying compensation started in October, 1992. Keeping in view the large number of claim cases filed (exceeding more than 10 lakh), non-availability of requisite number of judicial officers to adjudicate claims and the judicial process involved in settling claims under the Bhopal Gas leak Disaster (Processing of Claims)

Act, 1985 and the Scheme framed thereunder, payment under the exchange rate variation is unavoidable. The exchange rate difference does not apply to Rehabilitation schemes.”

40. The Committee further pointed out that even after getting several extensions to complete rehabilitation schemes under the action plan for victims of Bhopal, several schemes are incomplete and wanted to know the details of funds earmarked for each scheme initially and revised during each extended period and the actual expenditure made so far. The department stated in a written reply :—

(Rs in lakh)					
Sl. No.	Name of the Scheme	Originally approved	1st revision	2nd revision	Spent upto January, 1999
1.	Medical Rehabilitation	7702.91	9602.11	15035.11	10588.24
2.	Economic Rehabilitation	1398.75	1450.75	2117.75	1698.46
3.	Social Rehabilitation	3771.88	4121.88	4971.88	4304.23
4.	Environmental Rehabilitation	2194.93	2376.27	2376.27	2312.92
5.	Miscellaneous	529.26	529.26	529.26	515.31
6.	Litigations & Administration	712.27	770.07	770.07	983.67
Total		16310.00	18850.34	25800.34	20402.83

41. Asked whether any time bound programme has been prepared for completion of schemes, the Department replied :—

“the State Government has informed that they are making serious efforts to complete the ongoing works under the Action Plan by the end of March, 1999 and it has issued suitable instruction to the concerned officers to adhere to the time schedule.”

42. During the course of evidence when the Committee asked about the target for disposal of cases and funds released for implementation of rehabilitation schemes, Secretary, C&PC replied as follows :—

“One is the question of compensation and the balance number of claims which still remain to be adjudicated. Number of pending cases which are roughly. 2.20 lakhs as of 1st March, 1999. The pace of disposal by the Courts under the Welfare Commissioner has significantly increased. In 1996-97, on an average, 10,200 cases were roughly disposed of in one month. This went

up to 15,700 in 1998-99. In the last seven months, the average disposal has been 26,500 per month. The welfare commissioner's office firmly believes that they would be in a position to dispose of all pending claims for compensation by 31st March next year. That is so far as the compensation for the victims are concerned.

The second part is about rehabilitation. The rehabilitation is being implemented by the State Government. We are still committed to release them the money, if they spend the money by 31st March. What happens after 31st of March, if they spend the money next year, is perhaps that the State Government may have to seek these funds within their normal Plan support which they get from the Planning Commission, if the expenditure spills over in that period."

43. The Committee note that even after getting several extensions and spending an amount of Rs. 204 crores, the various rehabilitation schemes approved under Action Plan, still remain incomplete. The Indira Gandhi Hospital for women and children, commissioned on 30th September, 1998 is yet to be fully equipped and the civil works of Kamla Nehru Hospital is still progressing. The State Government has promised to complete the ongoing works by the end of March, 1999. The Committee desire that the Ministry should obtain a compliance report from the State Government to the effect that all the rehabilitation schemes have been completed by March 31, 1999 and apprise the Committee accordingly.

Recommendation (Sl. No. 9)

44. The Bhopal Memorial Hospital Trust has come into existence w.e.f. 11.8.98 which is responsible for construction, setting, equipping, management, operation and maintenance of speciality Hospital and to make provision therein for medical and other appropriate facilities for the Bhopal Gas Victims and the public at large. The Central Government should ensure through their representative in the Trust that the objectives of Trust are achieved and people of Bhopal get the benefit of speciality Hospitals without any further delay.

Recommendation (Sl. No. 10)

Major Head '2852'

F. Pharmaceutical Export Promotion Scheme (PEPS)

45. An export promotion cell in the Pharmaceutical Division has been created with the objective of boosting Pharmaceutical exports and to act as a nodal centre for all queries/issues regarding Pharma exports. The Pharmaceutical Export Promotion Schemes (PEPS) envisages operation of Pharmaceutical Export

Promotion Cell (PEPC) to act as a nodal agency to promote export of pharmaceuticals. For the PEPs, a grant of Rs. 17 lakhs has been provided for organising seminar, workshop, study tours etc. and taking up other pharmaceutical activities in the pharmaceutical sector in order to assist them in augmenting the exports. Last year this Grant was Rs. 10 lakhs.

46. During the course of examination of the Department when the Committee wanted to know about the initiatives taken under the scheme for augmenting the export activities during the last two years and the achievement made therefrom, the Deptt. in a written note stated :—

“During the last two years the initiatives taken by this Cell included obtaining data useful to exporters, assisting exporters in overcoming problems faced by them and representing the cause of exporters in Inter Governmental Commissions, etc. Following are the major achievements of the PEPC during the last tow years :

(i) 35 country profiles and valuable information useful to exporters has been compiled and passed on to Industry Associations, who have further disseminated it to their members.

(ii) The procedure regarding regulation of pharmaceutical imports in the above countries are available with the PEPC and are shared with exporters based on specific request.

(iii) On four occasions of unfair quality complaints against Indian exporters PEPC took up the issue with individual exporters and passed on relevant information to Indian Missions abroad for remedial action.

(iv) PEPC intervened to resolve a major hurdle for exporters in the form of sudden suspension of issue of no objection certificate (NOC) by the Drug Controller General of India (DCGI) for export of new molecules.”

47. The Committee feel that collection of import-export data involves several Ministries/Departments/Agencies of the Government of India. Due to this data collection mechanism, the figures may vary in several cases and doubts created in the minds of data users about the authenticity of data. The Committee would expect from the Department/PEPC to set up a task force in coordination with concerned Ministries/Departments for developing a foolproof system for data collection so that accurate data is made available to the exporters and policy makers. The Committee also desire that with the advancement of information technology all modern equipment/systems should be utilised to achieve this objective. In Committee's view during this computer age this may not be an uphill task.

Recommendation (Sl. No. 11)

48. The Committee note that there is a continuous increase in export of drugs/formulations from the country. On the other side, country is also

importing many drug/formulations. The Committee desire that the Export Promotion Cell should develop a mechanism to check the export of the drugs/formulations which are produced in lesser quantity than the need of the country. If there is surplus production of any drug/Formulation only then that drug/Formulation should be permitted for the export. The Committee strongly feel that only this approach can lead to maximum self sufficiency of the country in Drugs/Pharmaceuticals Sector.

Recommendation (Sl. No. 12)

Major Head '2852'

G. National Institute of Pharmaceutical Education and Research (NIPER)

49. The Institute has been set up near Chandigarh with a outlay of Rs. 99 crores. The Institute seeks to promote excellence in the sphere of pharmaceutical education in India and to meet the current and future needs of the Pharmaceutical Sector in India. It is the first national level Institute in India in the field of pharmaceutical science. The NIPER was declared as the 'Institute of National importance' by an Act of Parliament passed in June, 1998. The Institute has started Master and Doctoral courses.

50. During 1998-99 a provision of Rs. 14 crore was made for the Institute but only Rs. 13 crores were utilised. A provision of Rs. 13.00 crores has been made in the Budget Estimates 1999-2000.

51. During the course of examination the Committee wanted to know the amount which has already been spent on this Institute so far and the details of progress made in regard to construction work, recruitment of staffs, provision of Library and laboratory facilities and admissions in the Institute. The Department in a written note stated as under :—

“(a) NIPER has an approved outlay of Rs. 99 crore till year 2002. Rs. 40.98 crore has been spent up-to February, 1999. Rs. 1 crore was diverted from NIPER to IPFT which will be made good in subsequent years.

(b) Regarding completion of building, in the first phase all teaching and research blocks, animal house, library, secretariat, guest house, one students hostel and some residential quarters have been completed and occupied. The construction work for the phase II which includes Auditorium and conference complex, Dispensary, Cafeteria, extension of Animal House, additional lecture theatres and some more residential quarters is under progress and scheduled time of completion is 1999-2000. Besides, river training work is in progress and is likely to be completed before the monsoon of 1999.

(c) Against an approval of 277 posts 65 have been filled and advertisement for recruitment of 77 posts were released and screening/selection process is in progress. The pace of recruitment is as per need.

(d) The Institute has a well equipped library. It is currently subscribing to 66 international and 30 national journals. Back volumes for most of them have been procured. The library also has facilities for electronic information retrieval and on-line searches. These facilities have been thrown open to other institutes, universities and personnel from Industry.

(e) Laboratory facilities and advanced instrumentation for the department of medicinal chemistry, natural products, pharmacology & toxicology, pharmaceuticals, pharmaceutical technology and biotechnology have been created and the departments are fully functional for teaching as well as research programmes.

(f) Ph. D and Masters programmes were started in January and July 1998 respectively. The Institute is currently conducting the above programmes in six departments."

52. During the course of evidence the Committee wanted to know specifically about the research work being done in the Institute, Director NIPER explained as follows :—

"The Institute has been basically constituted to provide postgraduate education in the area of pharmaceutical sciences. We have 10 divisions in the Institute out of which seven are already functioning. These departments are pharmaceutical, pharmaceutical technology, medicinal chemistry, biotechnology analytical chemistry, pharmaceutical analysis, natural products, herbal medicine and instrumentation. The areas which we have taken up mostly relate to the condition of tropical medicine in this country for which there is not much research going on in other countries. The areas which we are testing are tuberculosis, malaria, lichmania. We are working on all the help the Indian pharmaceutical industry needs for the development in their R & D projects. These are essentially the areas for which we work."

53. When the Committee specifically wanted to know about the special objectives of the Institute compared to the other universities providing similar type of education, Director NIPER stated as follows :—

"The objective of this Institute is both education and research in pharmaceuticals. Although there are about 300 schools of pharmacy in this country, fifty per cent of faculty positions in these institutions are vacant. This is because there is a dearth of trained human resource. The idea of setting up this institute was that it acts as a mother institute in framing curriculum, media, courses, for trained teachers in different pharmaceutical institutions."

54. When the Committee wanted to know about the role to be played by the Institute in view of passage of patents Act and implementation of GATT Agreement, the Department stated in a written reply as under :—

"With the passage of patents Act and with India becoming a member of W.T.O. it will be essential for the country to engage itself in the development of new drugs particularly in disease areas endemic to the country. The Institute has drawn up specific research projects for development of new drugs to combat multi drug resistant malaria, T.B. and leishmania. The Institute is also working on new immunomodulators. In order to ensure the availability of generic drugs at affordable prices, the Institute is developing new patentable technologies for off-patent drugs. To encourage the Indian pharmaceutical Industry to partake effectively in the competitive research, the Institute has started offering specialised services in the areas of impurity profiling, stability studies, bioavailability and pharmacological and toxicological screenings. Any new developments in these areas will be patentable."

55. The Committee are happy to note that NIPER has started its functioning with the prime objective of being a pioneer institution to set standards for pharmaceutical colleges and for Research and Development in the field of pharmaceuticals. After the passage of patents Act and with India becoming a member of W.T.O., this has become essential to orient our research towards development of new drugs particularly to combat the tropical diseases and also to have cheaper drugs for diseases like cancer, AIDS etc. In this area perhaps not much research work is going on in other countries. The Committee desire the NIPER to prepare such research projects as can prove our superiority in the field of production of drugs for combating tropical diseases first and then for development of other drugs/ pharmaceuticals. In the patents regime era, new discoveries in these fields can only save Indian drugs/Pharmaceutical Industry. The Committee can also hope that while preparing the syllabic for various courses, NIPER would keep these prime objectives before them.

Recommendation (Sl. No. 13)

56. NIPER has started functioning in the field of pharmaceutical Research and Development which involves substantial funds. The Committee fear that these projects may suffer due to lack of funds in future. The Committee desire that the Institute must undertake some projects on demand of private sector which can generate resources. These funds in turn should be utilised for undertaking basic research projects which can help the Indian Pharmaceutical Industry in production of common and important drugs at affordable prices. Another area where the Committee feel, NIPER can help is to develop analytical facilities/expertise to check the menace of adulteration in drugs/pharmaceuticals.

Recommendation (Sl. No. 14)

Major Head '2852'**H. Institute of Pesticides Formulation Technology (IPFT)**

57. The Institute of pesticides Formulation Technology at Gurgaon is a non-profit making organisation. The objective of the institute is to promote advancement of pesticides Formulation Technology in India. The Institute aims to develop and promote safer, efficient, economic and environment friendly pesticide formulations utilising indigenously available raw materials. The Institute has also been assigned the role of Technical Coordinator Unit of the Regional Network on Safe Pesticides Production and Information for Asia and the Pacific (RENAP), a programme of UNDP/UNIDO on Pesticide Formulation and Quality Control. During 1998-99 the Revised Estimates for the Institute was Rs. 3.00 crores and for the year 1999-2000 a provision of Rs. 3.50 crores has been made.

58. When the Department was asked to give justification for enhanced Budget provision for 1999-2000, they stated in a written reply as under :—

"The Institute of Pesticide Formulation Technology has been created to provide the Indian farmers with safer and user friendly pesticide formulations. The Government of India launched a country project assisted by United Nations Development Programme/United Nations. The first phase of the programme entitled " Pesticide Development Programme India (PDPI) ended in September 1988. Based on the in depth evaluation of the programme, the project was further extended and the second phase started in September, 1998 under the title of "Strengthening of Pesticide Development Centre-Phase II" with UNDP contribution of approximately US \$ 2.2 million and the Govt. of India's contribution of Rs. 114 lakh.

2. The Institute is fully equipped with state of art equipment which were procured through the funds available from the UN assistance. Equipments like GLC, HPLC, GCMSD, Super Critical Fluid Chromatograph, Malvern Analyser, Spray Granulator, Dynamill, Fluid Energy Mill, Lodge Mixer, Ribon Blenders, Hammer Mill, Droplet Analyser, etc. are some of the latest type of equipments available in the Institute to carry out research and development work for the production of latest variety of user and environment friendly pesticides formulations like flowables, suspension concentrates, encapsulated granules, micro-emulsion, controlled release formulation etc. A detailed evaluation of the project was done by the UNDP in 1997. The UNDP was encouraged by the report of the evaluation mission and has agreed to provide additional funding of US \$ 200,000 with a matching fund to be provided by Government of India for strengthening the facilities of the Institute.

3. The Institute of Pesticide Formulation Technology has been providing support to the Deptt. of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers by way of assisting in "Trial Inspections of Chemical Industrial

units manufacturing and handling the scheduled chemicals, training the industry personnel in various aspect of the Chemical Weapons Convention. Several mock inspections have been conducted by the Institute and Industry personnel have been imparted regular training regarding various objectives of the Conventions. The Institute has also assisted the Deptt. of Chemicals and Petrochemicals in conducting Trial Inspections/Verifications by International Inspectors of OPCW since India is an original state party to Chemical Weapon Convention which has entered into force on April 29,1997.

4. The Institute of Pesticide Formulation Technology (IPFT) had been participating in the Round Robin tests organised by the OPCW and a decision has been taken to get the IPFT accredited as one of the laboratories in India. While many of the essential equipments required for participation in the OPCW Round Robin testing programme are available with the Institute, there is an urgent necessity to upgrade the analytical laboratories and the other support services including adequate quality power back up etc. to meet the ISO-9000 and EN-45001 standards.

5. In order to meet the said requirements a new laboratory building has been designed in consultation with the NABL. It is proposed to utilise this new laboratory to house all the sophisticated equipments which have been obtained from the UNDP/UNIDO programme (IND/89/128—strengthening of Pesticides Development Centre—Phase II) with appropriate additions to obtain accreditation from the OPCW. The total cost for constructing the laboratory block would be about Rs. 441 lakh and the additional funding has been provided for meeting this cost.”

59. During the course of evidence the Committee wanted to know about the production and use of eco-friendly pesticides in India. A representative of the Department stated as follows:—

“There are new types of pesticides which are coming into existence. For example, biopesticides. These ensure that they will not have any adverse effect on either human beings or any other form of life. But each one of these pesticides has got its own or related problems in the sense that the method by which this particular biopesticide is to be used, the manner in which it has to be sprayed, the timing of its spray must be observed because some of them must be sprayed when the Sun is not there because ultraviolet light has effect on it. So, it requires extensive work in training the farmers in how to utilise these pesticides. But efforts are being made to evolve such eco friendly methods.”

60. In the context of earlier recommendations of the Committee, the Committee asked whether the work on creation of independent staff cadre has been completed. The Department stated in a written reply as follows:—

“ Necessary posts for the Institute have already been created. The staff

recruited by M/s. Hindustan Insecticides Limited earlier on ad hoc basis for the IPFT have since been regularised against these posts. The employees of Hindustan Insecticides Limited working in IPFT found suitable for appointment against these posts have since been issued offers and the remaining posts were advertised. They are in the process of being filled up. This process is likely to be completed by June, 1999."

61. The Committee are glad to note that long pending issue relating to independent staff cadre for the Institute has been sorted out and the necessary posts have been created and the process of filling up of remaining posts is likely to be completed by June, 1999. The Committee would like to know conclusive action taken in the matter after the completion of the process in this regard.

Recommendation (Sl. No. 15)

Major Head '2852'

I. National Pharmaceutical Pricing Authority (NPPA)

62. As part of new Drug Policy announced in 1994, an independent body of experts (NPPA) was established on 29.8.1998 and is now fully functional. NPPA is responsible for price fixation/revision of drugs and formulations and other related matters. It would also monitor prices of decontrolled drugs and formulations such as updating the list of drugs under price control by inclusion – exclusion. A provision of Rs. 4 crores has been made for meeting the administrative expenses as against the provisions of Rs. 2.83 crores in the Revised Estimate for 1998-99.

63. Asked about the increase in expenditure of NPPA and justification therefor, the Department explained that out of Rs. 400 lakh Rs. 198 lakh is earmarked for rent. The high cost on rented accommodation has pushed up the total Budget provision.

Head-wise details of expenditure as follows :—

NPPA BUDGET

Sl. No.	Sub Head	BE 1998-99	RE 1998-99 (Rs. in Lakh)	BE-1999-2200 (Rs. in Lakh)
1	2	3	4	5
1.	Salaries	117.00	64.76	90.00
2.	Wages	2.00	1.50	2.00
3.	Overtime Allowance	1.00	0.90	1.00
4.	Domestic Travel	17.00	7.02	15.00

1	2	3	4	5
5.	Foreign Travel	5.00	1.89	5.00
6.	Office Expenses	60.00	54.00	50.00
7.	Rent, Rates & Taxes	120.00	143.33	198.00
8.	Other Admn. Expn.	5.00	1.50	5.00
9.	Professional Services	40.00	8.10	34.00
Total		367.00	283.00	400.00

64. When the Committee enquired about the steps taken by NPPA to ensure a check on prices of drugs in states particularly in coordination with State Drug Controllers, the Department submitted the following written reply :—

"(a) The Chief Secretaries of all the States and Union territories were informed of the creation and functions of NPPA and they were requested to nominate Nodal officers for interaction on Drug Pricing and monitoring matters.

(b) The Health Secretaries of all the States are kept informed about the actions taken by NPPA whenever required and were also requested to create separate monitoring cells in the Drug Control Departments of the States.

(c) Regionwise meetings of the State Health Secretaries and the Drugs Controllers are conducted by NPPA at various places from time to time for better interaction and understanding of the prevailing situation of prices in the respective areas.

(d) Apart from communicating the price fixation orders/notifications to the states to ensure enforcement, whenever prices of drugs are reduced by NPPA, the State Drug Controllers are specially informed and advised to take appropriate action for, implementation of the revised prices by the manufacturers in their respective States."

65. The Committee further asked whether NPPA is getting desired assistance from the Ministry of Health and Family Welfare, the Department informed that there is close coordination between NPPA and Directorate General of Health Services (DGHS), Ministry of Health & Family Welfare. NPPA gets desired assistance from the same. Fixation of prices of imported drugs is decided on the basis of the data supplied by the DGHS, Ministry of Health.

66. The Committee note that Budget allocation for NPPA has been further enhanced up to Rs. 4 crores against the revised expenditure of Rs. 2.83 crores during 1998-99. The Committee however find that the major

increase has been made under the head Rent, Rates and Taxes. The Committee would like the Government to take necessary steps to find suitable accommodation in Central Government Complexes or arrange some low rented premises to avoid heavy expenditure for this purpose. Since the Authority has to play an important role in future, it should have a suitable place and a well equipped office urgently. The Committee would await specific action taken by the Government within three month's time from presentation of the Report to Parliament.

Recommendation (Sl. No. 16)

67. The Committee are happy to note that all the Chief Secretaries and Health Secretaries of all the States have been informed about the activities of NPPA. However they feel that only disseminating information will not serve the purpose. Drug pricing and monitoring require both manpower and machinery. In several States the health services are in very poor shape and only sincere and concerted efforts can give the required results. The Committee also desire that NPPA should create a data base on the lines of Planning Commission to obtain updated information from various States on continuous basis. This information can also be shared with the Health Department officials at the district levels.

Recommendation (Sl. No. 17)

67 (a). The Committee hope that the main function of NPPA is to fix the prices of drugs/pharmaceuticals. As per the recommendations made by the Committee in their earlier reports, the efforts should continue by NPPA to keep the price level of medicines within affordable limits.

Recommendation (Sl. No. 17A)

Major Head '2852'

J. Pharmaceutical Research and Development Programme (PRDP)

68. With an objective of development of Pharmaceuticals Research in India and to enable the Indian Pharmaceuticals Industry to steer clear its way through the challenging times ahead after signing GATT, this programme has started. A grant of Rs. 16.00 lakhs has been made to meet the expenditure relating to these activities.

69. In view of the objectives of the programme the Committee wanted to know about the specific programmes being undertaken to face stiff challenges posed by the impending product patent regime after signing the GATT. The Department submitted in a written reply :—

"Recognising the importance of R&D in the growth of the Indian Drug Industry, Government of India through the Department of Science and

Technology (DST) has formulated a programme for promoting collaborative R&D in drugs and pharmaceuticals sector with the objective to :

- (a) Synergise the strengths of publically funded R&D institutions and the Indian Pharmaceuticals industry.
- (b) Create an enabling infrastructure, mechanism and linkages to facilitate new drug development.
- (c) Stimulate skill development of human resources in R&D for drugs and pharmaceuticals.
- (d) Enhance the nations self reliance in drugs and pharmaceuticals critical to national health requirements.

This scheme came into existence in the year 1994-95 and so far under the scheme 28 projects have been recommended for grant of necessary financial support.

A Technology Development Board, under the Department of Science and Technology has also been constituted for the purpose of technology development with a fund of their own. The broad functions of the Board would be to :

(a) provide equity capital subject to such conditions as may be determined by regulations or any other financial assistance to industrial concern attempting commercial application of indigenous technology.

(b) Provide financial assistance to such research and development institutions engaged in developing indigenous technology or adapting imported technology for commercial application.

Apart from this, the Government through the Department of Science and Technology and Department of Scientific and Industrial Research (DSIR) under its Programmes Aimed at Technological Self Reliance (PASTER) financially supports Research Development, Design and engineering projects including those of pharmaceutical sector.

The Department of Chemicals and petrochemicals has recently constituted a High Level Committee to go into the aspects of R&D and recommend measures to improve R&D in domestic pharmaceutical industry. This Committee would submit its recommendation in three months. This Committee is to look into all aspects pertaining to R & D in the domestic pharmaceuticals industry and dwell upon measures that are needed for enabling the Indian Pharmaceutical Industry to face the challenges of the product patent regime."

70. In view of small allocation for R & D activities the Committee wanted to know whether this amount would be sufficient for this purpose. The Department submitted that the Department of Chemicals and Petrochemicals supplement the

efforts of the Department of Science and Technology and Department of Science and Industrial Research (DSIR) Both the Departments of DST and DSIR have separate funds for this, in addition to the allocation of Rs. 16 lakh under the Department of Chemicals and Petrochemicals.

71. The Committee feel that Research and Development aspects relating to Pharmaceutical Industry are different from other industries. This sector is likely to be affected more after the present emergence of WTO and passage of patents Act. The Committee are happy to note that the Department of Chemicals and Petrochemicals has constituted a high level Committee to look into the aspects of R & D and recommend measures to improve R & D in domestic pharmaceutical industry. The Committee desire that recommendations of the high level Committee should be brought to their notice alongwith the action plan prepared on the basis of these recommendations.

Recommendation (Sl. No.18)

72. The Committee find that allocation made for R & D purpose is not sufficient. PRDP should be given more R & D projects and for this purpose, Govt. should allocate more funds. The expertise of CSIR and DSIR should be fully used to achieve better results to enhance the nation's self-reliance in drugs and pharmaceuticals essential for our requirements and to enable the Indian pharmaceutical industry to steer clear its way through challenging times ahead.

Recommendation (Sl. No. 19)

Major Head 4857/6857

K. Investment and Loans to PSUs

73. The following table shows the amount given to sick PSUs under the Ministry :—

		(Rs. in crores)			
		Investment		Loan	
		Plan	Non-Plan	Plan	Non-Plan
1997-98	Actuals	7.65	-	6.45	56.97
	BE	9.40	-	8.15	37.49
1998-99	RE	8.40	-	7.65	78.83
1999-2000	BE	7.54	-	8.50	41.19

74. The five public sector units, namely, IDPL, Hindustan Antibiotics Ltd. (HAL), Bengal Chemicals & Pharmaceuticals Ltd. (BCPL), Smith Stanistreet & Pharmaceuticals Ltd. (SSPL) and Bengal Immunity Ltd. (BIL) have all been in the red due to outmoded technology, excessive workforce, high overheads, weak

marketing set ups, excessive reliance in international sales, etc. All these units have been referred to BIFR and revival package approved by Govt. for BCPL, BIL and SSPL are under implementation. Latest position about these units is as under :—

Indian Drugs and Pharmaceuticals Ltd. (IDPL) : IDPL was declared sick and referred to BIFR in 1992. A revival package was approved in 1994. The operations of IDPL could not reach the targeted levels in 1994-95. It was decided to revise the revival plan. The revival package which was submitted in June, 1998 has not been approved so far. Operations of IDPL are closed except marginal production in some of the units. The wage and salaries of the employees and workers of the company are being paid from non plan assistance released from time to time by the Government. For 1999-2000 a provision of 33.72 crores has been made as against expenditure during 1998-99 was Rs. 67.13 crores. Since the future of IDPL is uncertain, only a token provision of Rs. 1.00 lakh has been made in Annual plan outlay of IDPL for 1999-2000.

Petrofils Cooperative Ltd. (PCL) : PCL has been incurring losses for the last 6-7 years. It is presently passing through a severe cash crunch resulting in the capacity utilisation as well as shifting of operations to the conversion basis for the other parties. PCL submitted its revival package to Govt. in the June 1996. However, it has been repeatedly sent to PCL for updating/ revision. On the basis of study made by CRISIL, PCL management has formulated a rehabilitation proposal which is a comprehensive package, is now under examination. A provision of Rs. 1.00 crores has been made in the Budget Estimates and a provision of only one lakh in annual plan outlay.

Hindustan Antibiotics Ltd. (HAL) : It was referred to BIFR in March 97. A revival plan is yet to be finalised. A provision of Rs. 3.00 crores has been made for providing plan assistance for meet in essential expenditure on renewals and replacements of items plant and machinery.

Hindustan Insecticides Ltd. (HIL) : The plan outlay for the year 1999-2000 has been kept at Rs. 12.65 crores (Budgetary Support of Rs. 9.00 crores and internal resources Rs. 3.65 crores).

Bengal Immunity Ltd. (BIL) & Smith Stanistreet Pharmaceuticals Ltd. (SSPL) : Revival packages of these units were put in operations in 1994-95. Rs. 1.00 crore has been provided to each PSU to meet their capital requirements for renewals and replacements necessary modifications etc.

Bengal Chemicals and Pharmaceuticals Ltd. (BCPL) : Revival package of BCPL was put into operation in 1994-95. A provision Rs. 13 crores has been made which will be met through budgetary support of Rs. 4.00 crores and balance through internal resources and contributions.

Revival of IDPL

75. During the course of examination the Committee observed that IDPL was declared sick and referred to BIFR as far as back as 1992. A package for revival was sanctioned in 1994 which failed in the first year itself i.e. 1994-95. Enquired about the Govt.'s view on the rehabilitation proposals submitted by IDPL and the reasons for not making sincere efforts to finalise the proposal, the Department in a detailed note submitted as under :—

"IDPL was declared sick by BIFR on 12.8.1992. A package for revival of IDPL was sanctioned by BIFR w.e.f. 1.4.1994. The cost of the package was Rs. 155 crore with cash infusion of Rs. 119.94 crore by the Government upto 1995-96. Besides this, the sacrifices on the part of the Government was to the tune of Rs. 149.84 crore conversion of loan into equity, Rs. 20.02 crore conversion of plan loans to interest free loan and Rs. 285.11 crore towards the waiver of penal and compound interest totalling Rs. 454.97 crore.

The Government released financial assistance to the tune of Rs. 140.31 crore during the period upto 1995-96.

The package failed in the first year itself *i.e.* 1994-95 as the company was able to achieve a production of Rs. 199 crore only against the target of Rs. 328 crore, sales of Rs.183 crore as against the target of Rs. 306 crore and made a loss of Rs. 77 crore as against the projected profit of Rs. 0.08 crore.

IDPL management thereafter suggested modifications in the plan, envisaging a fresh financial assistance of Rs. 98 crore. The Government approached BIFR for economic analysis of the modifications proposed. BIFR appointed IDBI as the Operating Agency for the purpose. Further M/S. A.F. Ferguson & Co. (AFF) was also engaged for a diagnostic study.

According to M/S A.F. Ferguson & CO., IDPL is over staffed, plant and equipments are in bad shape, product mix required drastic changes, the high social cost and overheads need to be trimmed, marketing needs to be fully revamped and the accounting and financial system need to be put in place. The report was categorical in its stand that on " as is where is" basis, the company is non-viable. The report recommended a drastic reduction in manpower from the existing 7,600 to 2,310 an investment of Rs. 130 crore (approx.) for the modernisation and purchase of technology and consolidation of formulation unit at one place over a period of 2 years. The report also recommended that the facilities like housing, schools, colleges, guest houses

etc. be run on a no profit no loss basis or these may be transferred to the concerned civil authorities.

IDBI examined the history of IDPL and went into the details of recommendations made for each unit by M/S. A.F.F. IDBI was of the opinion that given IDPL's past record it would be impossible to implement the measures recommended by AFF within the prescribed period. IDBI was also of the opinion that it was difficult to bring the overheads in line with the industry in a short period of time.

The issues relating to IDPL were discussed in a meeting of the Committee of Secretaries held on 22.1.1997. An Inter-Ministerial Committee set up to examine the matter, concluded that it would be no longer possible for the Government of India to remain as promoter. The recommendations of the Inter- Ministerial Committee were considered by a Group of Ministers and they set out the parameters for the revival of IDPL. One of the parameters set out was that the Management and workers assume the responsibility for the unit on self sustaining basis unitwise. IDPL management in consultation with the workers prepared and submitted a revised proposal to the Government on 24.10.1997. As per revised proposal submitted by IDPL the total estimated cost is Rs. 1,092.92 crore with cash infusion of Rs. 449.41 crore from the Government of India. Besides this the proposal also envisaged around Rs. 144 crore to be fetched from the sale of surplus land be retained by the company. This widely differed from the parameters set out by the Group of Ministers. The group of Ministers had recommended cash infusion of Rs. 246 crore and also the proceeds from the sale of surplus land was to be retained by the Government. Further, the workers did not agree to accept the responsibilities with the management jointly to manage and run the three units of IDPL as a whole on a self-sustained basis as was recommended by the Group of Ministers. Subsequently, IDPL submitted another proposal in June, 1998 with cut of dates as 30th September, 1998, 31st December, 1998 and 31st March, 1999. On examining the proposal, the total cost of computers to Rs. 2,034.12 crore including Rs. 48.01 crore towards capital expenditure, direct cash infusion of Rs. 646.96 crore (this includes Rs. 119.90 crore proposed to be fetched from the sale of land) and other sacrifices.

The revised proposal of IDPL also does not conform to the parameters laid down by the Group of Ministers. IDBI and AFF have not found the revival of IDPL as viable. While giving due consideration to these aspects, it was decided to get a fresh techno-economic study conducted by Dr. L.K. Bahl, a former CMD of IDPL. The time schedule laid down for completing the study is six weeks. A decision would be taken after viewing the matter in its entirety by giving due consideration to all the relevant aspects. Pending a decision on the future of the company the Government is releasing the non-plan financial assistance to IDPL towards the Salary/ wages commitments."

76. During the course of evidence when the Committee wanted the justification for the provision of Rs. 1 lakh only for IDPL, Secretary, Chemicals and Petrochemicals explained :—

"This provision of Rs. 1 lakh is only a token provision. Should the Government decide to take a view in favour of revival and whatever the package, this would ensure that the Budget is available for seeking sufficient funds from Parliament at a later stage. This is why this provision has been made.

As for the present stage, I think, the hon. Committee is aware that IDPL has gone through one phase of revival and it has failed. In 1997, it was considered by a Group of Ministers when certain directions were given for a revival package. The management did come up with a proposal to meet the applicable parameters fixed by the Group of Ministers. It has not been possible to take a decision on the proposals made by the management because it has failed. The amount of money which the management had sought for revival was found to be inadequate. In fact, the company would need much more if it were to be revived. A decision had to be taken accordingly. The latest position is that we have appointed a consultant who is one of the ex-Chairman of IDPL. He is an acknowledged expert on the functioning of the IDPL and had worked with the company for about eight years. His name is Dr. L.K. Bahl. He has been asked to look into the proposals which have been made by the management and offer his independent comments. This study was formed some time ago. We expect a report latest by another fortnight's time. This is the indication that we have. Thereafter, the matter will be considered at the appropriate level by the Government. I may also submit for the hon.' Committee's consideration that because the Government wants to look at all aspects seriously there has been some amount of delay in decision-making as there is a certain amount of interest to see whether a revival package which is feasible can be drawn up."

77. When the Committee wanted to know the reasons and justification for appointing consultants and the fate of the new package, the Secretary, C & PC explained :—

"The package which the management has sent was seen; it was felt that it will not be able to revive IDPL because it did not contain certain elements of cost. That is why it has become necessary. Since there was a feeling that the package needs to be revised, we have appointed a consultant; we are trying to quantify it now. There will be appropriate decisions, as soon as it is done."

78. The Committee are deeply anguished over the casual approach shown by the Ministry in regard to finalisation/approval of revival package of IDPL. In spite of repeated recommendations of the Committee (in various reports submitted during last 5 years) the Government have not taken any decision for its revival. The Government have taken more than three years in deciding the various aspects of revival package. Operations of IDPL were suspended

in October, 1996 and since then workers are getting salary without any work. The cost of revival package is also increasing every year. Since the Government have taken undue long time in finalisation of revival package of IDPL, the Committee recommend that this may be finalised within three months of the presentation of report in the Parliament.

Recommendation (Sl. No. 20)

Revival of Petrofils Cooperative Ltd. (PCL)

79. Petrofils Cooperative Ltd. (PCL) has been incurring losses since 1994-95. The sales turnover of PCL has increased from Rs. 144 crores in 1996-97 to Rs. 164 crores in 1997-98 and the net loss has been reduced. The Committee wanted to know the reasons for sending revival plan to PCL repeatedly for updating data etc. The Department stated in a written reply as under :—

"Revival package submitted by PCL in June, 1996 was examined and circulated for the comments of financial Institutions. In the meantime, with the announcement of the Union Budget, wanted to PCL revise the financial package. The revised financial package submitted in August, 1997 was examined and PCL; advised to obtain the comments of IDBI and consortium of Bankers. The same was received in the Department in January, 1998. In the meantime, IDBI indicated that it would like a one time settlement (OTS) of its dues on account of term loans and other finances given to PCL. The consortium of Bankers, however, did not agree to OTS of its overdues. In that situation, PCL was advised to rework the financial restructuring proposal to indicate the implications under both options *i.e.* OTS and normal relief and concessions as available under the RBI guidelines. The new proposal was submitted by PCL in January, 1998. This proposal was basically for a financial restructuring and not a comprehensive rehabilitation plan. Therefore, the PCL management was advised to prepare a comprehensive rehabilitation proposal and also consider have a techno-economic viability study made by a reputed consultant.

2. PCL engaged the Credit Rating Information Services of India Ltd. (CRISIL) in September, 1998 for a techno-economic viability study of the operations of PCL. On the basis of the study made by CRISIL, PCL management has formulated a rehabilitation proposal and submitted the same to the Department in February, 1999. The rehabilitation proposal, which is a comprehensive package, is now under examination."

80. The Committee has been informed that PCL has prepared and submitted a rehabilitation proposal in February, 1999 which is based on the suggestions made by the Department. The matter is lying with the Government. The Committee strongly recommend that in view of the improvement shown in performance and determination shown by PCL

management, the Government should finalise and approve the rehabilitation proposal within three month's time.

Recommendation (Sl. No. 21)

81. The Committee note that production and sales turnover in PCL has improved during 1997-98 and 1998-99, particularly when PCL is passing through a severe cash crunch resulting in reduction in capacity utilisation as well as shifting of operations on the conversion basis for other parties. PCL remains in arrears for certain vital statutory dues as well as electricity bills and delayed payments of wages to the workers making even holding on operations difficult. The Committee urge upon the Government to provide assistance to PCL so that the production process may continue and improve till the rehabilitation package is finalised. The Committee also desire that a full time CMD should be appointed without any further delay.

Recommendations (Sl. No. 22)

Revival of Hindustan Antibiotics Ltd. (HAL)

82. HAL is incurring losses since 1993-94. The company was referred to BIFR in January, 1997 and was declared sick on 31st March, 1997.

83. Asked about the performance of HAL and latest position of its revival package, the Department in a note stated as follows:—

"HAL was declared sick industrial company by BIFR on 31st March, 1997. BIFR appointed IDBI as an operating Agency to suggest measures for rehabilitation of the company. The revival package is in the advance stage of finalisation. The company, however, on its own, initiated a number of remedial measures for improving the financial position. Some of these are as follows:-

- (i) upgradation of technology for manufacturing of pencillin G and increasing production and productivity;**
- (ii) A number of cost reduction measures are also being followed like:**
 - (a) Reduction in the cost of raw materials by way of procuring directly from manufacturers.**
 - (b) Reduction in wages by introducing VRS to reduce excess manpower."**

The financial assistance released to the company during the period from 1995-96 to 1997-98 was to the tune of Rs. 14.54 crore. The performance of

the company during the last 4 years is as follows:—

Year	Value of Production	Profit/Loss
1994-95	183.30	(22.30)
1995-96	181.32	(20.94)
1996-97	116.82	(32.25)
1997-98	109.62	(23.50)
1998-99 (upto Nov. 98)	52.72	(9.62)

84. During the course of evidence when the Committee wanted to know about the specific problems of HAL and the latest position, CMD, HAL submitted as follows:—

"The present problem which the HAL is facing is basically related to the shortage of working capital. During the last one year, we could make some improvement; definitely the cash position has improved and the production has also substantially improved. Over the last one year, it has doubled. The basic problem is that during the past seven or eight years, the company had to borrow around Rs. 100 crore for its various capital projects. What has happened is, because of this borrowal of Rs. 100 crore from the market, the interest burden of the company has gone up to Rs. 23 crore per annum. In the past year what happened was, expecting a good return from the capital investment, the company was borrowing from the open market. The basic problem which presently the company is facing is we have to pay around Rs. 23 crore per annum on interest alone. Once this particular imbalance in the capital is set right, the company will definitely turn around. We expect that the next year, will be a year where we will have a break, even. This is the latest situation."

85. The Committee further wanted to know the latest position of revival package of HAL, secretary C & PC replied:—

"They had submitted it during September-October last year. We took a couple of months to look at it. When we referred it back again to the company to renegotiate, that has been done by the company; so, it has now come back to us."

86. Asked about the time frame for approval, the witness stated that he could give an indicative time frame of three months.

87. The Committee note that after being declared sick in 1997, HAL has submitted a revival package which is lying with the Government. The Committee expect that revival package will be cleared within the three month's time as assured by the secretary, Department of chemicals & petrochemicals.

Recommendation (Sl. No. 23)

Revival of Smith Stanistreet Pharmaceuticals Ltd. (SSPL)

88. On being asked about the latest position in regard to revival of SSPL, the Department stated in their written reply as follows :—

"This company was declared sick by BIFR on the 21st December, 1992. BIFR appointed Industrial Reconstruction Bank of India (now Industrial Investment Bank of India) , Calcutta as the operating Agency to make techno-economic viability study and to suggest measures for revival. BIFR sanctioned a revival scheme on the 31st August, 1994 for a period of 10 years beginning from 1994-95.

The cost of the scheme was Rs. 6.94 crore, the Government contribution was to the tune of Rs. 5.64 crore during the year 1994-95 and 1995-96. As against this is the actual financial assistance was Rs. 9.35 crore during this period.

The performance of the company is far behind the target.

The short fall in the performance is attributed to :—

- (1) Weak marketing set up.
- (2) Loss of market on account of inadequate supply.
- (3) Erosion of working capital and inadequate cycling of the working capital.
- (4) Loss of confidence of suppliers.
- (5) Inadequate managerial output.

BIFR decided that the projection of the year 1996-97 would need fresh look and issued directions to the OA to rework the projections. The SSPL management prepared revised projections. The SSPL management prepared revised projections and forwarded the same to the Operating Agency in April, 1997. The cost of the scheme as per the projections prepared by Operating Agency works out to Rs. 24.15 crore. The major part, amounting to Rs. 22.13 crore would have to be funded by the Government and only a small portion of Rs. 2.02 crore to be funded from the profits of the company.

The modified projections also do not inspire much confidence. The net worth of the company would be negative to the extent of Rs. 8.61 crore even at the end of 2003-2004 . The OA has come to the conclusion that it is not possible to revive SSPL except with extra-ordinary reliefs and concessions from the Government of India, public sector institutions.

The accumulative losses of the company as on 31st March, 1998 are Rs. 57.76 crore (provisional).

Pending a decision on the future of the company; the Government is releasing the financial assistance to enable the company to meet the wages/salaries of the employees/workers. The gross salary for a month is Rs. 39 lakh."

89. The Committee note that operating Agency has come to the conclusion that it is not possible to revive SSPL except with extra-ordinary reliefs and concessions from the Government of India, public sector institutions. The Committee urge upon the Department to take up the matter at the highest levels for securing the required reliefs and concessions from all the concerned Ministries/Departments/Institutions for the revival of SSPL without any further delay and inform the Committee about the outcome of the efforts made in this regard within three month's time.

Recommendation (Sl. No. 24)

Purchase of Medicines from PSUs

90. The Committee enquired about the role of the Department of Chemicals and Petrochemicals in persuading, the Ministry of Health and Family Welfare to make purchases of drugs/medicines from the PSUs. The Department replied as follows :—

"The Government had issued instructions from time to time to the Central Government Departments, Union Territories and other State Government Agencies responsible for the purchase of the drugs and pharmaceuticals to accord preference for products of public sector undertakings. These instructions were last extended for a period of 3 years from 1997 and are applicable upto March, 2000. According to these instructions purchase preference for manufactured items produced by PSEs or joint ventures of the PSEs with a minimum value added content of over 20% by the later, subject to the purchase being in excess of Rs. 5 crore. As and when a public sector undertaking experienced a difficulty in procuring the purchase order in terms of these instructions, the Department takes up the matter with the agencies concerned to facilitate the purchase order."

91. During the course of evidence when the Committee wanted to know specifically about the nature of approach the degree of success in getting such orders, Secretary C & PC replied as under :—

"In the BIL, SSPL and other companies, there have been requests from the companies to help them in getting the institutional orders, particularly from the Ministry of Health under different programmes. The policy of the

Government purchase from the PSUs is laid down by Deptt. of Public Enterprises. Notwithstanding that, we have written to them and in some cases we have been successful in getting the orders and in some cases we are not."

92. The Committee note that although instructions issued by the Department of Public Enterprises exist to accord preference for products of Public Sector Undertakings, yet these are not being followed strictly by Ministries. The present instructions are applicable upto March 2000. The Committee strongly recommend that the Department of Chemicals and Petrochemicals should approach the Ministry of Health and Family Welfare and the State Governments with a view to persuading them to provide purchase preference for manufactured items produced by PSEs or joint ventures of PSEs. They should prepare a comprehensive preferential purchase policy for drugs and pharmaceuticals so that the sick PSEs in pharmaceutical sector may get benefit. It has come to the notice of the Committee that in the recent past SSPL and BIL could not get the opportunity to supply Malaria medicines which they were able to produce and supply at the rate quoted by NPPA. The Committee strongly recommend that under such situations, Department of Chemicals and Petrochemicals should come to the rescue of these PSUs and help them in obtaining such orders.

Recommendation (Sl. No. 25)

Disinvestment Proposals of sick PSUs

93. During the course of discussion the Committee desired to know that when the Department of Chemicals and Petrochemicals referred the proposal to the Department of Public Enterprises for referring the PSUs under Deptt. of Chemicals and Petrochemicals to the Disinvestment Commission and the present status of action taken by the Department of Public Enterprises on their suggestion, Department stated in a written reply as follows :—

"The Department of Chemicals and Petrochemicals had in December 1998 suggested to the Department of Public Enterprises that seven PSUs; namely Hindustan Organic Chemicals Limited, Hindustan Insecticides Ltd., Indian Drugs and Pharmaceuticals Ltd., Hindustan Antibiotics Ltd., Bengal Immunity Ltd., Smith Stanistreet Pharmaceuticals Ltd. and Bengal Chemicals and Pharmaceuticals Ltd., could also be referred to the Disinvestment Commission. The Department of Public Enterprises has reported that these PSUs have been referred to the Disinvestment Commission."


94. The Committee find that 7 PSUs under the Deptt. of Chemicals and Petrochemicals have been referred to Disinvestment Commission. The Committee fail to understand as to how 5 sick units viz IDPL, HAL, BIL, SSPL and BCPL which are under consideration of BIFR can simultaneously

be considered by Disinvestment Commission, when their future is uncertain. The Committee would like the Government to ensure that revival process of these sick units is not hampered for the reasons for which these were referred to Disinvestment Commission also.

Recommendation (Sl. No. 26)

NEW DELHI;
April 9, 1999

Chaitra 19, 1921 (Saka)


DR. BALRAM JAKHAR,
Chairman,
Standing Committee on Petroleum & Chemicals.

APPENDIX I

Major Heads	1997-98 Actuals			1998-99 Budget			1998- Revised			1999-2000 Budget			
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
1. Secretariat-Economic Services Industries 3451 Petrochemical Industries	-	4.13	4.13	-	4.68	4.68	-	4.58	4.58	-	4.78	4.78	
2. Central Institute of Plastics Engg. and Technology	2852	9.75	4.40	14.15	4.75	4.00	8.75	5.25	5.37	10.62	4.00	4.40	8.40
Chemical and Pharmaceutical Industries													
3. Bhopal Gas Leak Disaster	2852	-	29.86	29.86	-	60.00	60.00	-	33.53	33.53	-	62.50	62.50
4. Grant to Institute of Pesticides Formulation Technology	2852	0.95	-	0.95	1.00	-	1.00	3.00	-	3.00	3.50	-	3.50
5. National Institute of Pharmaceuticals Education and Research (NIPER)	2852	14.00	-	14.00	14.00	-	14.00	13.00	-	13.00	13.00	-	13.00
6. Regional Network on Pesticides for Asia and Pacific (RENPA) 2852	0.05	-	0.05	0.05	-	0.05	0.05	-	0.05	0.14	-	0.14	
7. Chemical Weapons Convention	2852	-	0.15	0.15	-	0.28	0.28	-	0.20	0.20	-	0.25	0.25
8. National Pharmaceutical Pricing Authority	2852	-	2.12	2.12	-	3.67	3.67	-	2.83	2.83	-	4.00	4.00
9. Subsidy to Assam Gas Project	2852	-	-	-	-	25.00	25.00	-	0.01	0.01	1.00	25.00	26.00
10. Pharmaceuticals Export Promotion Scheme (PEPS)	2852	-	-	-	-	0.10	0.10	-	0.10	0.10	-	0.17	0.17
11. Petrochemicals Promotion & Dev. Agency (PPDA)	2852	-	-	-	0.25	-	0.25	0.25	-	0.25	-	-	-
12. Pharmaceuticals Research & Dev. Programme (PRDP) 2852	0.04	-	0.04	0.20	-	0.20	0.20	-	0.20	0.16	-	0.16	
13. Chemicals Promotion & Dev. Scheme (CPDS)	2852	-	-	-	0.20	-	0.20	0.20	-	0.20	0.16	-	0.16
Total Industries	24.78	48.66	65.45	28.45	93.85	113.50	21.95	42.04	63.99	21.96	96.32	118.28	
14. Non Plan Loans to Public Enterprises:													
14.01 Smith Street Pharmaceutical Ltd.	6857	-	1.00	1.00	-	1.00	1.00	-	2.70	2.70	-	2.34	2.34

Major Heads	1997-98 Actuals			1998-99 Budget			1998- Revised			1999-2000 Budget			
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
14. 02 Bengal Chemicals and Pharmaceuticals Ltd.	6857	2.50	1.00	3.50	-	1.00	1.00	-	1.00	1.00	-	0.25	0.25
14. 03 Bengal Immunity Ltd.	6857	-	2.00	2.00	-	1.00	1.00	-	3.50	3.50	-	2.88	2.88
14. 04 Indian Drugs & Pharmaceuticals Ltd.	6857	-	50.10	50.10	-	34.49	-	67.13	67.13	-	33.72	-	33.72
14. 05 Petrofils Co-operative Ltd.	6856	2.45	2.87	5.32	-	-	-	-	4.50	4.50	-	1.00	1.00
14. 06 Hindustan Antibiotics Ltd.	6857	1.50	-	1.50	-	-	-	-	-	-	-	1.00	1.00
Total		6.45	56.97	63.42	-	37.49	37.49	-	78.83	78.83	-	41.19	41.19
<i>15. Expenditure met from National Renewal Fund</i>													
15. 01 Implementation of Voluntary Retirement Scheme													
(i) Smith Stinistreet Pharmaceuticals Ltd.													
	2852	-	-	-	-	-	-	0.50	-	0.50	-	-	-
(ii) Bengal Chemicals and Pharmaceuticals Ltd.													
	2852	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Bengal Immunity Ltd.													
	2852	-	-	-	-	-	-	0.60	-	0.60	-	-	-
(iv) Indian Drugs & Pharmaceuticals Ltd.													
	2852	-	-	-	-	-	-	-	-	-	-	-	-
(v) Hindustan Insecticide Ltd.													
	2852	-	-	-	0.40	-	0.40	-	-	-	-	-	-
(vi) Hindustan Antibiotics Ltd.													
	2852	-	-	-	1.25	-	1.25	1.25	-	1.25	-	-	-
Total		-	-	-	1.65	-	1.65	2.35	-	2.35	-	-	-
15. 02 Deduct expenditure met from NRF	2852	0.50			(-)1.65	-	-1.65	-2.35	-	-2.35	-	-	-
Net					-	-	-	-	-	-	-	-	-
16. Investment in Public Enterprises													
	4856	2.00	-	2.00	2.00	-	2.00	2.00	-	2.00	0.01	-	0.01
	4857	5.56	-	5.65	7.40	-	7.40	6.40	-	6.40	7.53	-	7.53
	6857	6.45	-	6.45	8.15	-	8.15	7.65	-	7.65	8.50	-	8.50
Total		14.10	-	14.10	17.55	-	17.55	16.05	-	16.05	16.04	-	16.04
Grant Total		38.39	95.33	133.72	38.00	135.22	173.22	38.00	125.45	163.45	38.00	142.29	180.29

APPENDIX II

MINUTES

**STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(1998-99)**

**Twenty-Second Sitting
(22.3.1999)**

The Committee sat from 1500 hrs. to 1730 hrs.

PRESENT

Dr. Balram Jakhar – *Chairman*

MEMBERS

Lok Sabha

1. Shri Devibux Singh
2. Dr. Ramesh Chand Tomar
3. Shri Tejveer Singh
4. Dr. Ravi Mallu
5. Shri Krishan Dutt Sultanpuri
6. Shri Gurudas Kamat
7. Shri Nepal Chandra Das
8. Shri Narendra Budania
9. Dr. Asim Bala
10. Shri Balram Singh Yadav
11. Shri Pitambar Paswan
12. Shri Prabhunath Singh
13. Dr. C. Suguna Kumari

14. Shri Arjun Charan Sethi
15. Shri Prem Singh Chandumajra
16. Smt. Kailasho Devi

Rajya Sabha

17. Shri Surendra Kumar Singh
18. Smt. Malti Sharma
19. Shri Dipankar Mukherjee
20. Shri Ram Gopal Yadav
21. Shri Dara Singh Chauhan
22. Shri Joyanta Roy
23. Shri Parag Chaliha

SECRETARIAT

1. Shri Harnam Singh – *Joint Secretary*
2. Shri Brahm Dutt – *Deputy Secretary*
3. Shri. J.N. Oberoi – *Under Secretary*

Representatives of Deptt. of Chemicals and Petrochemicals

1. Shri Dipak Chatterjee, Secretary (C&PC)
2. Shri K. Kosal Ram, Chairman (NPPA)
3. Shri S. Kabilan, JS & FA
4. Shri Ashok Chawla, Joint Secy. (PC & A)
5. Shri S.K. Sood, Joint Secy. (PI)
6. Shri Shantanu Consul, Joint Secy. (B,C & A)
7. Dr. S.M. Jharwal, Member Secy. (NPPA)
8. Shri M.C. Abraham, C & MD, HAL
9. Shri Rajendar Mohan, C & MD, HIL

10. Smt. Reena Ramachandan, C & MD, HOCL
11. Dr. C.L. Kaul, Director, NIPER
12. Shri S.K. Roy, M.D., SSPL
13. Shri Probir Roy, M.D., BCPL
14. Shri C. Bhattacharya, C & MD, PCL.

The Committee took oral evidence of the representatives of Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petrochemicals in connection with the examination of Demands for Grants of the Deptt. of Chemicals and Petrochemicals for the year 1999-2000.

2. The main issues which came up for discussion included the implementation of Assam Gas Cracker Project, Rehabilitation of Bhopal Gas Disaster Victims, National Institute of Pharmaceutical Education and Research (NIPER), Institute of Pesticides Formulation Technology (IPFT), Revival of IDPL, HAL and Petrofils Cooperative Ltd. (PCL) and Disinvestment in IPCL.

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
(1998-99)**

**Twenty-Fifth Sitting
(07.04.99)**

The Committee sat from 1200 hrs. to 1330 hrs.

PRESENT

Dr. Balram Jakhar – *Chairman*

MEMBERS

Lok Sabha

2. Shri Z.M. Kahandole
3. Dr. Vallabhbai Katheria
4. Shri Ashok Argal
5. Dr. Ramesh Chand Tomar
6. Dr. Ravi Mallu
7. Shri Paban Singh Ghatowar
8. Shri Krishan Datt Sultanpuri
9. Shri Gurudas Kamat
10. Shri Narendra Budania
11. Dr. Asim Bala
12. Shri Balram Singh Yadav
13. Shri Pitambar Paswan
14. Shri Prabhunath Singh
15. Dr. C. Suguna Kumari

16. Shri Prem Singh Chandumajra
17. Shri Mohan Vishnu Rawale
18. Shri Devibux Singh

Rajya Sabha

19. Shri Ahmed Patel
20. Shri Radhakishan Malaviya
21. Smt. Malti Sharma
22. Shri Ram Nath Kovind
23. Shri Dipankar Mukherjee
24. Shri Mukesh R. Patel
25. Shri Joyanta Roy
26. Shri Parag Chaliha

SECRETARIAT

- | | | |
|----------------------|---|-------------------------|
| 1. Dr. A.K. Pandey | - | <i>Addl. Secretary</i> |
| 2. Shri Harnam Singh | - | <i>Joint Secretary</i> |
| 3. Shri Brahm Dutt | - | <i>Deputy Secretary</i> |
| 4. Shri. J.N. Oberoi | - | <i>Under Secretary</i> |
| 5. Smt. Abha Singh | - | <i>Asstt. Director</i> |

2. The Committee took up for consideration the following Draft Reports :—

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- (ii) 11th Report on 'Demands for Grants of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals and Petrochemicals for the year 1999-2000.,

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2. The Committee suggested certain points for inclusion in Reports viz. Adulteration in Petroleum products, Safety Measures in Hydrocarbon sector,

Effective role of NPPA in controlling the prices of drugs/formulations and need to withdraw increase in urea prices.

3. The Committee adopted the reports and authorised the Chairman to get the above points included in the Reports and after factual verification by the concerned Ministries/Departments present the same to the Parliament in the current Session.

The Committee then adjourned.