

**ESTIMATES COMMITTEE  
(1973-74)**

**FORTY-SIXTH REPORT**

**(FIFTH LOK SABHA)**

**MINISTRY OF PETROLEUM AND CHEMICALS**

**(DEPARTMENT OF CHEMICALS)**

**Action taken by Government on the recommendations contained in the Thirty-Fourth Report of the Estimates Committee ( Fifth Lok Sabha ) on the Ministry of Petroleum and Chemicals ( Department of Chemicals ) —Petro-Chemicals**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December 1973/Phalgun 1895 (Saka)*

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(iv)

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1973-74

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\* Elected with effect from 29th November, 1973. Vice Shrimati Jyotsna Chanda died.

## INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this forty-Sixth Report of the Estimates Committee on action taken by Government on the recommendations contained in the Thirty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Petroleum and Chemicals (Department of Chemicals)—Petrochemicals.

2. Thirty-Fourth Report of the Estimates Committee was presented to the Lok Sabha on the 12th April, 1973. Government furnished their replies indicating action taken or proposed to be taken on the recommendations contained in that Report on the 12th October and 15th, 26th and 30th November, 1973. The replies were examined by Study Group 'E' of the Estimates Committee (1973-74) at their sitting held on the 3rd December, 1973.

3. The draft Report was adopted by the Estimates Committee (1973-74) on the 10th December, 1973.

4. The Report has been divided into the following Chapters:—

I—Report.

II—Recommendations which have been accepted by Government.

III—Recommendations which the Committee do not desire to pursue in view of the Government's replies.

IV—Recommendations in respect of which replies of Government have not been accepted by the Committee.

V—Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the action taken by Government on the recommendations contained in the Thirty-Fourth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix. It would be observed therefrom that out of 43 recommendations made in the

Report, 23 i.e., 54 per cent have been accepted by the Government; the Committee do not desire to pursue 12 recommendations, i.e. 28 per cent in view of Government's replies; and in respect of 8 recommendations, i.e. 18 per cent, the replies of the Government are still awaited.

NEW DELHI;

December 27, 1973

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Pusa 6, 1895 (S)

KAMAL NATH TEWARI,

Chairman,

Estimates Committee.



## CHAPTER I

### REPORT

The Estimates Committee note that about 54 per cent of the recommendations contained in their Thirty-Fourth Report on the Ministry of Petroleum and Chemicals (Department of Chemicals)--Petrochemicals have been accepted by Government. In respect of about 28 per cent of the recommendations the Committee do not desire to pursue the matter in view of Government's replies. The Committee would, emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, like the Government to keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendations for any reason, the matter should be reported to the Committee with reasons for non-implementation.

2. The Committee further observe that in respect of 8 recommendations which have been included in Chapter V, final replies of the Government are still awaited. They desire that final replies to these recommendations and further information where called for in respect of recommendations included in Chapter II may be intimated to the Committee expeditiously.

## CHAPTER II

### RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Serial No. 1, Para 1.12)

The Committee are constrained to observe that the production in India of plastics, synthetic fibres and synthetic rubber, which are based on petrochemicals, is pitifully low. The rate of growth of production and consumption of petrochemical based goods in other countries suggests the importance being attached all the world over to this field of industrial activity. In India the importance of petrochemical was realised very late and until recently the petrochemical raw materials were being entirely imported. Even after the importance of petrochemical industry came to be appreciated, the development of the industry has not been as speedy as it should have been. The Committee stress that Government should take concrete steps to accelerate the development of this promising industry which can contribute significantly towards industrial growth and generation of employment opportunities.

#### Reply of Government

Noted. The attention of the Planning Commission has been drawn to the recommendations of the Committee.

[Min. of P&C.O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### Recommendation (Serial No. 4, Para 1.15)

\*The Committee note that the list of Core Industries in the field of petrochemicals is not sufficiently realistic. They feel that the plastic intermediates, i.e. P.V.C., Polyethylene, Polystyrene and Polypropylene industries, and some of the organic petrochemicals are also of a basic nature as they produce raw material for a large number of processing units in the country. They, therefore, recommend that Government may examine the desirability of including these industries in the Core Sector so that they receive due priority in the matter of development.

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\*At the stage of factual verification Government have stated that the list of Core Industries has been revised vide the Ministry of Industrial Development Press Note dated 2nd February, 1973 to include Inter-alia Synthetic Resins and Plastics and Synthetic Detergents.

### Reply of Government

No comments.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### Recommendation (Serial No. 5, Para No. 1.17)

The Committee do not quite understand why the Industrial units producing Thermoplastic Resins had to wait for more than 9 months before the relaxation in licensing policy to secure fuller utilisation of installed capacity, announced by Government in January, 1972, was made applicable to them. The delay in taking the decision shows that either the Ministry of Petroleum and Chemicals were so long not aware of the gap between the demand and production of these petrochemicals so as to appreciate the urgency of augmenting production in that field or that they were doubtful of its economic importance. The Committee feel that perhaps the shortage of these resins being experienced this year would have been considerably less if the relaxation were made applicable to them earlier.

### Reply of Government

Noted.

In the manufacturing field of thermoplastics, the main constraint in the fuller utilisation of capacity is the availability of various monomers/raw materials. After the inclusion of the thermoplastics in the scheme for fuller utilization of installed capacities only a few applications were submitted to the Government. These have been processed and it is expected that the availability of certain thermoplastic resins would increase to alleviate the shortage to some extent.

[Min. of P&C O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### Recommendation (Serial No. 9, para No. 1.26)

The Committee consider that the long term remedy for shortage of industrial Alcohol does not lie in discouraging the setting up of petro-chemical units based on Alcohol but in finding ways and means for increasing the availability of Alcohol for industrial purposes. They regret that the Ministry of Petroleum and Chemicals, which is responsible also for molasses, did not take adequate measures for the production of industrial alcohol. They feel that if proper attention had been paid to the pricing and storage of this commodity, and

a statutory allocation made for the production of industrial Alcohol, it would have gone a long way in meeting the demand for the production of industrial Alcohol.

### **Reply of Government**

From January, 1971 the statutory price of Alcohol has had an element of Rs. 6 per kilo litre separately set aside for setting up of storage facilities. Similarly, since February, 1972 the price of molasses has had an element of 33 per cent separately set aside for setting up of storage facilities. These steps will ensure that molasses is not wasted.

The Bureau of Industrial Costs and Prices has been entrusted with an enquiry regarding the assessment of a reasonable price for molasses. This organisation will be studying the problem in all its aspects.

[Min. of P&C O.M. No. 12(1) |73-Ch. I dated 12-10-73.]

### **Further Reply of the Government**

The result of the enquiry regarding the reasonable prices for molasses may be intimated to the Committee.

### **Recommendation (Serial No. 11, Para No. 1.28)**

As regards the shortage of Thermoplastic Resins, which are being used as raw material by a large number of industrial units mostly in the Small Scale Sector, the Committee feel that the situation could have been avoided by a more realistic projection of demand and timely action to meet the impending gap between demand and availability. They recommended that Government should take energetic steps to increase the production of Thermoplastic Resins by speeding up the implementation of the existing licenses issued or, if necessary, by licensing more capacity.

### **Reply of Government**

Noted.

The Government has invited proposals from the existing PVC manufacturers for increasing production in the short run by installation of balancing equipment.

The only manufacturer of High Density Polyethylene is already implementing an expansion of 10,000 tonnes. One of the polystyrene manufacturers has been granted enhancement in capacity recently

under the fuller utilisation of capacity scheme. As a result the availability of this resin may increase by about 6,000 tonnes annum.

In addition to the Polyethylene and Polypropylene projects being set up by Indian Petrochemicals Corporation Ltd., the possibility of setting up a VC|PVC plant based on the surplus ethylene from the Gujarat Cracker, is being explored.

[Min. of P&C O.M. No. 12(1)|73-Ch. I dated 12-10-73.]

#### **Recommendation (Serial No. 12, Para No. 1.35)**

The Committee have, while examining the progress of the Gujarat Olefins Project in a subsequent paragraph, commented upon the shift in the policy of the Government in regard to the setting up of the down-stream units which was partly responsible for the delay in the commissioning of the Naphtha Cracker on which the development of the petrochemical industry largely depends.

#### **Reply of Government**

Noted.

[Min. of P&C O.M. No. 12(1)|73-Ch. I dated 12-10-73.]

#### **Recommendation (Serial No. 13, Para No. 1.36)**

The Committee are aware of the general uncertainty in regard to the role of the public|private sector that has persisted in the Fourth Plan, in the petro-chemical field and they feel that it has arisen precisely because, as admitted by the representative of the Government before them during evidence, Government had not taken a "firm" decision as to whether the petrochemical industry would be in the public or private sector and the decision taken in this regard have been on *ad hoc* basis. The Committee recommend that Government should clearly state the role of the Public Sector in the development of petrochemical industry during the Fifth Plan period keeping in view the overall plan targets to be achieved, the financial resources available for investment in the public sector in terms of plan priorities, technological resources, and feasibility of implementation of the programme in the public sector during the plan period. Government should also precisely define the areas in the field of petrochemicals where the participation of the private sector would be permissible during the Fifth Plan period and publicise the same for general information so as to attract competitive proposals for the development of the industry in the shortest time.

### Reply of Government

In February, 1973, the Government of India announced certain decisions on Industrial Policy in the context of the approach to the Fifth Five Year Plan, and, among other things, the roles of the public sector and private sector including larger houses and foreign concerns have been set out in definitive terms with a view to bring about greater clarity and certainty in the investment climate and to facilitate the priorities and production objectives in the Fifth Plan. Petrochemical industries are in the list of industries in the establishment and development of which Larger Houses and foreign concerns will be eligible to participate subject to certain conditions and considerations.

Government have recently decided to publish annual guidelines for industries covering, in respect of major industries, such matters as the projected demand in the next 5 years or so; present capacity and production; the investment proposals under implementation; whether or not scope for additional capacity exists; the technology and size which are likely to be efficient and economic; the regional locations that appear to be favourable; and the like. In August 1973, the Ministry of Industrial Development have issued "Guidelines for Industries (1973-74)" for the first time in pursuance of the above decision.

[Min. of P&C O.M. No. 12(1) |73-Ch. I dated 12-10-73.]

#### Recommendation (Serial No. 14, Para No. 2.12)

The Committee are unhappy to note that on 31st October, 1972 out of 138 licence applications pending with the Ministry of P&C, as many as 83 were more than one year old. The plea that consideration of applications for licensing of Industrial Units in the Petrochemical field takes a longer time in the Ministry of P&C because of some special considerations, namely selection of proper process availability of raw material and larger number of applications, is not convincing. The selection of proper process and availability of raw material are normal considerations on which all licences are issued. While it is not only in the petrochemical field that the number of licence applications are large. The Committee have a feeling that the main cause for delay in processing of licensing applications by the Ministry of P&C apart from the dilatory procedures, is that the Ministry is involving itself rather too much in the technical appraisal of the cases, which is really the function of the DGTD.

### Reply of Government

Vigorous efforts have been and are being made to expedite the disposal of industrial licence applications in the Ministry of Petro-

leum and Chemicals. On 1-10-73, the number of applications pending for more than one year is twenty eight.

As regards the technical appraisal of cases in the Ministry of Petroleum and Chemicals, it is clarified that, except in a few cases in which it is essential to examine the techno-economic aspects of proposals further with reference to the production programmes etc. of the public sector undertakings, or new factors arise such as questions of economic size of units, availability of indigenous technology, the processing of applications for grant of industrial licences is done on the basis of the comments of DGTD.

[Min. of P&C O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

### **Recommendation (Serial No. 15, Para No. 2.13)**

The Committee are greatly concerned that in the field of petrochemicals, where there has been phenomenal technological development elsewhere, the mere process of examining the licensing applications and bringing them up before the Licensing Committee should have been subjected to such excessive and persistent delays. The Committee would like to point out that as admitted in the course of evidence, DGTD which is the technical wing of the Government has the requisite expertise in the field of petrochemicals and that the Licensing Committee itself has representatives from all the Ministries/Departments and the other bodies concerned with the issue of industrial licences. The Committee therefore feel that the entire procedure adopted for processing of applications in the Ministry of Petroleum and Chemicals needs to be reviewed at the highest level to avoid duplication and to lay down realistic time schedules, so that all the processes involved in the issue of industrial licences are completed in the shortest time, contributing to industrial growth and generation of employment opportunity. The Committee would also like Government to lay down at the highest level, clear guidelines regarding allocation of the units in the public or private sector, size of the units, their location etc. so as to facilitate the work of processing of applications for the issue of licences.

### **Reply of Government**

In addition to the reply given to Recommendation No. 14 it is mentioned that the Government has recently decided to publish the annual guidelines for industries, explaining the scope for licensing and the criteria which will govern consideration of proposals for the guidance of the entrepreneurs. These guidelines would provide for

each industry information on certain essential aspects like the status of the industry and its future prospects, estimates of demand and capacity, requirements, scope for fresh licensing, raw material requirements, the need or otherwise for foreign collaboration and purchase of technology and the location-wise prospects of the development of the industry. These guidelines would facilitate entrepreneurs in arriving at the appropriate investment decisions and to submit well-prepared schemes for consideration of the Government.

It is mentioned that the Ministry of Industrial Development has already issued "Guidelines for Industries" (1973-74) in August 1973.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### **Recommendation (Serial No. 16, Para No. 2.14)**

The delays in the disposal of licence cases in the Ministry of Petroleum and Chemicals also show that the existing system of keeping a watch on the progress of cases is not adequate. The system should be improved upon with a view to make it really effective.

#### **Reply of Government**

Noted.

The progress of cases is being reviewed at regular intervals at senior levels in the Government.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### **Recommendation (Serial No. 21, Para No. 2.33)**

The Committee are distressed to note that a large number of industrial licences issued for setting up industrial capacities in the petrochemical field have remained unimplemented for a number of years. The reason advanced by the Ministry of Petroleum and Chemicals for non-implementation in most cases is again the delay in firming up foreign credits for the licensed projects. The Committee have separately commented upon the procedure for allocation of foreign exchange for the petrochemical projects and made certain recommendations. At this stage, the Committee would only stress that the Ministry of Petroleum and Chemicals being the Ministry responsible for the development of the petrochemical industry, should see that the industrial capacities licensed are speedily implemented and commercial production commences at the earliest possible time.



### Reply of Government

Noted.

A closer watch is being kept on the implementation of the licensed/approved projects to ensure expeditious completion and Reviews are being conducted with the holders of licences and letters of intent.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

#### Recommendation (Serial No. 23, Para No. 2.40)

The Committee regret that in spite of considerable time being taken scrutinising foreign collaboration proposals and selection of technologies, processes, plants and machinery for petrochemicals units, many plants have turned out to be defective and are experiencing operational problems, e.g. Hardillia Chemicals, Suhrid Geigy, NOCIL, Durgapur Chemical and F.C.I.'s Methanol Plant at Trombay. The Committee recommend that the Ministry of Petroleum and Chemicals should, in consultation with DGTD, analyse and identify the problems in respect of each such plant and take remedial action on an urgent basis so that the licensed capacities are fully utilised and there is no shortage.

### Reply of Government

A Technical Group is being constituted to analyse and identify the problems in respect of technologically sick units. This Group would also suggest remedial measures which could be adopted to augment their production.

[Min. of P&C O.M. No. 12(1)|73-Ch. I. dated 12-10-73.]

#### Recommendation (Serial No. 24, Para No. 2.41)

Another reason given for the low production of some of the items is the delay in the commissioning of the down stream units. Thus, the production of Benzene by the I.O.C's Udex Plant was low because of the delay in the commissioning of the G.S.F.C.'s Caprolactam Plant, which was to utilise the Benzene being produced at that plant. Similarly, the production in 1971 of Ethylene Glycol at the NOCIL Plant was only 38 per cent of the installed capacity as polyester consumer units did not come up in time. Such a situation, the Committee feel, could not have arisen had adequate care been taken to develop the petrochemical industries in an integrated manner. The

Committee hope that Government would see that there is complete coordination and synchronisation in setting up the mother and down stream units so that the production capacities of the mother units do not have to remain idle unnecessarily.

### **Reply of Government**

Noted.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

### **Recommendation (Serial No. 26, Para No. 3.4)**

The Committee find that the default of the contractors M/s Girdler Corporation of USA in regard to agreement for the setting up of the Fertiliser Corporation of India's Methanol Plant at Trombay and the delay in preferring the claim against the firm was already dealt with by the Committee on Public Undertakings (1968-69) in para 2.49 to 2.60 of their Twenty Sixth Report (4th Lok Sabha) and they had made certain recommendations in that regard. The Committee would, however, take this opportunity to stress the importance of speedy conclusion of the proceedings before the International Chamber of Commerce before which the arbitration case has been pending for a long time.

### **Reply of Government**

Noted.

The Arbitral Tribunal has since given an interim award on 12th October, 1973 on some of the claims and counter-claims of both the parties. The Award is under examination by the Corporation. The next hearing by the Tribunal has been fixed for 5th February, 1974.

[Min. of P&C. O.M. No. 18(1)/73-Ch. I, dated 26-11-73.]

### **Recommendation (Serial No. 27, Para No. 3.5)**

Now that Government have permitted the plant to expand its capacity, the Committee stress that increased production as per expansion programme should be brought about in least possible time. Above all, care should be taken that production does not come to be vitiated by short-comings which has depressed production of the original unit.

### Reply of Government

Noted.

The Fertilizer Corporation of India has taken necessary steps to commission the additional gassification plant at the earliest opportunity for attaining the designed capacity of the Methanol Plant. The schedule for commissioning of the gassification scheme was August '73, but due to unavoidable delays in the deliveries of indigenous fabricated equipments and some imported instruments the schedule had to be shifted to October—November, 1973. The additional facilities are under commissioning run and commercial production is expected to be stabilised during the next two months. The additional gassification plant takes full care for the entire production of Methanol plant capacity and it has been ensured that the production of Methanol Plant will not be hampered due to any limitation in the original unit.

[Min. of P&C. O.M. No. 18(1)/73-Ch. I, dated 26-11-73.]

### Recommendation (Serial No. 28, Para 3.8)

The Committee desires that the Ministry of Petroleum and Chemicals should closely watch the progress of setting up of Fertilizer Corporation of India's Methanol Plant at Haldia and see that the project is commissioned according to schedule by mid-1976 and that the shortcomings noticed in the case of the Fertilizer Corporation of India's Methanol Unit at Trombay do not recur.

### Reply of Government

Noted.

The shortcoming on the Trombay Methanol Plant were mainly confined to the reformation furnace and the original catalyst charge. The subsequent gas compression, methanol synthesis and the distillation sections have not shown any draw-back of capacities achievable.

In Haldia the gassification facilities for methanol production are combined with those of the ammonia plant there. The system itself is fundamentally different, being based on the partial oxidation route and not on reformation. Process wise the route is well proven abroad. It is expected that shortcomings noticed in Trombay Methanol Plant would not recur in the case of Haldia Plant.

[Min. of P&C. O.M. No. 18(1)/73-Ch. I, dated 26-11-73.]

**Recommendation (Serial No. 29, Para 3.12)**

The Committee are unhappy to observe that during 1971 the production of Phenol and Phthalic Anhydride at the Durgapur Chemical's Plant has been as low as 505 tonnes and 790 tonnes respectively against the installed capacity of 3300 tonnes for each of these products. The production during 1969 and 1970 was similarly poor. The unit was given a licence in 1961 for expansion of capacity to 6600 tonnes in respect of both the products which has not yet been implemented. In spite of this consistently poor performance of the plant as also non-implementation of the expansion allowed as far back as 1961, the unit has been allowed on expansion of capacity for Phthalic Anhydride in 1972 from 6600 tonnes to 9900 tonnes. While the Committee understand the social compulsions under which the expansions of capacities had to be allowed to the Durgapur Chemicals, they would, at the same time, stress that it is the responsibility of the Government to see that the licensed capacities are fully put to productive use before further expansions are allowed to a unit. Government should, while licensing additional capacity, also keep in view the interests of the processing units which use these products as raw material and also the need for the achievement of self reliance in the country at the earliest possible time.

**Reply of Government**

Noted.

[Min. of P&C. O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

**Recommendation (Serial No. 30, Para 3.13)**

One of the reasons for low production of phenol at the Durgapur Chemicals Plant, it is stated, was the difficulty in the procurement of Benzene from the Durgapur Steel Plant. The Committee need hardly stress that the problem of shortage of Benzene faced by the Durgapur Chemical's Plant for production of Phenol should be resolved at the earliest by arranging for supplies on assured basis and in adequate quantity either from the Durgapur Steel Plant or from other manufacturers. It is pertinent in this connection to mention that the Indian Oil Company's Udex Plant had to keep its production of Benzene low because of lack of markets.

**Reply of Government**

Noted.

It is mentioned that the Ministry of Petroleum and Chemicals

in consultation with the Ministry of Steel are taking necessary action to ensure maximum availability of benzene from the petrochemical and steel plants to the consuming industries.

[Min. of P.&C. O.M. No. 12(1)/73—Ch: I, dated 12-10-1973:]

**Recommendation (Serial No. 34, Para 3.33)**

The Committee are distressed to find that the Gujarat Aromatics Project which was conceived as far back as 1963 to produce DMT—a Synthetic Fibre Intermediate and Orthoxylene—a primary source for manufacturing plasticisers, dyes, alkylated resins etc.—for feeding the down stream units could not be commissioned as yet, though it was due for commissioning in 1971. The Committee were during evidence assured that the D.M.T. plant would go into production by March this year but no firm date had been mentioned for the commissioning of the plant for the manufacture of ortho Mixed Xylenes.

**Reply of Government**

The D.M.T. Unit was commissioned in March, 1973. The production of Ortho-Xylenes has also since started.

[Min. of P.&C. O.M. No. 12(1)/73—Ch: I, dated 12-10-1973:]

**Recommendation (Serial No. 37, Para 3.45)**

The Committee are greatly disappointed to observe that the progress made in the setting up of the Gujarat Olefins Project is much behind schedule. They are concerned to note that the commissioning of the Project had to be re-scheduled so as to synchronise with the setting up of the down-stream units which were decided at a later stage to be located in the public sector. The Committee feel that when Government took a decision about the setting up of the Gujarat Olefins Project, it should have simultaneously gone into the question of setting up the down-stream units in which the products manufactured at the Gujarat Olefins Project were to be processed. In this process of thinking in instalments and lack of integrated planning, the country has lost several years of valuable time in the development of petrochemical industry which has vast potentialities for generating employment and making significant contribution towards industrial growth. The Committee would like to emphasise that Government should have an integrated plan for all such projects in the interest of their speedy implementation. It should also be made clear right from the very beginning whether a project or a part thereof is to be located in the public or private sector so that there is no scope for any mis-conception as a later date.

### Reply of Government

Noted.

Attention is also invited to reply to Recommendation No. 13.

[Min. of P. & C. O.M. No. 12(1)/73-Ch. I, dated 12-10-1973.]

#### **Recommendation (Serial No. 39, Para 3.53)**

The Committee note that the Barauni Petrochemical Complex which was tentatively approved for implementation during the Fourth Plan period has not made much headway and the possibility of setting up the Complex is still under examination by a Technical Group. The Committee feel that the Technical Group which is now examining the technical aspects of the proposed complex should have been appointed earlier and urge upon the Government to take an expeditious decision in the matter so that the scheme could be completed in the Fifth Plan period.

### Reply of Government

Noted.

[Min. of P. & C. O.M. No. 12(1)/73-Ch: I: dated 12-10-1973:]

#### **Recommendation (Serial No. 41, Para 4.8)**

The Committee also note that the indigenous production of Petrochemicals is not catching up with the demand resulting in shortages. Besides, its manufacture is confined to only a few units. Government should therefore in consultation with the manufacturers devise a system of distribution under which the processing industries, which are mostly in the small scale sector, get their requirements of raw materials direct from the manufacturers. Government should also see that such a distribution system is observed by the manufacturers in actual practice and that the materials are not allowed to be cornered by intermediaries.

### Reply of Government

Noted.

The Government is keeping a close watch over the trend of production of various petrochemical products, with a view to ensure that production does not avoidably suffer a set back. The maximum number of processing units in the small scale are in plastics field. Certain arrangements to ensure equitable distribution of plastic

resins, viz., PVC, and Low Density and High Density Polyethylene to the consuming and processing units are presently under examination in consultation with the concerned Ministries/Organisations. In respect of other petrochemical raw materials like methanol, phthalic anhydric etc. which are used mainly by the units in the organised sector, steps whenever and wherever necessary, are taken to ensure supplies to the consuming units.

[Min. of P&C. O.M. No. 18(1)/73-Ch. I, dated 26-11-73.]

#### **Recommendation (Serial No. 43, Para 4.14)**

The Committee would also like to point out that import of certain petrochemicals, e.g., Phthalic Anhydride and Phenol were allowed even though production capacity was available in the country compelling the indigenous producers to resort to distress sale of their products. The Committee would like Government to Examine the matter in detail and inform them of concrete measures taken or proposed to be taken to obviate recurrence of such instances which had the effect of depressing growth of indigenous industry besides resulting in avoidable expenditure of foreign exchange.

#### **Reply of Government**

Noted.

One of the basic objectives of import control is to achieve optimum utilisation of foreign exchange resources. Therefore, import is not allowed in respect of items for which adequate indigenous capacity has developed. Import of such items is, however, permitted in relaxation of the general policy, to the extent necessary, in the following situations:—

- (a) For export production, the import of such items is permitted on considerations of quality and price in order to make Indian products competitive in international markets. The import in such cases is allowed to replenish the imported raw materials/components used in the manufacture of products exported.
- (b) For domestic production, the import of such items is permitted in the event of any sudden fall in local production, so that the industry is not made to suffer for want of essential raw materials. In such cases, the import is intended to fill as far as possible the gap between domestic production and demand.

Within the overall policy, efforts are being made and will be made in future to see that the export replenishment imports of items like phenol and phthalic anhydride are reduced to the barest minimum without sacrificing the interests of the genuine exporters.

[Min. of P&C. O.M. No. 18(1)/73-Ch. I, dated 26-11-73.]



## CHAPTER III

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

#### Recommendation (Serial No. 6, Para No. 1.21)

The Committee are greatly disappointed to observe that the rate of growth of petrochemical industry in the Core Sector has been nil during the first three years of the Fourth Plan period. In respect of DMT, Caprolactam and Acrylonitrile, which are synthetic fibre intermediates, no capacity had been installed upto 1971-72 while the Plan originally envisaged sizeable production of these materials at the end of the Plan period. In the case of synthetic Rubber, by 1971-72, even the approved capacity was much below the production target for 1973-74 and that too remained to be installed. The capacities for DMT, Acrylonitrile and Synthetic Rubber are licensed to Indian Petrochemical Corporation—a Public Sector Undertaking and are a part of the Gujarat Aromatic|Olefins Projects. The capacity for Caprolactam is licensed to Gujarat State Fertilizer Company—a Gujarat State Joint Sector Undertaking. The Committee have subsequently in Chapter III of this report commented upon the delay in the commissioning of these projects. Here, they would like to point out that on account of non-realisation of the production targets in respect of these industries, which produce raw material for the down-stream units, the growth of processing industries, which being largely in the small scale sector are employment intensive, has been stunted and the pressure on foreign exchange required for imports of raw material for feeding the existing down-stream units is unnecessarily maintained.

#### Reply of Government

The Fourth Plan targets for DMT, Caprolactam and Acrylonitrile were planned to be achieved through single units. Therefore, no progressive growth of capacity could be expected over the Fourth Plan period. The DMT project has been partially commissioned and the remaining section is about to be commissioned. The caprolactam project is expected to be commissioned in 1974. Thus, in regard to DMT and Caprolactam the targetted capacities would be set up within the Fourth Plan period.

The Synthetic Rubber and Acrylonitrile projects are expected to be completed in 1975. Every effort is being made to expedite their implementation.

[Min. of P. & C. O.M. No. 12(1)|73-Ch. I, dated 12-10-1973.]

### **Recommendation (Serial No. 17, Para 2.19)**

It is admitted by the representative of the Ministry of Petroleum and Chemicals during evidence before the Committee that it is taking a longer time to process and finally approve the proposals for foreign collaboration from the parties who have been issued letters of intent for setting up petrochemical units. This is sought to be justified on the ground that the petrochemical industry involves import of sophisticated technology and equipment and firming up of foreign credits takes a long time. The Committee feel that the reasons given are not sufficiently convincing as these can be advanced for import of modern technologies and equipment in any field. Besides, the Committee find from the details of the two inordinately delayed cases furnished by Government that unconscionable delays have taken place not for the reasons stated above but on account of the indecisive policy regarding import of technology and equipment and lack of foresight for which responsibility lies squarely with the Ministry of Petroleum and Chemicals.

### **Reply of Government**

Noted.

The petrochemical industry is hardly about 10 years old in the country. In a sophisticated industry like this, the evaluation of various technologies for the first time had naturally taken longer time. However, with the expertise already acquired in this sphere it is felt that evaluation of foreign technologies, as and when required, and the processing of requests thereof will be more expeditious.

[Min. of P. & C. O.M. No. 12(1)/73-Ch. I, dated 12-10-1973.]

### **Recommendation (Serial Nos. 18 & 32, Paras 2.20 & 3.21)**

The Committee would like the Ministry of Petroleum and Chemicals to clearly enunciate its policy and lay down suitable guidelines for the information of the general public in regard to import of technology and equipment in the petro-chemicals field so that decisions in regard to foreign collaboration cases could be taken without undue delay. They also feel that it would go a long way in cutting out delays if at the time of inviting proposals for setting up an industry, a firm indication is given, after consultation with the Ministry of Finance, of two or three sources from which credit could be made available for the industry so that the entrepreneurs have a choice in negotiating for most competitive offers and Government also

have a choice in accepting it and it should be the responsibility of Government to see that the credits originally indicated are available to the licensee at the appropriate time.

The Committee would in this connection like to point out that in the application for the issue of an Industrial licence the party has to indicate the particulars of foreign collaboration intended, if any. The Committee would suggest that at the time of considering the issue of letter of intent to the party, the matter should be examined in consultation with the Deptt. of Economic Affairs and at that stage, as far as possible, a clear indication should be given to the party whether the requisite foreign exchange would be available for entering into collaboration with that party, and if this is not possible, then two or more alternative sources may be indicated to the party so that the party can proceed with the negotiations from appropriate sources only and that time is not lost in exploring collaborators from sources from which credits would not be available.

### **Reply of Government**

The main point made in both these recommendations is that right at the time proposals are invited for setting up an industry or at the time of issue of a letter of intent to a party, source/sources of foreign exchange financing should be firmly indicated to the parties both for the foreign exchange required for the collaboration arrangements as also for the import of capital goods. It has further been recommended that it should be the responsibility of the Government to see that the credits originally indicated are available to the licensee at the appropriate time.

The present position regarding the clearance of proposals for foreign collaboration and import of capital goods is as below:—

- (a) At the time of inviting proposals for setting up an industry or even at a subsequent stage of the issue of a letter of intent, it is very difficult to determine with any measure of certainty the possible country/countries from which collaboration could be obtained or imports of capital goods arranged. In very many cases the parties themselves are unsure and uncertain on this score and it is only after the issue of the letter of intent that the parties firm their collaboration proposals and capital goods import requirements.

(b) In so far as medium scale projects are concerned, i.e., where the total capital goods import requirements are less

nan Rs. 1 crore and where the foreign exchange payable for collaboration would be of the order of a few lakhs of rupees, provision of foreign exchange does not in any case present a major hurdle.

Fees payable or collaboration arrangements are normally authorised against free foreign exchange release while medium scale private sector projects of the above type can always be referred for their foreign exchange requirements of capital goods imports to ICICI|IFC.

Public Sector projects of a similar nature can also be provided foreign exchange from bilateral sources for import of capital goods without much difficulty.

- (c) Difficulties can, however, be anticipated in the case of very large projects where capital goods import requirements are of the order of several crores and the foreign exchange requirements for collaboration also are proportionately large. In such cases foreign exchange financing by ICICI|IFC is not possible for even private sector projects and such requirements have to be necessarily covered by a project type loan whether from the World Bank, U.K. Credit, West German Credit, Yen Credit etc. Such specific project loans also involve an appraisal by the financing agencies. Here the main difficulty in arranging foreign exchange funds arise from the fact that that we are not in a position to submit for the appraisal of the financing agencies the project formulation sufficiently in advance. It often happens that the project authorities are only able to produce a sufficiently reliable and comprehensive document about the project economics and profitability after internal clearances such as issue of letter of intent, approval of the foreign collaboration proposal, clearance of the capital goods imports etc. have already been agreed. In such circumstances the subsequent appraisal of the project by a foreign financing agency is bound to lead to further delays.

The only way in which such delays could be eliminated would be to insist on the project authorities formulating comprehensive project proposals at the time they make an application for a letter of intent. With such comprehensive proposals, the Government could pose the project for appraisal by the foreign financing agencies while the process of internal clearance is also proceeding apace. This will go a long way to ensure that by the time all the internal clearances are

available the foreign exchange financing is also tied up. In this connection it is mentioned that under the revised procedures, where parties are ready, the Secretariat for Industrial Approvals would be able to give simultaneous clearance to all aspects (licensing|Collaboration|import of equipment).

As regards the recommendation that it should be the responsibility of the Government to see that the credits originally indicated are available to the licensee at the appropriate time, it is submitted that there is an intermediate time lag, in some cases, of several years, between the initial making of an application for an industrial licence and the time when foreign exchange is required for import of capital goods or towards payment of collaboration fees. On the other hand the availability of various credits goes on changing from year to year and it would be inadvisable in any case to earmark and block up sizeable amounts of such credits for projects still in the embryonic stage.

However, as pointed out above, foreign exchange availability would not seem to be a major constraint in the implementation of medium scale projects. It need not also be a constraint for large value projects provided in such cases. The project authorities are required to submit alongwith their application for a letter of intent, a comprehensive project document fully bringing out the economics and profitability of the project, the nature of foreign collaboration and import of capital goods envisages etc. With such a project document it would be possible for the Government to arrange foreign exchange financing parallelly and thereby avoid any delay in the implementation of the project on account of the foreign exchange availability.

[Min. of P&C O.M. No. 18(1)|73-Ch.I. dated 26-11-73]

#### **Recommendation (Serial No. 19, Para 2.24)**

While the Committee do not under-estimate the importance and immense possibilities of the indigenous research and development in the field of petrochemicals to catch up with modern technological developments elsewhere, they would like Government to examine objectively whether it would not be far more economic if the basic sophisticated technology and equipment is bought from abroad on a one-time basis and than duplicated, improved upon and adapted to our requirements through indigenous research effort.

### Reply of Government

The recommendation has been brought to the notice of Department of Science and Technology.

In fields in which the technology is evolving rapidly as is the case with petrochemicals and many other chemicals, the question whether technology may be bought with advantage on one-time basis will have to be considered on merits separately for each case, so that the country may not be deprived of the advantages of further improvements in the technology that might be made abroad. In cases where the indigenous research and development effort is at an adequate level to keep up with the improvements after the technology is once obtained from abroad, it would not be necessary to go in for repetitive purchase. The research and development facilities and programmes in our country have, however, not yet developed to such an extent as to be capable of taking up further development in all lines of technology. The research and development effort has, therefore, necessarily to be concentrated on programmes which may be within our capability at the given time and are of importance to us from the socio-economic angle. In other cases, we shall have, meanwhile, to avail of technological improvements that might be occurring abroad from time to time. Needless to add that our approach in each case to the question of imported technology versus development of indigenous technology must be directed towards the final goals of achieving economy and self-reliance.

[Min. of P&C O.M. No. 18(1)|73-Ch. I, dated 15-11-1973.]

#### Recommendation (Serial No. 20, Para 2.27)

The Committee recommend that in the interest of uninterrupted production, Government should consider the feasibility of import licences being issued for the requirements of spare parts of Industrial Units for a period beyond one year at a time.

### Reply of Government

The import policy is formulated on annual basis and a review in respect of individual items is made at the time of formulation of import policy. It may not, therefore, be feasible to grant licences to industrial units to meet their requirements for a period exceeding 12 months at a time. However there are other facilities provided in the Import Trade Control Policy to ensure that the requirements of spare parts of industrial units are substantially met in the interest of uninterrupted production.

Import of all the spare parts by priority units is regulated as indicated in Paragraphs 2 to 6B of the ITC Policy, Volume I. It will be noticed from paragraph 6A that the licensing authorities may consider higher entitlements of spare parts by priority industries as recommended by the sponsoring authorities, in the interest of better maintenance of equipment and increased production after a review of all such requirements by a Special Committee constituted in the Office of the Chief Controller of Imports & Exports.

Against the replenishment licences, manufacturer-exporters or manufacturers nominated by registered exporters/eligible export houses are permitted to utilise their import licences for raw materials and components issued under import policy for registered exporters, for the import of permissible spare parts upto 10 per cent of the face value of the licence subject to conditions and restrictions contained in paragraph 84 of the Import Trade Control Handbook of Rules and Procedures 1973-74, as amended from time to time (of paragraph 46 at Page 14 of ITC policy, volume II).

The flexibility provided to actual users in the use of the licences for raw materials/components and spare parts is described in paragraph 84 of the Import Trade Control Handbook of Rules and Procedures. For ready references an extract of that paragraph is attached. (not printed).

In addition to the above facilities, it is added that import licences against free foreign exchange or from rupee payment areas are normally valid for a period of 18 months from the date of issue while the duration of import licences issued against aid programmes have to be in relaxation to those programme but often for one year.

[Min. of P&C O.M. No. 18(1)/73-Ch. I dated 26-11-1973.]

**Recommendation (Serial No. 25, Para No. 2.42)**

The Committee find it very distressing that on account of heavy imports being allowed against import entitlements for export performance under the Import Trade Control, the market for certain indigenous products e.g. Phthalic Anhydride and Phenol was shrunk and consequently certain producers had to limit their production. The Committee regret that due to failure on the part of the Government to foresee the consequences of this action, not only the industrial capacity existing in the country remained under-utilized but foreign exchange was unnecessarily spent on imports to meet the domestic requirements. The Committee desire that the Ministry of Petroleum and Chemicals, being the Ministry responsible for pro-

duction of petrochemicals should keep a strict watch on the operation of the Import Trade Control and ensure that the imports of petrochemicals are allowed only when the indigenous production is unable to cater to the demand in the country.

### Reply of Government

#### Noted.

It is, however, mentioned that the shopping list for exporters is drawn up by the Ministry of Commerce with a view to maximise export and give flexibility to the exporters. Indigenously produced items are deleted from the shopping list after an idea regarding quality, competitive price and consistent availability is obtained. Even after the stoppage of imports from a particular date, the licences issued prior to that date may enable imports of items banned. This is particularly true in the case of export replenishment licences.

[Min. of P&C O.M. No. 12(1)/73-Ch. I, dated 12-10-73.]

#### Recommendation (Serial No. 31, Para 3.20)

The Committee are greatly concerned to note that the caprolactam project of the GSFC which was originally scheduled for commissioning in 1969 has been delayed by more than 4 years and is now scheduled for commencement of production in October, 1973. This has held up the fuller utilization of the installed capacity for Benzene at the Indian Oil Corporation's Udex Plant. The Committee also find that the Ministry of Petroleum and Chemicals had failed to properly advise the party, after consultation with the Ministry of Finance, as to the source from which foreign credit was available for the project so that GSFC could negotiate with appropriate parties from the very beginning. This should have been done at the stage of considering the application for the issue of letter of intent which was some time before November 1966. Instead, the party was advised of the appropriate source only in March, 1970 i.e. after nearly 3½ years. This indicates that there is something seriously lacking in the licensing procedure in cases involving foreign collaboration and for the allocation of credits thereof. The Committee recommend that the Licensing Committee and the Foreign Investment Board should seriously consider the matter and devise suitable procedures to see that after a project is cleared



by the Foreign Investment Board, it is not denied the requisite foreign exchange.

### **Reply of Government**

Noted.

The attention of the Ministries of Industrial Development and Finance (Department of Economic Affairs) has been drawn to the recommendation of the Committee.

The project is now expected to be commissioned in March, 1974.

[Min. of P&C O.M. No. 12(1)|73-Ch, I, dated 12-10-73.]

### **Recommendation (Serial No. 33, Para No. 3.22)**

The Committee further recommends that the Ministry of Petroleum and Chemicals should keep a close watch on the progress of the Caprolactam Project of GSFC and ensure that it is commissioned, as programmed, by October 1973.

### **Reply of Government**

A close watch is being kept on the implementation of the project. All necessary assistance, wherever required, is being given by The Central Government to ensure its early completion. As per the latest indications the project will be commissioned in March, 1974.

[Min. of P&C O.M. No. 12(1)|73-Ch, I, dated 12-10-73.]

### **Further reply of Government**

The Committee are unhappy at the delay in the commissioning of the project. They hope that Government will ensure that it is commissioned, as per present schedule, in March, 1974.

### **Recommendation (Serial No. 35, Para No. 3.34)**

The Committee are surprised that the Ministry of Petroleum and Chemicals initially tried to blame the Ministry of Finance for the delay in commissioning of the Project by maintaining that the process of change over from one source of credit to another was spread over 16 months ending in December, 1969 and consequently the schedule automatically stood modified. The Committee are, however, convinced that the delay in the commissioning of the Gujarat Aromatics Projects was not on account of foreign exchange difficulties

as the Ministry of Finance were, under an arrangement with KFW of West Germany, releasing foreign exchange for the project from time to time as per the requirements of the Ministry of Petroleum and Chemicals, during the process of change over from one credit source to another credit source in the same country.

**Reply of Government**

Noted.

[Min. of P&C O.M. No. 12(1)|73-Ch. I, dated 12-10-73.]

**Recommendation (Serial No. 36, Para No. 3.35)**

The Committee strongly deprecate the leisurely manner in which the project is being implemented and hold the project authorities as well as the Government responsible for the delay. The Committee recommend that the Ministry of Petroleum and Chemicals should at least from now on see that the different plants of the project are commissioned at least by the target dates now fixed.

**Reply of Government**

Noted.

The progress of the various projects being handled by the Indian Petrochemical Corporation, Baroda is regularly reviewed every quarter and bottlenecks, wherever found at Government level are removed.

[Min. of P&C O.M. No. 12(1)|73-Ch. I, dated 12-10-73.]

**Recommendation (Serial No. 38, Para No. 3.49)**

The Committee observe that the feasibility report for the Assam Petrochemical Complex was submitted in May, 1971; yet the assessment is that only Rs. 3.85 crores would be spent during the Fourth Plan period on this scheme out of an allocation of Rs. 10 crores therefor during that period. The Committee underline the need for concerted effort by the authorities concerned for implementing the complex in the early part of the Fifth Plan so as to accelerate the industrialisation of this economically backward region which is, as the Prime Minister indicated in her statement in Lok Sabha on the 5th December, 1969 the dominant consideration in locating the Refining-cum-Petrochemical Complex there.

**Reply of Government**

Noted.

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All necessary preliminary work on the project has already started. Process design for the refinery part has almost been completed. Assessment is being made of the various technologies and alternatives available for manufacture of Polyester fibre as well as the units upstream to it. Project schedule for the refinery part is 33 months from the date of Government clearance while that for the petrochemical part is 36/37 months from the signing of the engineering contracts. At present the work is being handled by the Indian Petrochemical Corporation Ltd., Baroda. It is intended to form a new company shortly for implementation and operation of the project.

[Min. of P&C O.M. No. 12(1)/73-Ch. I, dated 12-10-1973.]

## **CHAPTER IV**

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

**Nil**

## CHAPTER V

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

#### **Recommendation (Serial No. 2, Para No. 1.12)**

The Committee regret that the Fourth Plan document failed to lay down the capacity and production targets for basic and primary petrochemicals while it provided for some intermediate and tertiary products. They are informed that the demand parameters for these materials were available to the Ministry of Petroleum and Chemicals and were kept in view while licensing industrial capacities during the Fourth Plan period. The Committee, however, feel that firm targets for all the petrochemicals should have been laid down in the Plan document itself so that these were known to the people. The Committee recommended that in formulating the Fifth Plan, a detailed and systematic study should be made of the industry and physical and financial targets worked out for the primary, secondary and tertiary petrochemical materials. These should be included in the Plan document itself so that the public is aware of the broad features of the production plan for the Fifth Plan period.

#### **Reply of Government**

Noted. The attention of the Planning Commission has been drawn to the recommendation of the Committee.

[Min. of P&C O.M. No. 12(1)/73-Ch, I, dated 12-10-73.]

#### **Recommendation (Serial No. 3, Para No. 1.14)**

The Committee note the assurance given by the representative of the Planning Commission that detailed studies made by the Planning Commission or its Committees|Study Groups on the basis of which the Fifth Plan targets and related provisions are made, would be considered for publication in the form of a compendium volume of the Fifth Plan document for information of public and hope that it would be implemented.

### Reply of Government

Noted. The attention of the Planning Commission has been drawn to the recommendation of the Committee.

[Min. of P&C O.M. No. 12(1)/73-Ch. I. dated 12-10-73.]

### Recommendation (Serial No. 7 Para No. 1.22)

The Committee also find that as a result of the mid-term appraisal of the progress of the Fourth Plan achieved upto 1971-72, the Planning Commission has scaled down the capacity and production targets for the Plan. The Committee are averse to the scaling down of the targets without the reasons therefor being fully explained. The Committee see no reason why the target in this field, vital to industrial growth and generation of employment potential, could not be achieved by integrated and detailed planning in advance and timely concerted measures in implementation thereof. While the Committee underline the need for laying down the plan targets on a more realistic basis, they consider that slow progress of the Plan should attract timely notice and, instead of resorting to the easy course of scaling down the targets, the implementation machinery should be geared up for redoubled effort to improve upon the past performance so as to achieve, in the remaining years of the Plan, the targets originally laid down.

### Reply of Government

Noted. The attention of the Planning Commission has been drawn to the recommendation of the Committee.

[Min. of P&C O.M. No. 12(1)/73-Ch. I. dated 12-10-73.]

### Further reply of Government

Government has noted the Recommendation (Sl. No. 7) which underlines the need for laying down the Plan targets on a more realistic basis and the need for gearing up the implementation machinery for intensifying efforts to improve upon the past performance so as to achieve the Plan targets originally laid down. Apart from drawing the attention of the Planning Commission to the need for laying down the Plan targets on more realistic basis, the Ministry of Petroleum and Chemicals is shortly issuing suitable instructions to the implementing agencies."

[Min. of P&C O.M. No. 18(1)/73-Ch. I dated 30-11-1973.]

**Recommendation (Serial No. 8, Para No. 1.23)**

The Committee desire that Government should make an intensified effort to achieve maximum progress in the development of the petrochemicals industry during the remaining period of the Fourth Plan so as to reach as nearly as possible the targets set down in the plan. For the Fifth Plan, the Committee trust, the targets of capacity and production would be laid down in detail preferably year-wise, keeping in view the vital importance of these materials for industrial growth and generation of employment opportunities.

**Reply of Government**

Noted. The attention of the Planning Commission has been drawn to the recommendation of the Committee.

[Min. of P&C O.M. No. 12(1)/73-Ch. I dated 12-10-73.]

**Recommendation (Serial No. 10, Para 1.27)**

The Committee would also like to reiterate in this connection the recommendations made by them earlier in Paragraphs 1.75 and 1.76 of their 27th Report (5th Lok Sabha) on Sugar and Vanaspati that the price of molasses used for the production of industrial alcohol should be controlled and that the control of molasses should be transferred from the Ministry of Petroleum and Chemicals to the Ministry of Agriculture (Department of Food).

**Reply of Government**

As has been stated in the reply of the Ministry of Agriculture to paragraph 1.75 of the 15th Report of the Estimates Committee, the question of having a differential price of molasses used for industrial and potable purposes, is under examination in consultation with the State Governments.

As regards the transfer of the subject of molasses from Ministry of Petroleum and Chemicals to Ministry of Agriculture, this Ministry has already sent its views to the Ministry of Agriculture vide D.O. No. 4(7)/72-Ch. I dated 16-6-73. The attention of the Ministry of Agriculture has also been drawn to the recommendation of the Committee.

[Min. of P&C O.M. No. 12(1)/73-Ch. I. dated 12-10-73.]

### Further reply of Government

Government have taken an inordinately long time in taking final decision on the recommendations contained in Paras 1.75 and 1.76 of their 15th Report (Fifth Lok Sabha) on Sugar and Vanaspati and reiterating by the Committee in Para 1.27 of their 34th Report (Fifth Lok Sabha) on Petrochemicals. Government should take expeditious decisions on these matters and inform the Committee of the position.

#### Recommendation (Serial No. 22, Para 2.39)

The Committee are constrained to observe that in a large number of cases the installed industrial capacities remain under-utilised. In many cases the reason advanced is that there is no market for the product as the installed capacity is more than the demand therefor and that higher capacity has been licensed keeping in view the demand projections for the future. In such cases and where there is export potential, Government should direct the parties to utilise the installed capacity to the optimum level and arrange for export of the quantity not required at home and earn foreign exchange until the domestic demand picks up, rather than restrict production at the demand level.

#### Reply of Government

Noted. The question of directing the parties concerned to utilise the installed capacity fully, is under consideration of the Government.

[Min. of P&C O.M. No. 18(1)/73-Ch. I, dated 15-11-73.]

#### Recommendation (Serial No 40, Para No. 4.7)

The Committee understand that M/s National Organic Chemicals (NOCIL) were allowed to import petrochemical materials and to market them in India pending the commissioning of their petrochemical project at Bombay. They recommend that on the same principle the import of petrochemicals and the distribution in the country of the imported materials, which are at present being handled by the State Trading Corporation, should be entrusted to the Indian Petro-Chemicals Ltd.—a Public Sector Under-taking in order to enable them to gain market experience and build up a marketing organisation by the time their own products are ready for sale.

#### Reply of Government

Noted. The possibility of regulating the imports of IPCL's future



products through State Trading Corporation in consultation with IPCL is being considered in Government.

[Min. of P&C O.M. No. 18(1)/73-Ch. I, dated 15-11-73.]

**Recommendation (Serial No. 42, Para No. 4.13)**

The Committee feel that since petrochemical intermediates are raw materials for a large number of processing industries, their prices should not be left to be determined by the forces of demand and supply alone. It is admitted that the profit margin in the petrochemical industry is fairly high. The restricted licensing policy observed by Government in the case of petrochemical industry leaves the existing manufacturers in a dominant position. This, coupled with the rising demand for these materials, is bound to keep the prices at an artificially high level at least till such time that newly licensed capacities are actually commissioned which may well take several years from now. Government should therefore take effective measures to ensure that the prices charged for petrochemical intermediates are reasonable and, as far as possible, internationally competitive and that no more than these agreed prices are charged by the manufacturers in actual practice. To facilitate fixation of a reasonable price, Government may have the cost of production analysed in suitable cases by the Bureau of Industrial Costs and Prices, on a priority basis.

**Reply of Government**

Noted. Government is keeping close watch on the trend of prices of various petrochemical intermediates. It is added that the various implications of the price control on the petrochemical products are being studied.

[Min. of P&C O.M. No. 18(1)/73-Ch. I, dated 15-11-73.]

New Delhi;  
December 27, 1973  

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Pausa 6, 1895(S)

KAMAL NATH TEWARI.  
Chairman,  
Estimates Committee.

## APPENDIX

(Vide Introduction)

*Analysis of the action taken by Government on the Thirty-Fourth Report of the Estimates Committee (Fifteenth Lok Sabha)*

I	Total number of Recommendations . . . . .	43
II	Recommendations which have been accepted by Government (Vide recommendations at Sr. Nos. 1, 4, 5, 9, 11, 12, 13, 14, 15, 16, 21, 23, 24, 26, 27, 28, 29, 30, 34, 37, 39, 41, 43 . . . . .	
	Number . . . . .	23
	Percentage to total . . . . .	54%
III	Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations at Sr. Nos. 6, 17, 18, 19, 20, 25, 31, 32, 33, 35, 36, 38 . . . . .	
	Number . . . . .	12
	Percentage to total . . . . .	28%
IV	Recommendation in respect of which replies of Government has not been accepted by the Committee . . . . .	
	Number . . . . .	Nil
	Percentage to total . . . . .	Nil
V	Recommendations in respect of which replies received from Government are of interim nature (Vide recommendations at Sr. Nos. 2, 3, 7, 8, 10, 22, 40, 42 . . . . .	
	Number . . . . .	8
	Percentage to total . . . . .	18%