

EIGHTH REPORT

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2005-06)

(FOURTEENTH LOK SABHA)

DEMANDS FOR GRANTS (2005-2006)

MINISTRY OF CHEMICALS & FERTILIZERS (DEPARTMENT OF CHEMICALS & PETROCHEMICALS)

[Action Taken by the Government on the recommendations contained in the Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2004-05) on 'Demands for Grants (2005-2006) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)']

Presented to Lok Sabha on 13.12.2005

Laid in Rajya Sabha on 13.12.2005



सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

November, 2005/Kartika, 1927 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2005-06)

Shri Anant Gangaram Geete - Chairman**Members
Lok Sabha**

- 2 Shri Afzal Ansari
- 3 Shri Prahlad Joshi
- 4 Sardar Sukhdev Singh Libra
- 5 Shri Tek Lal Mahato
- 6 Shri Punnu Lal Mohale
- 7 Shri A.K. Moorthy
- 8 Shri P. Rajendran
- 9 Shri Anantha Venkata Rami Reddy
- 10 Shri Madhusudan Takkala Reddy
- 11 Shri Akshyay Pratap Singh
- 12 Shri Narsingrao H. Suryawanshi
- 13 Shri V.K. Thummar
- 14 Shri Bhanu Pratap Singh Verma
- 15 Shri Mansukhbhai Dhanjibhai Vasava
- 16 Shri A.K.S.Vijayan
- 17 Shri Bhal Chandra Yadav
- 18 Vacant
- 19 Vacant
- 20 Vacant
- 21 Vacant

Rajya Sabha

22. Shri Gireesh Kumar Sanghi
- 23 Shri Raju Parmar
24. Shri B.S.Gnanadesikan
25. Shri Ajay Maroo
26. Dr. Chhatrapal Singh Lodha
27. Shri Vasant Chavan
28. Shri R. Shunmugasundaram
29. Shri Raj Mohinder Singh Majitha
30. Shri T.R. Zeliang
31. Vacant

Secretariat

1. Shri John Joseph - Secretary
2. Shri P. Sreedharan - Joint Secretary
3. Shri Brahm Dutt - Director
4. Shri S.C. Kaliraman - Under Secretary
5. Shri Santosh Kumar - Committee Officer

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals & Fertilizers (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on Action Taken by the Government on the recommendations contained in the Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2004-05) on Demands for Grants (2005-2006) of the Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals).

2. The Fifth Report of the Committee was presented to Lok Sabha on 21st April, 2005. The replies of Government to all the recommendations contained in the Fifth Report were received on 21st July, 2005. The Standing Committee on Chemicals & Fertilizers (2005-06) considered the Action Taken Replies received from the Government and adopted the Draft Action Taken Report at their sitting held on 19th October, 2005.

3. An analysis of the Action Taken by the Government on the recommendations contained in the Fifth Report (Fourteenth Lok Sabha) of the Committee is given in **Appendix-II**.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI
November 17, 2005
Kartika 26, 1927 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals & Fertilizers.

CHAPTER – I**REPORT**

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2004-05) on 'Demands for Grants (2005-06) relating to the Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals', which was presented to Lok Sabha on 21st April, 2005.

2. The Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals) were requested to furnish replies to the recommendations contained in the Fifth Report within three months from the presentation of the Report i.e. by 21st July, 2005. The action taken replies of the Government in respect of all the 22 recommendations contained in the Report were received on 21st July, 2005. These have been categorised as follows:-

- (i) Recommendations/observations that have been accepted by the Government:-
Sl. Nos. 2, 3, 6, 7, 8,9, 10, 14, 17, 18, 19, 20 and 21
- (ii) Recommendation/observation which the Committee do not desire to pursue in view of the Government's reply:
Sl. No. 16
- (iii) Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee.
Sl. No. 1
- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited:
Sl. Nos. 4, 5, 11, 12, 13,15 and 22

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations in the ensuing paragraphs:

A. Under-utilisation of Budgetary Resources

(Recommendation Sl. No. 1)

5. The Committee had observed that there was less utilisation of funds in 2004-05 under the 'Heads'/schemes of relief to Bhopal Gas victims, Hindustan Antibiotics Ltd. (HAL), Central Institute of Plastic Engineering & Technology (CIPET), Institute for Pesticides Formulation Technology (IPFT), Chemicals Promotion & Development Scheme (CPDS), National Pharmaceutical Pricing Authority (NPPA) and Hindustan Organic Chemicals Ltd. (HOCL). The reasons furnished by the Department in case of IPFT, was unavailability of required specialised manpower; in case of CPDS, the amount of Rs. 3.40 crore allocated for the expenditure towards conduct of feasibility study of setting up of Mega Chemical Project was saved as there was delay in appointment of a consultant for the project; in case of OPEC, they stated that agreement for loan was not finalised. In the first three years of 10th Five Year Plan, too, there was less utilisation in schemes of IPFT, CWC, CPDS. In the context of unsatisfactory utilisation of budgetary resources and slippages in achieving the targets, the Committee had desired that the reasons for under-utilisation of budgetary allocation be thoroughly analysed. The Committee had also asked the Department to gear up their machinery to realise the intended purposes and to achieve the targets in the remaining two years of the Plan.

6. The Ministry, in their Action Taken Reply, have stated as under:-

“Bhopal Gas Leak Disaster.

The actual disbursement of the claims settled by the Office of the Welfare Commissioner is carried out by Judicial Officers of the Office of the Welfare Commissioner. The Welfare Commissioner is also a sitting Judge of the Madhya Pradesh High Court. It may be noted that the Supreme Court is monitoring the disbursement process and the Department of Chemicals and Petrochemicals has no control on the actual process of disbursement.

The entire provision of Rs.300 crore made in R.E. 2004-05 for meeting the Exchange Rate Variation, could not be utilized as the Welfare Commissioner's office was not able to settle the pro-rata claims quickly because of procedural problems. However, it may be pointed out that the unutilized amount of Rs.93 crore is neither a saving nor lapsed amount. The exchange rate variation amount is linked to the amount that is disinvested from time to time by the Reserve Bank of India and since pro-rata compensation has to be completed by 30.4.2006, the total amount of exchange rate variation required will have to be paid.

PUBLIC SECTOR UNDERTAKINGS

Hindustan Antibiotics Limited (HAL)

During 2004-05, an allocation of Rs. 6.66 crore was made to Hindustan Antibiotics Limited (HAL) under Non-Plan and Rs. 2.77 crore under Plan. So far as the Plan allocation is concerned, the entire amount was released and the same has been utilised by the company. The Non-Plan budget provision was made for paying terminal benefits to the employees of the Maharashtra Antibiotics & Pharmaceuticals Limited, a Joint Venture of HAL, who have undertaken VSS. This amount was to be released subject to the decision of the Supreme Court. Since the final judgement was not pronounced by 31.3.2005, this amount could not be released to HAL. However an amount of Rs. 4.50 crore has been appropriated from this money for payment of salaries & statutory dues of the employees of HAL.

Hindustan Organic Chemicals Limited (HOCL)

In case of Hindustan Organic Chemicals Limited (HOCL), an amount of Rs. 7.19 crore was earmarked under the Plan Loan. HOCL was to create charge in favour of the Government of India for releasing the amount. An amount of Rs. 1.60 crore was surrendered due to non-compliance of this condition.

AUTONOMOUS INSTITUTIONS

Central Institute of Plastic Engineering & Technology (CIPET)

The Loan Agreement between OPEC Fund authorities and Government of India has since been signed on 1st June, 2005 and as such the amount provided under Externally Aided Project is likely to be utilized by CIPET in the next three years which include the remaining 2 years of the 10th Plan.

Institute for Pesticides Formulation Technology(IPFT)

It is a fact that against the budgetary allocation of Rs. 1281 lakh in the first three years of 10th Plan Period, actual expenditure has been to the extent of Rs. 681.15 lakh. The main reasons for under utilization of the Budgetary allocation are as under:-

- i) Recovery of Rs. 27 lakh during 2003-04 for the grant released in the earlier years to IPFT for creation of corpus fund.
- ii) Recovery of Rs. 66.60 lakh released to IPFT for capital support in earlier years.
- iii) Deferment of schemes for creation of OPCW facilities, library & data acquisition facilities due to the absence of qualified manpower.

A cadre restructuring exercise has been initiated so that the Institute has the manpower available, commensurate with the needs. Regular monitoring of the progress of various programs and the expenditure thereon is being done.

Chemical Weapons Convention (CWC)

The main reason for slow pace of expenditure was the fact that the Chemical Weapons Convention Act 2000, which had been passed by the Parliament in August,2000, is yet to come into force. Now a decision has been taken to bring this Act into force w.e.f. 1st July,2005. Necessary Rules to facilitate its implementation have been framed and action has been initiated to notify the same. Funds as allocated will be utilized for the awareness generation programs which are being undertaken to educate the industry and the other stakeholders about their obligations under the Convention.

Chemicals Promotion and Development Scheme (CPDS)

The allocation for CPDS during 2004-05 was Rs.340 lakh which included Rs.300 lakh for the feasibility study on Mega Chemical Industrial Estate (MCIE) and Rs.40 lakh for other promotional activities for the chemical industry. It may be stated here that originally the consultancy was estimated to cost at least US\$ 1 million (about Rs.5 crore) and provision of funds had been sought on that basis. However actual cost of consultancy based on competitive bidding process came to Rs. 57.84 lakh only. The study has since commenced and is progressing well.

National Pharmaceutical Pricing Authority (NPPA).

Salary

An amount of Rs. 116.00 lakh was provided under BE/RE during 2004-05. Actual Expenditure incurred in 2004-2005 was Rs. 105.35 lakh. The balance amount Rs. 10.65 lakh had been surrendered due to the fact that some of the vacant posts could not be filled.

Medical Treatment

An amount of Rs. 10.00 lakh was provided under BE/RE during 2004-05 and Actual Expenditure incurred was Rs. 0.72 lakh.

The balance amount of Rs. 9.28 lakh had been surrendered as funds could not be utilized under this head.

Wages

The budget provision of Rs. 6.50 lakh was made in BE/RE during 2004-2005. The Actual expenditure incurred was Rs. 4.61 lakh. The balance amount of Rs. 1.89 lakh had been surrendered, as funds could not be utilized under this head.

Office Expenses

The budget provision of Rs. 50.00 lakh was made in BE/RE during 2004-2005. The actual expenditure was Rs. 49.94 lakh. A nominal amount of Rs. 0.06 lakh had been surrendered under this head.

Rent, Rates and Taxes

An amount of Rs. 85.00 lakh was allocated in BE 2004-05. Rs. 87 lakh was allocated in RE 2004-05 under this head. The actual expenditure incurred was Rs. 86.99 lakh.

Professional Services

An amount of Rs. 30.00 lakh was allocated under BE/RE 2004-05. The actual expenditure incurred was Rs. 29.99 lakh. The expenditure in this head is payment to Data Entry Operators, Young Professionals, fees to lawyers, ORG IMS , consultancy fees to NIPER etc. The nominal amount of Rs. 0.01 lakh was surrendered under this head.

OTA

The provision of Rs. 1.50 lakh was made in BE/RE 2004-05. The actual expenditure incurred was Rs. 0.74 lakh. The balance amount Rs 0.76 lakh has been surrendered due to non-engagement of staff to do the work in late hours.

OAE

The provision of Rs. 5.00 lakh was made in BE 2004-05 and in RE budget was reduced and allocated Rs. 3.00 lakh. The actual expenditure incurred was Rs. 2.45 lakh. The amount of Rs. 0.55 lakh has been surrendered. The saving was on account meeting with All India State Drug Controller could not be organized during 2004-05.

TA (Domestic)

An amount of Rs. 12.00 lakh was allocated under BE/RE during 2004-05. The actual expenditure incurred was Rs. 9.86 lakh.

The balance amount Rs. 2.14 lakh had been surrendered under this head. Due to some of the proposed bulk drug studies not being undertaken resulting in saving in Domestic Travel.

TA (Foreign)

An amount of Rs. 7.00 lakh is allocated under BE/RE during 2004-05. The actual expenditure incurred was Rs. 3.05 lakh. The balance amount Rs. 3.95 lakh has been surrendered under this head as funds could not be utilized under this head.”

7. The Committee are not fully satisfied with the reply of the Ministry of the Department of Chemicals & Petrochemicals. Though, the Ministry have explained head-wise reasons for non-utilisation of funds during the year 2004-05, they have not explained as to whether any detailed analysis was done to know the reasons for less than full utilisation of Plan funds during the first three years of the 10th Five Year Plan and remedial measures taken or proposed to be taken to gainfully utilise the un-spent funds during the remaining two years of the 10th Plan. For instance, as against the budgetary allocation of Rs. 1281 lakh for Institute of Pesticides Formulation and Technology (IPFT) in the first three years of the 10th Plan, actual expenditure has been to the extent of Rs. 681.15 lakh only. Similarly, for, feasibility study on Mega Chemical Industrial Estate (MCIE) an amount of Rs. 300 lakh was allocated during 2004-05. However, the actual cost of the consultancy based on the competitive bidding came to Rs. 57.84 lakh only. This clearly shows lack of planning and monitoring system in the Ministry/bodies under its administrative control. The Committee, therefore, would like the Government to examine the whole structure of the budgetary process, project planning and implementation stages in the Department and their Subordinate offices/PSUs under its administrative control, so that, the plan funds allocated are utilised evenly on regular basis with a view to achieving the objectives set for the various schemes. Needless to emphasise that the Ministry should take necessary steps to improve/strengthen financial management and project planning based on such a study.

B. Framing of National Policy on Petrochemicals**(Recommendation Sl. No. 3)**

8. In the context of several problems like low capacity utilisation, investment restriction of Rs. 1 crore in plant and machinery due to continuation of SSI reservation and restriction on use of plastic packing of foodgrains and sugar in compliance with Jute Packaging Materials Act (JPMA) being faced by the plastic industry, the Committee had recommended to frame a National Policy on Petrochemicals urgently for addressing these issues.

9. The Ministry, in their Action Taken Reply, have stated as under:-

“All the issues highlighted by the Committee have been adequately addressed in the draft National Policy on Petrochemicals, which has been approved by the Hon’ble Minister (C&F). The Department is in the process of circulating the draft Policy along with the draft Cabinet Note to the Ministries/Departments concerned for their comments. After the incorporation of their comments in the Cabinet Note, it will be submitted for the approval of the Cabinet.”

10. The Committee are happy to note that all issues highlighted by the Committee have been adequately addressed in the draft ‘National Policy on Petrochemicals’. The Committee, however, would like the Ministry to process and finalise the draft ‘National Policy on Petrochemicals’ at the earliest.

C. Centre for Design & Development, Hazipur**(Recommendation SI. No. 4)**

11. It came out during the course of examination that dies, moulds and tools costing about Rs. 3000 crore are being imported from Taiwan, Korea, Japan, etc. and that there is no facility for design, development and fabrication of mould, dies and tools in Bihar, UP, Jharkhand, Orissa and West Bengal, the Committee had desired that the Government should take up the matter expeditiously with the Planning Commission for the proposed Centre at Hazipur.

12. The Ministry, in their Action Taken Reply, have furnished as follows:-

“Planning Commission has not provided any amount for setting up a centre for design and development of tools at Hazipur (Bihar) during the current financial year 2005-06. However, the Government intends to pursue the matter with the Planning Commission at the time when the proposals for the Revised Estimates are considered by the Planning Commission.”

13. The Committee regret to note that the Government has not provided any amount for setting up a Centre for Design and Development of tools at Hazipur though about Rs. 3000 crore are being spent annually on imports of dies, moulds and tools. Considering the huge outgo of foreign exchange and to make the eastern region self-reliant in design, development and fabrication of moulds, dies and tools, the Committee, once again, strongly recommend that the Government should find necessary ways and means for establishment of this Centre in a time bound manner.

D. Assam Gas Cracker Project**(Recommendation SI. No. 5)**

14. Assam Gas Cracker Project was proposed as early as in 1984 for utilisation of petroleum fraction of natural gas. The project is pending for a long time. The main delay in setting up of the project is due to shortage of gas required for production of 2 lakh TPA of ethylene. The Ministry of Petroleum & Natural Gas agreed to supply LPG to make up the shortage but decided to implement the project through some PSUs as large amount of subsidy was involved. For this purpose, GAIL was identified which have prepared a detailed feasibility report. The Ministry of Petroleum & Natural Gas sent the proposal to the Ministry of Finance for clearance of the project by PIB. In view of considerable time already taken, the Committee desired that the requisite procedures may expeditiously be completed so that the project can take off without further delay.

15. The Ministry, in their Action Taken Reply, have stated as under:-

“The PIB Note was sent to the Ministry of Finance on 11.02.2005 by the Ministry of Petroleum & Natural Gas, which was considered in the meeting of PIB held on 15.04.2005. Certain issues regarding clarity on the feedstock prices and the subsidy involved, IRR calculated in the Note of GAIL, clarity on OADB loan, funding by all partners of the project, environmental clearance, plan budget support etc. were raised by the representative of this Department and Ministry of Finance and the Planning Commission. After discussions, it was decided that Ministry of Petroleum & Natural Gas would submit a Supplementary Note for the consideration of PIB covering all the points raised in the meeting. Financial Adviser, Ministry of Petroleum & Natural Gas took meetings on 21.04.2005 and 04.05.2005 to finalise the Supplementary Note. GAIL has been advised to prepare the Supplementary Note quickly.”

16. The Committee (including the erstwhile Standing Committee on Petroleum & Chemicals) for the last decade have been recommending early implementation of the Assam Gas Cracker project. The project is yet to be cleared by the Cabinet as PIB at their meeting held on 15th April, 2005 had asked for some more inputs. The Committee once again reiterate that for the development of North- Eastern areas, the project should be cleared and taken up for implementation at the earliest. The Committee would await conclusive action in the matter.

E. Disbursement of compensation to Bhopal Gas Leak victims

(Recommendation SI. No. 6)

17. On account of variations in the exchange rate, the Supreme Court ordered disbursement of compensation to the Bhopal Gas Leak victims on pro-rata basis. As per Supreme Court direction, the Welfare Commissioner had to complete this task by 30th April, 2005. They had also asked for extension of time beyond 30th April, 2005. In this regard, the Committee had desired to be apprised of the status of the disbursement.

18. The Ministry, in their Action Taken Reply, have submitted as under:-

“Till 7th May, 2005, claims of 1,75,620 persons have been settled and they have been paid a total pro-rata compensation of Rs. 506.63 crore. On the request of the Welfare Commissioner, the Hon’ble Supreme Court has extended the time limit for submitting the Final Report regarding completion of pro-rata disbursement upto 30th April, 2006, vide its orders dated 25th April, 2005.”

19. The Committee note that on the request of the Welfare Commissioner, the Hon'ble Supreme Court has extended the time-limit for submitting the final report regarding completion of pro-rata disbursement upto 30th April, 2006. The Committee trust that the Government/Welfare Commissioner will take all necessary steps to disburse the relief/compensation by April, 2006 in terms of Supreme Court orders.

F. Requisition of in-house expertise in IPFT

(Recommendation SI. No. 7)

20. The Institute of Pesticides Formulation Technology (IPFT), a registered society under the Department of Chemicals & Petrochemicals, is engaged in the development and production of pesticide formulation technologies. The Ministry had informed that a provision of Rs. 255 lakh for setting up of the organisation for Prohibition of Chemical Weapons (OPCW) facility and Rs. 50 lakh for creating library and data acquisition could not be utilized due to absence of qualified manpower. Having known that IPFT is lacking in-house expertise and several important positions are laying vacant, the Committee had recommended that effective steps should be taken for provision of the requisite in-house expertise in order to enable the institute to undertake their assigned activities.

21. The Ministry, in their Action Taken Reply, have furnished as under:-

“During the year 2004-05 a provision of Rs. 573 lakh was made towards grant in aid to IPFT as against which the actual expenditure has been Rs. 273.65 lakh. The main reasons for under utilization of budgetary allocation was deferment of schemes for creation of OPCW facilities, library and data acquisition facilities due to the absence of qualified manpower.

Regarding the steps taken in this regard, it may be mentioned that the Governing Body of IPFT in its Meeting held on 11th January, 2005, approved the amending the Recruitment Rules for various posts in IPFT in order to incorporate provision for contractual appointment. The Governing Body also directed to examine in detail the manpower structure of IPFT including the existing vacant posts and the posts which needs to be created either by surrender of existing vacant post or otherwise. Necessary action in this regard has already been initiated by IPFT.”

22. The Committee have been informed that IPFT in its meeting held on 11th January, 2005 has taken decision to amend recruitment rules for various posts in IPFT for making contractual appointments. The Governing body is also reported to be examining in detail the manpower structure of IPFT. The Committee once again would like to emphasise an early action in the matter so as to make sincere efforts to deploy requisite manpower and utilize funds allotted to IPFT to carry out the responsibilities assigned to it efficiently.

G. Effective monitoring of non-Scheduled Drugs – Ceiling on trade margin

(Recommendation SI. No. 11)

23. The National Pharmaceutical Pricing Authority (NPPA) is entrusted with the task of price fixation/revision of Scheduled drugs and monitoring of non-Scheduled drugs on the basis of price list submitted by manufacturers, ORG-MARG/IMS report and complaint received from official and non-official sources. However, the instances of shortages and charging of high prices on drugs and formulation are rampant in the country, particularly in rural areas. The Committee had, therefore, recommended that an effective monitoring of prices be done for non-Scheduled drugs and if possible, a ceiling on trade margin of drugs may also be fixed.

24. The Ministry, in their Action Taken Reply, have stated as under:-

“NPPA is already having an effective system of monitoring the movement of prices of non-Scheduled medicines of mass consumption marketed through trade channel and intervenes whenever instances of unreasonable increase in prices affecting public interest adversely are noticed. This is an ongoing process. Due to the efforts made by NPPA. 15 companies have reduced the price voluntarily in respect of 25 formulation packs ranging between 2.14% to 34.62%.

A Committee under the Chairmanship of Joint Secretary (PI) was constituted to examine the span of price control (including trade margin) in the light of National Common Minimum Programme and the observations of the Supreme Court in SLP No. 3668/2003 and to suggest measures for fulfilling the objective of National Common Minimum Programme to ensure the availability of life saving drugs at reasonable prices. This Committee has submitted its interim report to the Government. The Committee has recommended, inter-alia, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cell in all States on the model of Karnataka etc., efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc.

A Task Force has also been constituted under the Chairmanship of the Principal Adviser (PP), Planning Commission to explore various options other than price control for achieving the objective of making available life saving drugs at reasonable prices.”

25. The Committee have dealt with in detail the issues relating to the pricing and availability of drugs/pharmaceuticals in their 7th Report which has already been sent to the Ministry for necessary action. The Committee trust that the Government would take note of the Committee’s recommendations relating to effective monitoring of non-Scheduled drugs/ceiling on trade margin also.

H. Widespread use of banned drugs

(Recommendation Sl. No. 13)

26. In the context of widespread usage of drugs banned by the World Health Organisation and similar other organisations in the country, the Committee had desired that this menace required to be met effectively with by the authorities concerned.

27. The Ministry, in their Action Taken Reply, have stated as under:-

“The subject of banned drugs is looked after by Ministry of Health and Family Welfare. The reply from Ministry of Health and Family Welfare is awaited.”

28. The Committee would like to be apprised of the conclusive action taken by the concerned Department/Ministry in the matter at the earliest.

I. Export of Drugs

(Recommendation Sl. No. 14)

29. The export of drugs, pharmaceuticals and chemicals was to the tune of Rs. 14321.1 crore in 2003-04 from a level of Rs. 8757.5 crore in 2000-01. Appreciating this increase, the Committee had desired that in post WTO era, consistent efforts should be made for increasing the exports of drugs and pharmaceuticals and to establish India as global leader in pharma sector for which Department of Chemicals & Petrochemicals may also consider increase in budgetary allocation.

30. The Ministry, in their Action Taken Reply, have furnished as under:-

“The Department has noted the desire of the Committee and proposes to work out an action plan in this regard. The budgetary provision has been raised from Rs. 3 lakhs to Rs. 5 lakhs in BE 2005-06 for Pharma Export Promotion Scheme. However, further increase due to the action plan would be sought in Revised Estimates.”

31. The Committee have been informed that the budgetary provision for export promotion scheme has been raised from Rs. 3 lakh to Rs. 5 lakh in 2005-06. The Committee feel that this amount is too meagre and it is doubtful whether this can achieve any concrete objective. The Committee, therefore, would like the Government to take the matter seriously and provide reasonable funds for the purpose.

J. Recovery from the Drug Companies

(Recommendation SI. No. 15)

32. The Drug Prices Liabilities Review Committee (DPLRC) has been constituted to assist in determining/quantifying the liability of each of the drug companies arising on account of implementation of provisions of the Drugs (Prices Control) Order, 1979. The Committee noted that 32 cases are pending with DPLRC including 22 cases held up due to stays granted by the High Court of Mumbai involving a total of Rs. 142 crore. In all, there are also 24 cases pending in the Supreme Court and in various High Courts involving approximately Rs. 101 crore. A transfer petition was filed in the Supreme Court for transferring all the cases pending in various High Courts to the Supreme Court of India. While

expressing their concern over the extent of dues locked up, the Committee had desired that the matter be pursued vigorously for early realization of the legitimate dues to the Government.

33. The Ministry, in their Action Taken Reply, have furnished as under:-

“All possible efforts are being made by the Government for early recovery of DPEA liabilities. As regards the latest position including the details of recovery and the extent of pending liabilities, it is stated that under the Drugs (Prices Control) Order, 1979, there were 345 bulk drugs under price control. The Department has computed tentative liabilities in respect of 47 bulk drugs only which amounts to Rs. 326 crore approx. covering 172 cases till the Interim Stay dated 30.06.1997 granted by the Hon'ble Bombay High Court in the writ petition filed by the Indian Drugs Manufacturers Association (IDMA) restraining the Department and its Committees from determining fresh liabilities. Out of these 172 cases where the liabilities have already been determined tentatively and communicated to the companies, the Department had referred 72 assessment cases during the period 1995-1997 to the DPLR Committee for its review/recommendations. Out of these 72 cases, the Committee gave its recommendations in 50 cases giving its views on various issues involved in these cases but did not quantify the liability in these cases. In view of the stay granted by the Bombay High Court, the Committee has not taken up the remaining 22 cases nor any fresh case. On the basis of the views of the DPLRC, Department computed the liabilities in respect of 16 companies amounting to Rs. 29.42 crore and the demand notices were issued to them. Most of these companies filed writ petition in different High Courts. The revised terms of reference were issued on 10.10.2002. After the issue of revised terms of reference of the Committee, 33 cases, where the liability was still to be quantified, were referred back to the DPLRC for quantification of the liability. Out of these 33 cases, the Committee has so far given its report in 30 cases. The DPLRC has quantified the liability in 26 cases (25 companies – one case linked with another).

The total amount of liability quantified by the DPLRC in respect of these cases is to the tune of Rs. 135.10 crore as per two Members and as Rs. 114.07 crore as per the recommendation of the Chairman, DPLRC. In 4 cases, DPLRC has stated that the Committee was not in a position to quantify the liability because of the above said stay order. Thus, at present, there are 29 cases pending with the DPLRC (for quantification of DPEA liability : 3 because of High Court stay : 26 where no quantification could be done till the vacation of the stay). The tentative amount of liability involved

in these 29 cases pending with the DPLRC is approx. Rs. 136,00 crore. In addition to these 29 cases pending with the DPLRC, there may be a large number of liability cases in respect of the remaining 298 bulk drugs where the liability is still to be quantified. The amount of liability, in such cases, to be quantified after the stay is vacated may be very large.”

34. The Committee note that there were 345 bulk drugs under price control under the Drugs (Price Control) Order, 1979. The Department could compute tentative liabilities in respect of 47 bulk drugs only and got restrained in fixing liabilities in the remaining cases due to intervention of High Courts. The matter is pending since long and huge amounts of money due to the Government are lying with drug manufacturers. Even though the Ministry informed the Committee in April, 2005 that they had approached the Supreme Court for transferring all pending cases in the High Courts in the matter, the instant reply of the Ministry is silent about the present position about this appeal in the Supreme Court. The Committee feel that the matter requires to be pursued promptly. The Committee, therefore, would like to be apprised about the outcome of this and also specific steps taken for early hearings in the Supreme Court and to settle the legal hurdles.

K. Setting up of Mega Chemical Industrial Estate

(Recommendation Sl. No. 17)

35. With a view to increasing production and export earnings in chemical sector, the Government have decided to set up a Mega Chemical Industrial Estate (MCIE). A provision of Rs. 340 lakh was made in BE (2004-05) for this and for promotional activities of Chemical Promotion and Development Scheme (CPDS),

out of which an expenditure of Rs. 56 lakh was incurred. A consultant was appointed for the study who has submitted Concept Paper, Inception Report and Market Study Report. The Committee had desired that they may be kept apprised of the further development in the matter.

36. The Ministry, in their Action Taken Reply, have submitted as under:-

“The recommendation of the Committee that it should be kept apprised of the further developments in the progress of the feasibility study has been noted. It may be stated here that in the meanwhile, the Consultants have submitted the Location Study report.”

37. The Committee would like the Government to take necessary action in regard to setting up the proposed Industrial Estate in a time bound manner to avoid time and cost over-runs.

L. Revival of sick/closed PSUs.

(Recommendation Sl. Nos. 20 and 21)

38. The Committee had observed that Hindustan Insecticides Limited (HIL), Indian Drugs & Pharmaceuticals Limited (IDPL), Hindustan Antibiotics Limited (HAL), Hindustan Organic Chemicals Limited (HOCL) and Bengal Chemicals & Pharmaceuticals Limited (BCPL) under the Department of Chemicals & Petrochemicals are declared sick and were referred to BIFR. Their rehabilitation programmes were either under consideration of the Government or before the Board for Reconstruction of Public Sector Enterprises (BRPSE). Finding considerable delay in revival of these companies resulting in huge financial outgo

towards establishment cost and other expenditure, the Committee had recommended that revival of all the sick/closed PSUs potentially fit for revival be taken up seriously and promptly and a decision in this regard be taken urgently.

39. The Ministry, in their Action Taken Reply, have submitted as under:-

“The revival of companies is a very complex and time consuming process particularly in case of those companies which are before the BIFR. According to the instructions dated 6.12.2004 issued by the Government, such proposals are now also required to be submitted for the consideration of the Board for Reconstruction of Public Sector Enterprises, before these are submitted to Cabinet.

So far as information relating to individual companies is concerned, HAL is a BIFR company since 1997. Its rehabilitation proposal was referred to BRPSE for its consideration on 14.03.2005. One meeting of BRPSE was held on 18.04.2005. The second meeting is expected to be held in July, 2005. The HOCL and HIL have been referred to BIFR in February, 2005 and March, 2004 respectively. Their Rehabilitation Plans have been submitted to BRPSE recently. The IDPL was referred to BIFR in May, 1992. BIFR issued winding up orders for IDPL on 04.12.2003. However, the Government has filed an appeal in the AAIFR against the winding up orders. The Government also set up an Expert Committee to conduct techno economic feasibility of rehabilitating IDPL. In case of BCPL, BIFR has sanctioned a Modified Rehabilitation Scheme which is under consideration of the Government.”

40. From the details given by the Department in respect of revival of Hindustan Insecticides Limited (HIL), Indian Drugs & Pharmaceuticals Limited (IDPL), Hindustan Antibiotics Limited (HAL), Hindustan Organic Chemicals Limited (HOCL) and Bengal Chemicals & Pharmaceuticals Limited (BCPL), the Committee note that these are at various stages of revival. Since the revival programmes/rehabilitation schemes/modified plans in respect of these companies have been moving from one

Department to another for the last so many years, the Committee would like the Government to sincerely prepare a time schedule for the revival of each of these units and they be apprised about the follow up action taken in this regard.

M. Upgradation in plant and machinery of RDPL

(Recommendation SI. No. 22)

41. During an on-the-spot study visit of the Committee to Jaipur, the matter that the Rajasthan Drugs & Pharmaceuticals Limited (RDPL) had sent a proposal of financial support to the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals) for upgradation of its plants and machinery, was brought to the notice of the Committee. The Committee, therefore, recommended that the Government should consider the proposal of RDPL expeditiously and come forward for assisting them.

42. The Ministry, in their Action Taken Reply, have submitted as under:-

“A proposal was received from RDPL to help them in arranging inter-corporate loan to upgrade its plants and machinery. The proposal has been sent to the Department of Fertilizers for necessary action.”

43. **The Committee note that the Rajasthan Drugs & Pharmaceuticals Limited (RDPL) is a Joint Sector Undertaking promoted by the Rajasthan Industrial Investment Corporation (RIICO) and the Indian Drugs & Pharmaceuticals Limited (IDPL) which comes under the Department of**

Chemicals & Petrochemicals. This fact was mentioned in the recommendation of the Committee. However, the proposal of financial support to RDPL has been sent to the Department of Fertilizers. The Committee are not very clear as to why the proposal for Rajasthan Drugs and Pharmaceuticals Limited has been sent to the Department of Fertilizers for necessary action. They would like to be apprised of the specific conclusive action taken by the Department, if necessary in coordination with the Department of Fertilizers.

CHAPTER – II**RECOMMENDATIONS THAT HAVE BEEN
ACCEPTED BY THE GOVERNMENT****(Recommendation Sl. No. 2)**

Central Institute of Plastics Engineering & Technology (CIPET) is an autonomous institution, under the administrative control of the Department of Chemicals & Petrochemicals. The Institute is expected to help in strengthening its facilities and expertise for providing technical services to the plastics industry. The Committee have been informed that three new CIPET centres in Rajasthan, Haryana and Maharashtra are to be established during the remaining period of 10th Five Year Plan with financial assistance of Government of India and respective State Governments. These centres will create employment opportunities for youth and facilitate technology upgradation of existing plastic industry. This will also invite new entrepreneurs in these States and boost their economy. The Committee note that though the officials of CIPET and State Government of Rajasthan have inspected four/five sites in Jaipur, the same exercise is yet to be completed in case of Haryana and Maharashtra. The Committee are happy that the CIPET network is sought to be extended to wider areas. They hope that this would result in the overall promotion of the plastic industry in the country. The Committee, therefore, desire that the work in regard to establishment of new CIPET centres be done expeditiously so that these centres may be established within the target in the remaining period of 10th Five Year Plan itself.

Reply of the Government

Govt. is making all efforts to ensure that the three new centres of CIPET in the States of Rajasthan, Haryana and Maharashtra are established within the remaining period of the Tenth Five Year Plan.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Recommendation SI. No. 3)

The Committee note that presently plastic industry is engulfed with many problems. In this connection, the Committee note that according to the Task Force on Petrochemicals, the capacity utilization of the industry is low around 60% and continuation of SSI reservation after removal of Quantitative Restrictions and the provisions of the Jute Packaging Materials Act (JPMA) are stated to be coming in the way of the development of this industry. There is investment restriction of Rs.1 crore in plant & machinery due to SSI reservation which reportedly restricts them to become techno-commercially competitive in global market to sustain competition from China, Korea, Taiwan etc. The JPMA Act, 1987 does not leave scope for use of plastic for packaging of foodgrains and sugar as it stipulates that entire quantities of foodgrains and sugar have to be compulsorily packed in Jute sacks. Since plastic is going to play a major role in the coming future, the Committee recommends that the problems of this industry be addressed urgently and for this a National Policy on Petrochemicals be framed at the earliest.

Reply of the Government

All the issues highlighted by the Committee have been adequately addressed in the draft National Policy on Petrochemicals, which has been approved by the Hon'ble Minister (C&F). The Department is in the process of circulating the draft Policy along with the draft Cabinet Note to the Ministries/Departments concerned for their comments. After the incorporation of their comments in the Cabinet Note, it will be submitted for the approval of the Cabinet.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 10 of Chapter I of the Report)

(Recommendation SI. No. 6)

The Committee note that out of a total budget allocation of Rs.748.78 crore under Revenue Section in 2005-06, Rs.663.71 crore has been earmarked for Bhopal Gas Leak Disaster which is about 88 % of total Revenue allocation. This has been necessitated owing to the orders of the Supreme Court for disbursement of the compensation to the victims on account of variations in the exchange rate. The Ministry have informed that till 23 March,2005, pro-rata compensation amounting to Rs.368.99 crore has been disbursed in 1,25,657 cases and 8674 revision petitions and about 4.44 lakh pro-rata compensation cases are pending before the Welfare Commissioner who as per Supreme Court direction, has to

complete this task by 30th April,2005. It has also been informed that the Welfare Commissioner has sought for extension of time beyond 30th April,2005. The Committee would like to be apprised of the status of the disbursement.

Reply of the Governemnt

Till 7th May, 2005, claims of 1,75,620 persons have been settled and they have been paid a total pro-rata compensation of Rs.506.63 crores. On the request of the Welfare Commissioner, the Hon'ble Supreme Court has extended the time limit for submitting the Final Report regarding completion of pro-rata disbursement upto 30th April,2006, vide its orders dated 25th April,2005.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 19 of Chapter I of the Report)

(Recommendation SI. No. 7)

The Institute of Pesticides Formulation Technology (IPFT) is a registered society under the Department of Chemicals and Petrochemicals engaged in the development and production of pesticide formulation technologies. The Committee noted that out of total allocation of Rs.1281 lakh for IPFT in the first three years of the 10th Five Year Plan, the actual expenditure has been Rs.681.15 lakh which includes an allocation of Rs.573 lakh during 2004-05 wherein the actual expenditure was only Rs.273.65 lakh. The Ministry have informed that the provision of Rs.255 lakh for setting up of Organization for Prohibition of Chemical

Weapons (OPCW) facility and Rs.50 lakh for creating library and data acquisition could not be utilized due to absence of qualified manpower. IPFT is lacking in-house expertise and several important positions are lying vacant. The Committee, therefore recommended that effective steps should be taken for provision of the requisite in-house expertise in order to enable the Institute to undertake their assigned activities.

Reply of the Government

During the year 2004-05 a provision of Rs.573 lakhs was made towards grant in aid to IPFT as against which the actual expenditure has been Rs. 273.65 lakhs. The main reasons for under utilization of budgetary allocation was deferment of schemes for creation of OPCW facilities, library and data acquisition facilities due to the absence of qualified manpower. Regarding the steps taken in this regard, it may be mentioned that the Governing Body of IPFT in its Meeting held on 11th January, 2005, approved the amending the Recruitment Rules for various posts in IPFT in order to incorporate provision for contractual appointment. The Governing Body also directed to examine in detail the manpower structure of IPFT including the existing vacant posts and the posts which needs to be created either by surrender of existing vacant post or otherwise. Necessary action in this regard has already been initiated by IPFT.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 22 of Chapter I of the Report)

(Recommendation Sl. No. 8)

The National Institute of Pharmaceutical Education & Research (NIPER) had been conceived as a mother Institution to set standards of excellence for pharmaceutical scenario and for research and development in the field of pharmaceuticals. The Committee note that besides the budgetary allocation, funds are being made available to NIPER from pharmaceutical Research and Development Programme (PRDP) to undertake R&D in drugs and pharmaceuticals. Though NIPER has made progress, no new drug in regard to Tuberculosis, Malaria, Leishmania and Diabetes has been discovered as yet. The Committee feel that research in all these areas is extremely relevant for the health care need in the country where multinational pharmaceuticals companies /other companies have limited interest. This also has become necessary in the light of the statement of the Department of Chemicals & Petrochemicals that the R&D for discovery of new medicines in Tuberculosis, Malaria, Leishmania has become quite important as multi drug resistance has developed in these diseases. The Committee, therefore, recommend that concerted efforts be made to develop and discover new drugs in Tuberculosis, Malaria, Leishmainia, etc.

Reply of the Government

All out efforts are being made by NIPER to develop and discover new drugs in Tuberculosis, Malaria, Leishmania, etc. The discovery and development of new

drug in any area involves pre-clinical and clinical tests for its efficacy and safety which requires adequate period of about 12-15 years.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

(Recommendation Sl. No. 9)

The Committee note that after amendment in the Patent Act of 1970 under obligation of WTO and TRIPS, the product patent regime would be introduced in pharmaceutical sector and this may alter the prices of drugs in the country. At this crucial time, there is a pronounced need for the Government to keep the prices of drugs within the reach of common man. The Committee, therefore, recommend that the Ministry of Chemicals and Fertilizers in co-ordination with other concerned Ministries should set up a mechanism which will closely monitor the price behaviour in the wake of the amendments in the Patents Law and take appropriate corrective measures for enforcing proper moderations.

Reply of the Government

Through amendment in the Patents Act, 1970, product patent regime has been introduced for drugs(medicines). The existing patent law in the country provides for a strong and comprehensive set of safeguards, and inter-alia, has effective provisions to ensure availability of pharmaceutical products at reasonable price through compulsory licensing. Many of the drugs already in the Indian market, including those in the National List of Essential Medicines 2003, are off-

patent and their prices would not get affected by the new patent regime. This also would not have an immediate impact on the availability and prices of medicines.

The National Pharmaceutical Pricing Authority monitors the prices of all formulations including imported Scheduled formulations under price control. Under the DPCO, no person can sell any formulation (medicine) of price controlled category to a consumer at a price exceeding the price notified/approved by the NPPA/Government. As part of its monitoring activity, NPPA regularly examines the movement in prices of non-Scheduled formulations. NPPA would be advised to undertake a special watch on the prices of medicines keeping in view the introduction of product patent for medicines and keep the Government informed. Wherever required, remedial action would be taken in consultation with the Department of Health, Industrial Policy & Promotion etc., on case to case basis.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
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(Recommendation Sl. No. 10)

In the opinion of the Committee, in the wake of the amendments to the Patents Act, there is an imperative need to give more thrust on Research & Development. The Committee therefore, trust that the Department will extend all necessary support in the overall interests of both the drugs and pharmaceutical sector as also the common man at large.

Reply of the Government

Indian drug companies have been carrying out research programmes for development of processes for manufacture of a number of drugs required for various diseases, as well as development of new molecules of pharmaceutical value, for treatment of such diseases.

The Department of Science and Technology (DST) has mounted “Pharmaceutical Research and Developmental Support Fund (PRDSF)” programme (formerly this activity was dealt under “ Drugs and Pharmaceutical Research Programme” (DPRP) on Drug Development for promoting collaborative Research and Development (R&D)with the specific objective to synergise the strengths of publicly funded R&D institutions and Indian Pharmaceutical Industry in all systems of medicines.

Under this programme 15 projects have been on herbal drugs covering the areas of Ayurveda and Sidha Systems of Medicines for diseases like Rheumatism, Diarrhoea, Pancreatitis, Gastritis, ischaemic heart diseases, skin, cardiac disorders, cancer, eye diseases, AIDS, Malaria, rheumatoid Arthritis, Leucoderma, Respiratory disorders etc.

Separately, in order to augment the traditional systems of medicine, the Government of India put in place a National Policy on Indian Systems of Medicine & Homeopathy in the year 2002. The major objectives of the policy are to promote good health and expand the outreach of health care to the people, particularly those not provided with the health cover, through preventive,

promotive, mitigating and curative intervention of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homeopathy (AYUSH). It also aims to ensure affordable AYUSH services and drugs which are safe and efficacious. Four Research Councils have been established under the Department of AYUSH for research and development work including the drug research. Apart from the intramural research conducted by the Research Councils, the Government has initiated a scheme called "Golden Triangle Partnership" for the development of new Ayurveda drugs in addition to validating the existing formulations. Department of AYUSH, CSIR and ICMR will work together to validate classical Ayurvedic formulations for treatment of diseases of national as well as global interest. R&D based safe, effective and standardized Ayurvedic and natural medicines with IPR potentials for identified disease conditions are intended to be developed utilizing appropriate technologies & research methodologies.

Separately, in the Budget speech of the Finance Minister there was a special mention regarding stable policy environment and creation of necessary incentives to help the Pharma and Biotechnology Industries to become world leaders. In pursuance of this a meeting was held with the Department of Science and Technology, Department of Biotechnology and Department of AYUSH. Based on this the following proposals have been conveyed to the Ministry of Finance:-

- (a) As informed by DST it has been decided at the level of Planning Commission to provide an annual plan grant of Rs. 150.00 crores for R&D fund instead of the Corpus Fund.

- (b) The Department of Biotechnology is in the process of formulation a scheme for R&D support to Biotech industry through public/private partnership. They have assessed an annual requirement of Rs. 100 crores for this scheme. It has been mentioned that they would be finalizing the scheme within a period of three months.
- (c) A Golden Triangle Partnership Scheme for Ayurvedic products between AYUSH, CSIR and ICMR is being considered involving a one time fund of Rs. 100 crores. The scheme is under finalisation.
- (d) Four new Pharma HRD cum R&D Institutes on the pattern of NIPER at a total cost of Rs. 400 crores(excluding land) to be set up in various parts of the country in the next five years.
- (e) As regards fiscal incentives, the terminal duties for income tax exemption under Section 35(2AB) and 801 A (8A) should be extended upto 31.3.2015.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
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(Recommendation Sl. No. 14)

The Committee note that Pharmaceutical Export Promotion Cell (PEPC) has been set up to give a boost to export by domestic pharmaceutical industry and production of quality drugs. Export of drugs, pharmaceuticals and chemicals have been made to the tune of Rs.14321.1 crore in 2003-04 from a level of Rs.8757.5 crore in 2000-01. The Committee are happy to find that export of drugs and pharmaceuticals has since increased in rupee terms from 2000-01 to 2003-04. The Committee, therefore, desire that in the Post WTO era, consistent efforts should be made for increasing export of drugs and pharmaceuticals and to establish India a global leader in pharma sector. For achieving this, the Department may also consider increase in budgetary allocation.

Reply of the Government

The Department has noted the desire of the Committee and proposes to work out an action plan in this regard. The budgetary provision has been raised from Rs.3 lakhs to Rs.5 lakhs in BE 2005-06 for Pharma Export Promotion Scheme. However, further increase due to the action plan would be sought in Revised Estimates.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 31 of Chapter I of the Report)

(Recommendation SI. No. 17)

The Committee note that the Government have taken a decision to set up a Mega Chemical Industrial Estate (MCIE) with a view to enabling increase in production and export earnings in Chemical Sector. A provision of Rs.340 lakh was made in BE (2004-05) for this purpose and for promotional activities of (CPDS), out of which an expenditure of Rs.56 lakh has been incurred. The Ministry, have informed that the study has been entrusted to the Consultant who has submitted Concept Paper, Inception Report and Market Study Report. The Committee desire that they may be kept apprised of the further development in the matter.

Reply of the Government

The recommendation of the Committee that it should be kept apprised of the further developments in the progress of the feasibility study has been noted. It may be stated here that in the meanwhile, the Consultants have submitted the Location Study report.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 37 of Chapter I of the Report)

(Recommendation Sl. No. 18)

The Government have made it mandatory for each Ministry/Department to provide for 10% of the total planned budget for each year as contribution towards Non-lapsable Central Pool of resources for funding specific programmes in the North Eastern States and Sikkim. The Committee note with concern that the pace of utilisation of amount for North Eastern areas is not up to the mark. An amount of Rs. 9.21 crore has been transferred in this regard to Non-lapsable Pool during the last five years due to non-realisation of targets. Assam Gas Cracker Project has not been initiated and no expenditure has been made for creation of infrastructure facilities of CIPET centre of Imphal under DONER programme. The Committee desire that in keeping tune with the pronounced Government Policy, North Eastern Region should be given priority in bringing them in the national mainstream. They, therefore, desire that the amount allocated for North Eastern

Region be utilized fully within the stipulated time period and more schemes be also considered for the all round development of the area.

Reply of the Government

Department has initiated a dialogue with State Government of Assam for identifying projects for funding under the scheme. National Institute of Pharmaceutical Education and Research (NIPER) has also been asked to undertake some project of pharmaceutical education/training in the North – East. A project of Rs.40 lakhs for plastic recycling plant at Guwahati has been prepared for CIPET. Matter is also being taken up with Department of North Eastern Region (DONER) and other States in North-East for suggesting projects to be taken up in the area. It is hoped to utilize the maximum possible amount of budget allocated to this Department during the year 2005-06.

As regards the Assam Gas Cracker Project a detailed project report has been prepared by GAIL and this is being discussed by the Project Investment Board (PIB). Already two meetings of PIB have been held in this regard on 15th April and 8th July, 2005. Some more details have been sought from GAIL with regard to the project. After the project is cleared by PIB, it would be put up to Cabinet for approval.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

(Recommendation SI. No.19)

Hindustan Insecticides Limited (HIL) is engaged in the production of insecticides. The Committee note that heavy damage has been caused in Endosulfan Technical Plant of Udyogmandal unit of HIL due to a major fire accident in July, 2004. The assessment of damage has been done by Civil Engineering Department, Cochin University. The company had sought for an additional amount of Rs.7.11 crore in view of the fire accident in the Udyogmandal unit of the plant. The Ministry have informed that this amount was not made available to them at RE stage as there was a plan cut of Rs.15 crore. The Committee find that Endosulfan Formulation Plant would be redundant without availability of technical material from technical unit and hence it is imperative that the plant be urgently rehabilitated and it started production. Further, there is a heavy wage and salary bill amounting to Rs.5.30 crore for under-utilised/idle workforce. The Committee, therefore, recommend that the Endosulfan Technical Plant be urgently reconstructed and put back into production at the earliest possible time.

Reply of the Government

The revamping of Endosulfan Plant has been taken up on warfooting by HIL. The Company has placed purchase orders for most of the equipment. According to the guidelines of the Kerala Pollution Control Board, an Incinerator is required to be installed simultaneously for which purchase order is being placed. The work on Plant reconstruction is likely to be completed by September,2005.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
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(Recommendations SI. Nos. 20 and 21)

The Committee find that Hindustan Insecticides Limited (HIL), Indian Drugs & Pharmaceuticals Limited (IDPL), Hindustan Antibiotics Limited (HAL), Hindustan Organic Chemicals Limited (HOCL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) have been declared sick and referred to the Board for Industrial and Financial Reconstruction (BIFR) from one point of time or another. HIL has submitted a modified capital-restructuring proposal duly approved by their Board of Directors. The proposal is under consideration of the Government. In regard to IDPL, a revival package was approved by BIFR on 10.02.1994. At present, the Department has appointed an Expert Committee to study the techno-financial feasibility for rehabilitating IDPL and its report is expected in the near future. A draft rehabilitation scheme is before the consideration of Board of Reconstruction of Public Sector Enterprises (BRPSE) in case of HAL. So far BCPL is concerned, the BIFR has sanctioned a Modified Rehabilitation Scheme for it. The Ministry have informed that it has been examined and was in the process of being circulated to the Ministries/Departments concerned for their comments. In regard to HOCL, revival by way of infusion of funds etc. or otherwise would depend on the outcome of the proceedings before BIFR. The Committee feel that the problems of sick PSUs under the Department of Chemicals & Petrochemicals are not being dealt with promptly and there is considerable delay in revival of the companies resulting in huge financial outgo towards establishment cost and other expenditure. Majority of the workforce remain unutilized and idle wages are being

paid. In view of the above, the Committee desire that revival of all the sick/closed companies potentially fit for revival be taken up seriously and promptly and a decision in this regard be taken urgently.

As regards IDPL, the company had been established with the primary objective of creating self- sufficiency in essential life saving drugs and medicines. However, it became sick long back in 1992 and it seems that no serious efforts have been made for revival of IDPL till date. The Committee feel that much delay has already been caused and there should be no further time lost in revival of IDPL. They strongly recommend that all out efforts be made for rehabilitation of IDPL just after techno-economic feasibility report is received so that the company can strive again to achieve its objectives and thereby the common man may get life saving drugs at affordable prices in time.

Reply of the Government

The revival of companies is a very complex and time consuming process particularly in case of those companies which are before the BIFR. According to the instructions dated 6.12.2004 issued by the Government, such proposals are now also required to be submitted for the consideration of the Board for Reconstruction of Public Sector Enterprises, before these are submitted to Cabinet.

So far as information relating to individual companies is concerned, HAL is a BIFR company since 1997. Its rehabilitation proposal was referred to BRPSE for its consideration on 14.3.05. One meeting of BRPSE was held on 18.4.2005. The

second meeting is expected to be held in July, 2005. The HOCL and HIL have been referred to BIFR in February, 2005 and March, 2004 respectively. Their Rehabilitation Plans have been submitted to BRPSE recently. The IDPL was referred to BIFR in May, 1992. BIFR issued winding up orders for IDPL on 4.12.2003. However, the Government has filed an appeal in the AAIFR against the winding up orders. The Government also set up an Expert Committee to conduct techno economic feasibility of rehabilitating IDPL. The report of the Committee has been received recently and is under consideration. In case of BCPL, BIFR has sanctioned a Modified Rehabilitation Scheme which is under consideration of the Government.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

Comments of the Committee

(Please see Para No. 40 of Chapter I of the Report)

CHAPTER – III

**RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY****(Recommendation Sl. No 16)**

The Committee have been informed by the Government that it would not be legally tenable to either amend the DPCO,1970 or the Essential Commodities Act,1955 to overcome the drug companies approach of delaying the matter by moving to the courts, as it could amount to taking away the power of judicial review of the High Courts. The Committee find that there was no provision in the DPCO, 1979 for appeal against the demand notices/orders issued by Government to the drug companies. This was a lacuna in the order and therefore, drug companies went for legal redressal of their grievances under writ jurisdiction. The Committee feel that there should be a provision of appeal and a certain percentage of amount must be deposited by the concerned drug companies before going in appeal on the line of the latest amendment made in other Acts such as the Consumer Protection Act, 1986. The Committee, therefore, desire that Department of Chemicals & Petrochemicals should make all efforts through the Courts to ensure that drug companies initially deposit a certain percentage, say half of the amount due before they resort to judicial remedies.

Reply of the Government

The period of operation of the DPCO, 1979 was wef 1.4.1979 to 25.8.1987. Accordingly a provision of appeal or for depositing of a certain percentage of

amount by the drug companies concerned before going in for appeal cannot be made in the DPCO 1979 with retrospective effect as it is not feasible legally. However, as in the past, all efforts through the Courts will be made to ensure that the drug companies initially deposit a certain percentage, say half of the amount due before they resort to judicial remedies.

[Ministry of Chemicals & Fertilizers
(Department of Chemicals & Petrochemicals)
O.M. No. 16 (3)/2005-Fin. Dated 21.07.2005]

CHAPTER – IV

**RECOMMENDATION IN RESPECT OF WHICH REPLY OF
THE GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE****(Recommendation Sl. No. 1)**

The Committee note that the budgetary provisions of the Department of Chemicals and Petrochemicals for the year 2005-06 are Rs.913.25 crore which consist of Rs.83.00 crore for Plan and Rs.830.25 crore for Non-Plan. In BE (2004-05), the total provision was Rs. 124.39 crore (Plan Rs.77.38 crore and Non-Plan 47.01 crore) which was increased in RE (2004-05) to a level of Rs.407.00 crore (Plan Rs.60.00 crore and Non-Plan Rs.347.00 crore). The Non-Plan loan to PSUs has been kept at Rs.748.47 crore in 2005-06 from a level of Rs.21.47 crore from BE (2004-05). Plan investment and loan has been kept at Rs.21.00 crore in 2005-06 in comparison to Rs.20.20 crore in BE (2004-05). The Committee find that there has been less utilisation in 2004-05 in schemes of Bhopal Gas, HAL, CIPET, IPFT, CPDS, NPPA and HOCL. IPFT could not utilise a fund of Rs.5.73 crore fully as there was difficulty in obtaining the required specialised manpower for the purpose. In case of CPDS, the amount of Rs.3.40 crore allocated for the expenditure towards conduct of feasibility study of setting up of mega chemical project was saved as there was delay in appointing the advisor for the project. There is saving under CIPET as the agreement for OPEC loan could not be finalised. The same trend exists in the schemes of HAL, HOCL and Bhopal Gas. The Committee further note that during the first three years of 10th Five Year Plan too, there has been less utilisation in some schemes of Institute of Pesticide

Formulation and Technology(IPFT), Chemical Weapon Convention(CWC) and Chemical Promotion and Development Scheme(CPDS). Out of total allocation of Rs.1281 lakh in the first three years of the 10th Plan for IPFT, actual expenditure has been Rs. 681.15 lakh, only. Under CWC, out of Rs. 15 lakh, an expenditure of Rs.7.70 lakh, was made during the first two years of 10th Plan. The Committee had also noted in their 40th Report(13th Lok Sabha) on Demands for Grants (2003-04) of the Department of Chemicals and Petrochemicals that in the Ninth Five Year Plan, out of a total allocation of Rs.4012.56 crore, only Rs. 3398 crore were utilised by the Government. These facts clearly establish that the utilisation of budgetary resources has not been satisfactory. In the process, there has been slippages in achieving the targets fixed during the first three years of 10th Five Year Plan as well. The Committee, therefore, desire that the reasons for underutilisation of budgetary allocations should be thoroughly analysed and the Department should gear up their machinery to realise the intended purposes and also achieve the targets in the remaining two years of Plan. With this, the Committee endorse the Demands for Grants of the Department of Chemicals Petrochemicals of the Ministry of Chemicals & Fertilizers for the year 2005-06.

Reply of the Government

Bhopal Gas Leak Disaster.

The actual disbursement of the claims settled by the Office of the Welfare Commissioner is carried out by Judicial Officers of the Office of the Welfare Commissioner. The Welfare Commissioner is also a sitting Judge of the Madhya

Pradesh High Court. It may be noted that the Supreme Court is monitoring the disbursement process and the Department of Chemicals and Petrochemicals has no control on the actual process of disbursement.

The entire provision of Rs.300 crore made in R.E. 2004-05 for meeting the Exchange Rate Variation, could not be utilized as the Welfare Commissioner's office was not able to settle the pro-rata claims quickly because of procedural problems. However, it may be pointed out that the unutilized amount of Rs.93 crore is neither a saving nor lapsed amount. The exchange rate variation amount is linked to the amount that is disinvested from time to time by the Reserve Bank of India and since pro-rata compensation has to be completed by 30.4.2006, the total amount of exchange rate variation required will have to be paid.

PUBLIC SECTOR UNDERTAKINGS

Hindustan Antibiotics Limited (HAL)

During 2004-05, an allocation of Rs. 6.66 crore was made to Hindustan Antibiotics Limited (HAL) under Non-Plan and Rs. 2.77 crore under Plan. So far as the Plan allocation is concerned, the entire amount was released and the same has been utilised by the company. The Non- Plan budget provision was made for paying terminal benefits to the employees of the Maharashtra Antibiotics & Pharmaceuticals Limited, a Joint Venture of HAL, who have undertaken VSS. This amount was to be released subject to the decision of the Supreme Court. Since the final judgement was not pronounced by 31.3.2005, this amount could not be

released to HAL. However an amount of Rs. 4.50 crore has been appropriated from this money for payment of salaries & statutory dues of the employees of HAL.

Hindustan Organic Chemicals Limited (HOCL)

In case of Hindustan Organic Chemicals Limited (HOCL), an amount of Rs. 7.19 crore was earmarked under the Plan Loan. HOCL was to create charge in favour of the Government of India for releasing the amount. An amount of Rs. 1.60 crore was surrendered due to non-compliance of this condition.

AUTONOMOUS INSTITUTIONS

Central Institute of Plastic Engineering & Technology (CIPET)

The Loan Agreement between OPEC Fund authorities and Government of India has since been signed on 1st June, 2005 and as such the amount provided under Externally Aided Project is likely to be utilized by CIPET in the next three years which include the remaining 2 years of the 10th Plan.

Institute for Pesticides Formulation Technology(IPFT)

It is a fact that against the budgetary allocation of Rs. 1281 lakh in the first three years of 10th Plan Period, actual expenditure has been to the extent of Rs. 681.15 lakh. The main reasons for under utilization of the Budgetary allocation are as under:-

- i) Recovery of Rs. 27 lakh during 2003-04 for the grant released in the earlier years to IPFT for creation of corpus fund.
- ii) Recovery of Rs. 66.60 lakh released to IPFT for capital support in earlier years.

- iii) Deferment of schemes for creation of OPCW facilities, library & data acquisition facilities due to the absence of qualified manpower.

A cadre restructuring exercise has been initiated so that the Institute has the manpower available, commensurate with the needs. Regular monitoring of the progress of various programs and the expenditure thereon is being done.

Chemical Weapons Convention (CWC)

The main reason for slow pace of expenditure was the fact that the Chemical Weapons Convention Act 2000, which had been passed by the Parliament in August,2000, is yet to come into force. Now a decision has been taken to bring this Act into force w.e.f. 1st July,2005. Necessary Rules to facilitate its implementation have been framed and action has been initiated to notify the same. Funds as allocated will be utilized for the awareness generation programs which are being undertaken to educate the industry and the other stakeholders about their obligations under the Convention.

Chemicals Promotion and Development Scheme (CPDS)

The allocation for CPDS during 2004-05 was Rs.340 lakh which included Rs.300 lakh for the feasibility study on Mega Chemical Industrial Estate (MCIE) and Rs.40 lakh for other promotional activities for the chemical industry. It may be stated here that originally the consultancy was estimated to cost at least US\$ 1 million (about Rs.5 crore) and provision of funds had been sought on that basis. However actual cost of consultancy based on competitive bidding process came to Rs. 57.84 lakh only. The study has since commenced and is progressing well.

National Pharmaceutical Pricing Authority (NPPA).

Salary

An amount of Rs. 116.00 lakh was provided under BE/RE during 2004-05. Actual Expenditure incurred in 2004-2005 was Rs. 105.35 lakh. The balance amount Rs. 10.65 lakh had been surrendered due to the fact that some of the vacant posts could not be filled.

Medical Treatment

An amount of Rs. 10.00 lakh was provided under BE/RE during 2004-05 and Actual Expenditure incurred was Rs. 0.72 lakh.

The balance amount of Rs. 9.28 lakh had been surrendered as funds could not be utilized under this head.

Wages

The budget provision of Rs. 6.50 lakh was made in BE/RE during 2004-2005. The Actual expenditure incurred was Rs. 4.61 lakh. The balance amount of Rs. 1.89 lakh had been surrendered, as funds could not be utilized under this head.

Office Expenses

The budget provision of Rs. 50.00 lakh was made in BE/RE during 2004-2005. The actual expenditure was Rs. 49.94 lakh. A nominal amount of Rs. 0.06 lakh had been surrendered under this head.

Rent, Rates and Taxes

An amount of Rs. 85.00 lakh was allocated in BE 2004-05. Rs. 87 lakh was allocated in RE 2004-05 under this head. The actual expenditure incurred was Rs. 86.99 lakh.

Professional Services

An amount of Rs. 30.00 lakh was allocated under BE/RE 2004-05. The actual expenditure incurred was Rs. 29.99 lakh. The expenditure in this head is payment to Data Entry Operators, Young Professionals, fees to lawyers, ORG IMS, consultancy fees to NIPER etc. The nominal amount of Rs. 0.01 lakh was surrendered under this head.

OTA

The provision of Rs. 1.50 lakh was made in BE/RE 2004-05. The actual expenditure incurred was Rs. 0.74 lakh. The balance amount Rs 0.76 lakh has been surrendered due to non-engagement of staff to do the work in late hours.

OAE

The provision of Rs. 5.00 lakh was made in BE 2004-05 and in RE budget was reduced and allocated Rs. 3.00 lakh. The actual expenditure incurred was Rs. 2.45 lakh. The amount of Rs. 0.55 lakh has been surrendered. The saving was on account meeting with All India State Drug Controller could not be organized during 2004-05.

TA (Domestic)

An amount of Rs. 12.00 lakh was allocated under BE/RE during 2004-05. The actual expenditure incurred was Rs. 9.86 lakh.

The balance amount Rs. 2.14 lakh had been surrendered under this head. Due to some of the proposed bulk drug studies not being undertaken resulting in saving in Domestic Travel.

TA (Foreign)

An amount of Rs. 7.00 lakh is allocated under BE/RE during 2004-05. The actual expenditure incurred was Rs. 3.05 lakh. The balance amount Rs. 3.95 lakh has been surrendered under this head as funds could not be utilized under this head.

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CHAPTER – V

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE
GOVERNMENT ARE STILL AWAITED****(Recommendation SI. No. 4)**

The Committee note that presently dies, moulds, and tools are being imported from Taiwan, Korea, Japan, etc. amounting to total cost of import around Rs. 3000 crores. The facility for design development and fabrication of mould, dies and tools does not exist in Bihar, U.P. Jharkhand, Orissa and West Bengal and for this, the Government have proposed to establish a centre for design and development of tools at Hajipur (Bihar) at the financial cost of Rs. 9.95 crores to be borne by State Government of Bihar and Government of India. Presently the proposal is under consideration of Planning Commission. The Committee, therefore, desire that the matter may expeditiously be taken up with the Planning Commission for early establishment of the centre at Hajipur.

Reply of the Government

Planning Commission has not provided any amount for setting up a center for design and development of tools at Hazipur (Bihar) during the current financial year 2005-06. However, the Govt. intends to pursue the matter with the Planning Commission at the time when the proposals for the Revised Estimates are considered by the Planning Commission.

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(Recommendation Sl. No. 5)

Assam Gas Cracker Project was proposed as early as in 1984 for the utilization of petroleum fraction of natural gas. The project has been pending for a long time. The Committee note that the main delay in setting up of this Project is due to shortage of gas requirement for production of 2 lakh TPA of ethylene. When the agreement for supply of gas was signed in October 2000, Reliance Assam Petrochemicals Ltd., (RAPL) considered the gas supply inadequate for production of 2 lakh TPA of ethylene. Consequently, the Ministry of Petroleum & Natural Gas agreed to supply LPG to make up the shortage. Since a large amount of subsidy from Government was involved, it was decided that some PSUs under the Ministry of Petroleum & Natural Gas should implement this project and accordingly Gas Authority of India Limited (GAIL) has been identified for implementation of Assam Gas Cracker Project for which they have prepared a detailed feasibility report. The Committee have now been informed that Ministry of Petroleum and Natural Gas has sent the proposal to the Ministry of Finance for clearance of the Project by PIB. In view of the considerable time already taken, the Committee desire that the requisite procedures may be expeditiously completed so that the Project can take off without any further delay and thereby the aspirations of the people of the Region may be accomplished.

Reply of the Government

The PIB Note was sent to the Ministry of Finance on 11.2.2005 by Ministry of Petroleum & Natural Gas, which was considered in the meeting of PIB held on 15.4.2005. Certain issued regarding clarity on the feedback prices and the

subsidy involved, IRR calculated in the Note of GAIL, clarity on OADB loan, funding by all partners of the project, environmental clearance, plan budget support etc. were raised by the representative of this Department and Ministry of Finance and the Planning Commission. After discussions, it was decided that Ministry of Petroleum & Natural Gas would submit a Supplementary Note for the consideration of PIB covering all the points raised in the meeting. Financial Adviser, Ministry of Petroleum and Natural Gas took meetings on 21.4.2005 & 04.5.2005 to finalise the Supplementary Note. GAIL has been advised to prepare the Supplementary Note quickly.

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(Recommendation Sl. No. 11)

National Pharmaceutical Pricing Authority (NPPA) is entrusted with the task of price fixation / revision and other related matters such as monitoring the prices of decontrolled drugs and formulations and enforce and implement the provisions of the Drugs (Prices Control) Order (DPCO), 1995. The prices of non-scheduled formulations are fixed by manufacturers. NPPA monitors the prices through scrutiny of the price list submitted by manufacturers, ORG-MARG/IMS report and complaints received from official and non-official sources. It is common knowledge that instances of shortages and charging of high prices are rampant in the country, particularly in rural areas in the case of drugs and formulations and for this a further closer scrutiny is required. The Committee, therefore, recommends that an effective monitoring of prices of drugs be done which are not covered

under the Price Control Order. They feel if possible, a ceiling on trade margin of drugs may also be fixed.

Reply of the Government

NPPA is already having an effective system of monitoring the movement of prices of non-scheduled medicines of mass consumption marketed through trade channel and intervenes whenever instances of unreasonable increase in prices affecting public interest adversely are noticed. This is an ongoing process. Due to the efforts made by NPPA, 15 companies have reduced the price voluntarily in respect of 25 formulation packs ranging between 2.14% to 34.62% (statement enclosed).

A Committee under the Chairmanship of Joint Secretary (PI) was constituted to examine the span of price control (including trade margin) in the light of National Common Minimum Programme and the observations of the Supreme Court in SLP N0, 3668/2003 and to suggest measures for fulfilling the objective of National Common Minimum Programme to ensure the availability of life saving drugs at reasonable prices. This Committee has submitted its interim report to the Government. The Committee has recommended, inter-alia, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for

bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cells in all States on the model of Karnataka etc., efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc

A Task Force has also been constituted under the Chairmanship of the Principal Adviser(PP), Planning Commission to explore various options other than price control for achieving the objective of making available life saving drugs at reasonable prices.

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(Recommendation Sl. No. 12)

In this connection, the Committee note that a Committee set up by the Government on the subject has submitted its interim report containing wide-ranging recommendations for ensuring availability of life saving drugs at reasonable prices. Apart from the need for intensive monitoring and fixation of a ceiling on trade margin, the recommendations also *inter-alia* included, introduction of the system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model Life Line Fluid Stores (Hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturers and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of

DPCO Cell at States, initiating efforts towards public awareness, to give wide publicity to policy decisions, etc. The Committee desire that appropriate follow-up action on those recommendations should be taken with a view to ensuring availability of drugs at affordable prices to the common man. The Committee would like to be informed of the specific action taken thereon.

Reply of the Government

As a follow-up action on the recommendations of the Committee headed by JS(PI) in its interim report it is stated that after obtaining requisite material from the Government of Rajasthan regarding Scheme for Medical Treatment of BPL and other poor persons, a letter has been addressed to Health Secretaries of all States/ UTs with the request to study the said scheme and examine the possibility of adoption of this scheme in the respective State/UT.

Further, after obtaining requisite material / information from the Government of Rajasthan, a letter has been addressed to Health Secretary / Chief Secretary of all States / UTs to consider the Model of Medicare Societies / Life Line Fluid Stores with a view to replicating the same in respective State / Union Territory

Health Secretary Government of Karnataka has also been requested to furnish information about the Health Insurance Scheme being operated in that State and also the details of the functioning of the DPCO Cell in that State. Letters have also been issued to the NIPER, ICMR, OPPI, IDMA and IPA requesting their comments on the issue of price negotiation at the time of introduction of a new drug in the country.

The NPPA has also been requested for its comments on the issue of amendment to the Essential Commodities Act and the Drugs (Prices Control) Order to enable compounding of certain offences and for its comments on the need to develop a price index for pharmaceuticals for better monitoring on drugs price. The Ministry of Health and Family has also been requested for its comments on the issue of greater coverage of Health Insurance Scheme, Special Scheme for people below poverty line, price negotiation at the time of introduction of a new drug in the country, reduction in taxes and levies in case of drugs falling in the national list of Essential Medicines, 2003.

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(Recommendation Sl. No. 13)

Another related aspect which engaged the attention of the Committee related to the widespread usage of drugs banned by the World Health Organisation and other similar Organisations, in the country. The Committee desire that this menace requires to be met effectively with by the authorities concerned.

Reply of the Government

The subject of banned drugs is looked after by M/o Health and Family Welfare. The reply from M/o Health & Family Welfare is awaited.

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(Recommendation Sl. No.15)

The Committee note that the Drug Prices Liabilities Review Committee (DPLRC) has been constituted to assist in determining /quantifying the liability of the drug companies arising on account of the implementation of the provisions of the Drug (Price Control) Order, 1979. On the basis of the recommendations of the DPLRC, the Drug Prices Equalisation Account (DPEA) liability is determined by the Government and demand notices are issued to the drug companies. The Committee have been informed that, presently, 32 cases are pending with the DPLRC including 22 cases held up because of stays granted by High Court of Mumbai involving a total amount of Rs.142 crore. In all there are also 24 cases pending in the Supreme Court of India and in various High Courts involving approximately Rs.101.00 crore held up for recovery from various drug manufacturers due to these court cases. The Ministry have informed that a transfer petition has been filed in the Supreme Court for transferring all the cases pending in various High Courts to the Supreme Court of India. While expressing their concern over the extent of dues locked up, the Committee desire that the matter be pursued vigorously for early realization of the legitimate dues to

Government. The Committee would like to be apprised of the latest position including the details of the recovery and the extent of pending liabilities.

Reply of the Government

All possible efforts are being made by the Government for early recovery of DPEA liabilities. As regards the latest position including the details of recovery and the extent of pending liabilities, it is stated that under the Drugs (Prices Control) Order, 1979 (DPCO 1979), there were 345 bulk drugs under price control. The Department has computed tentative liabilities in respect of 47 bulk drugs only which amounts to Rs. 326 crore approx. covering 172 cases till the Interim Stay dated 30.6.1997 granted by the Hon'ble Bombay High Court in the writ petition filed by the Indian Drugs Manufacturers Association (IDMA) restraining the Department and its Committees from determining fresh liabilities. Out of these 172 cases where the liabilities have already been determined tentatively and communicated to the companies, the Department had referred 72 assessment cases during the period 1995-1997 to the DPLR Committee for its review/recommendations. Out of these 72 cases, the Committee gave its recommendations in 50 cases giving its views on various issues involved in these cases but did not quantify the liability in these cases. In view of the stay granted by the Bombay High Court, the Committee has not taken up the remaining 22 cases nor any fresh case. On the basis of the views of the DPLRC, Department computed the liabilities in respect of 16 companies amounting to Rs.29.42 crore and the demand notices were issued to them. Most of these companies filed writ petition in different High Courts. The revised terms of reference were issued on

10.10.2002. After the issue of revised terms of reference of the Committee, 33 cases, where the liability was still to be quantified, were referred back to the DPLRC for quantification of the liability. Out of these 33 cases, the Committee has so far given its report in 30 cases. The DPLRC has quantified the liability in 26 cases (25 companies – one case linked with another).

The total amount of liability quantified by the DPLRC in respect of these cases is to the tune of Rs.135.10 crore as per two Members and as Rs.114.07 crore as per the recommendation of the Chairman, DPLRC. In 4 cases, DPLRC has stated that the Committee was not in a position to quantify the liability because of the above said stay order. Thus, at present, there are 29 cases pending with the DPLRC (for quantification of DPEA liability : 3 because of High Court stay: 26 where no quantification could be done till the vacation of the stay). The tentative amount of liability involved in these 29 cases pending with the DPLRC is approx. Rs 136.00 crore. In addition to these 29 cases pending with the DPLRC, there may be a large number of liability cases in respect of the remaining 298 bulk drugs where the liability is still to be quantified. The amount of liability, in such cases, to be quantified after the stay is vacated may be very large.

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(Recommendation Sl. No. 22)

Rajasthan Drugs & Pharmaceuticals Limited (RDPL) is a joint sector undertaking promoted by IDPL and the Rajasthan Industrial Investment Corporation (RIICO). The Committee were informed that RDPL has formulated a plan to upgrade its plants and machinery to withstand competition from private manufacturers and to expand its market share in the changed scenario. RDPL has sent a proposal in this regard to the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals). During an on-the-spot study visit of the Committee to the company in October, 2004, the matter was also brought to their notice. The Committee were informed that the company needed some financial support for providing it an additional equity of Rs. 1.00 crore as a part of capital investment in order to upgrade the plant. The Committee learnt that there had been instances when subsidiaries of Public Sector Undertakings were extended such financial assistance, in the past. They feel that the Government might not face much difficulty in helping RDPL also. The Committee, therefore, recommend that the Government should come forward for assisting RDPL and the latter's proposal should be considered by the Ministry expeditiously.

Reply of the Government

A proposal was received from RDPL to help them in arranging inter-corporate loan to upgrade its plants and machinery. The proposal has been sent to the Department of Fertilizers for necessary action.

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Comments of the Committee

(Please see Para No. 43 of Chapter I of the Report)

NEW DELHI
November 17, 2005
Kartika 26, 1927 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals & Fertilizers.

Appendix-I

MINUTES

**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2005-06)**

**THIRD SITTING
(19.10.2005)**

The Committee sat from 1500 hrs. to 1600 hrs.

Present

Shri Anant Gangaram Geete - Chairman

***Members
Lok Sabha***

2. Sardar Sukhdev Singh Libra
3. Shri A.K. Moorthy
4. Shri P. Rajendran
5. Shri Anantha Venkata Rami Reddy
6. Shri Madhusudan Takkala Reddy
7. Shri V.K. Thummar
8. Shri A.K.S. Vijayan

Rajya Sabha

9. Shri Gireesh Kumar Sanghi
10. Shri B.S.Gnanadesikan
11. Shri Ajay Maroo
12. Dr. Chhatrapal Singh Lodha
13. Shri Raj Mohinder Singh Majitha

Secretariat

1. Shri P. Sreedharan - Joint Secretary
2. Shri Brahm Dutt - Director
3. Shri S.C. Kaliraman - Under Secretary

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting.

3. Thereafter, the Committee considered the Draft Report on Action Taken by the Government on the recommendations contained in the Fifth Report of the Committee on Demands for Grants (2005-06) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals). After a brief discussion, the draft Report was adopted by the Committee with minor amendments.

4. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Report by the Department of Chemicals & Petrochemicals of the Ministry of Chemicals & Fertilizers and present the same to both the Houses of Parliament in the ensuing Winter Session.

The Committee then adjourned.

Appendix – II*(Vide Para 3 of the Introduction)*

Analysis of Action Taken by the Government on the recommendations contained in the Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2004-05) on Demands for Grants (2005-06) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals).

I	Total No. of Recommendations	22
II	Recommendations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 2, 3, 6, 7, 8, 9, 10, 14, 17, 18, 19, 20 and 21)	13
	Percentage to Total	59.09%
III	Recommendation which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendation at Sl. No. 16)	1
	Percentage of Total	4.54%
IV	Recommendation in respect of which reply of the Government has not been accepted by the Committee (Vide Recommendation at Sl. No. 1)	1
	Percentage of Total	4.54%
V	Recommendations in respect of which final replies of the Government are still awaited (Vide Recommendations at Sl. Nos. 4, 5, 11, 12, 13, 15 and 22)	7
	Percentage of Total	31.83%