NINETEENTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

(THIRTEENTH LOK SABHA)

DEMANDS FOR GRANTS (2001-2002)

MINISTRY OF CHEMICALS & FERTILISERS (DEPARTMENT OF FERTILISERS)

[*Action taken by the Government on the recommendations contained in the Fourteenth Report of the Standing Committee on Petroleum & Chemicals (2001) on Demands for Grants (2001-2002) of the Ministry of Chemicals & Fertilisers, Department of Fertilisers*]

Presented to Lok Sabha on .... 29 AUG 2001
Laid in Rajya Sabha on ....

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2001/*Sravana*, 1923 (*Saka*)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Bainda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shrimati Sheela Gautam
11. Shri Pawan Singh Ghatowar
12. Shri Bijoy Krishna Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan
17. Shri Ashok Pradhan
18. Shri Mohan Rawale
19. Dr. Bikram Sarkar
20. Shri Shyama Charan Shukla
21. Shrimati Kanti Singh
22. Shri Prabhunath Singh
23. Shri D.C. Srikantappa
24. Dr. Ramesh Chandra Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Anil Kumar
32. Shri Gaya Singh
33. Shri Ram Nath Kovind
34. Vacant*
35. Shri Moolchand Meena
36. Shri Dipankar Mukherjee
37. Shri Suresh Pachouri
38. Shri Ahmed Patel
39. Shri Mukesh R. Patel
40. Shri Ravi Shankar Prasad
41. Shri K. Kalavenkata Rao
42. Shrimati Basanti Sarma
43. Shri Rajiv Ranjan Singh 'Lalan'
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

1.	Shri B.R. Kanathia	*Joint Secretary*
2.	Shri Brahm Dutt	*Deputy Secretary*
3.	Shri J.N. Oberoi	*Under Secretary*
4.	Shri A.K. Shah	*Committee Officer*

*Vacancy caused consequent upon retirement of Dr. (Smt.) Joyashree Goswami Mahanta, M.P. (R.S.) from the membership of Rajya Sabha *w.e.f.* 14.06.2001.

COMPOSITION OF THE SUB-COMMITTEE ON FERTILISERS

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav — *Chairman*

2. Shri Dipankar Mukherjee — *Convenor*
3. Shri Ramchander Bainda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Shri Padam Sen Choudhary
7. Shri Dilipkumar Mansukhlal Gandhi
8. Shri Rajiv Ranjan Singh 'Lalan'
9. Shri Punnulal Mohale
10. Shri Suresh Pachouri
11. Shri Ravi Shankar Prasad
12. Shri K. Kalavenkata Rao
13. Shri P. Soundararajan
14. Shri D.C. Srikantappa
15. Dr. Bikram Sarkar
16. Shri Rajesh Verma

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2001) having been authorised by the Committee to submit the Report on their behalf present this Nineteenth Report on Action Taken by the Government on the recommendations contained in Fourteenth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (2001) on 'Demands for Grants of the Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2001-2002'.

2. The Fourteenth Report of the Committee was presented to Lok Sabha on 19th April, 2001. Replies of the Government to all the recommendations contained in the Fourteenth Report were received on 24th July, 2001. The Sub-Committee on Fertilisers considered the Action Taken Replies received from the Government and considered and adopted the Report at their sitting held on 13th August, 2001.

3. The Standing Committee on Petroleum and Chemicals (2001) considered and adopted this Report at their sitting held on 20th August, 2001. The Committee place on record their appreciation of the work done by the Sub-Committee on Fertilisers.

4. An analysis of the Action Taken by Government on the recommendations contained in the Fourteenth Report (Thirteenth Lok Sabha) of the Committee is given at Appendix III.

5. The Committee place on record their sense of deep appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat.

6. 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;
20 *August*, 2001
29 *Shravana*, 1923 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourteenth Report (Thireteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Demands for Grants of Ministry of Chemicals and Fertilisers, Department of Fertilisers for the year 2001-2002' which was presented to Lok Sabha on 19th April, 2001.

2. Action taken notes have been received from the Government in respect of all the 18 recommendations contained in the Report. These have been categorised as follows:—

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

Sl. Nos. 5, 6, 7, 8 and 17.

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

Sl. Nos. 2 and 14.

(iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 3 & 4.

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

Sl. Nos. 1, 9, 10, 11, 12, 13, 15, 16 and 18.

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.

A. FINALISATION OF DEMAND PROJECTIONS FOR UREA FOR TENTH PLAN (2002-2007)

Recommendation (Sl. No. 3, Para No. 23)

5. While examining the Demands for Grants of Department of Fertilisers for 2001-2002, the Committee specifically discussed demand-supply position of urea and the Committee were informed that the demand position of urea by 2002-2004 would be 234 lakh tonnes as against the indigenous availability 225 lakh tonnes from existing plants. About demand projections for urea for coming five years the Secretary (Fertilizers) had informed that as per directions of the Planning Commission for the Tenth Plan (2002-2007) a working group had already been set up to project demand-supply position wherein Department of Agriculture and Planning Commission to deliberate and complete the process within two to three months *i.e.* by April or May, 2001 based on updated cost of different projects along with their critically. The Committee had felt that Department of Fertilizers would adhere to the directions of Planning Commission and estimated requirement of urea for the year 2003-2004 and as also for next five years would be worked out expeditiously. The Committee had hoped that this step of DOF will not only remove uncertainty looming large over the fertilizer projects but would save cost overrun of these projects.

6. The Government in their reply has stated:—

"Planning Commission has constituted a Working Group on Fertilizers for the formulation of the Tenth Five Year Plan. The Working Group consists of representatives from different ministries, fertilizer industry and other experts. The terms of reference include 'to assess the region-wise/state-wise demand for the Tenth Pan and in the perspective of 15 years'. The first meeting of the Working Group under the Chairmanship of Secretary (Fertilizers) was held in February, 2001. The Working Group has constituted following Sub-Groups:—

Sub-Group I	Demand projections and efficient use of fertilizers
Sub-Group II	Production of Fertilizers
Sub-Group III	Infrastructural facilities for the movement and Handing of fertilizers
Sub-Group IV	Technological issues

The Sub-Groups have had their meetings and are likely to submit their reports to the Working Group shortly. Based on the reports of the Sub-Groups, the Working Group will finalise its report and submit the same to the Planning Commission which will form the basis for the preparation of the 10th Five Year Plan for the fertilizer sector (2002-2007)."

7. The Committee find the reply evasive, since on the issue of demand projections of urea for coming give years the Secretary (Fertilizers) had informed (April 2001) as under:—

> **"For the Tenth Plan we have already set up a Working Group and I have already constituted sub-groups under a Joint Secretary each to project the demand supply position. In these discussions apart from us the Agriculture Department and the Planning Commissioin are going to sit down. The direction is that we should complete it within two to three months."**

Accordingly the Committee had recommended expeditious working out of demand projections of urea as per directions of Planning Commission. The Government in their reply have stated that reports of four different sub-groups on various aspects of the working group on fertilizers as constituted by the Planning Commission are likely to submit their report to the Working Group shortly. The Committee find that DOF has not been able to adhere to direction of the Planning Commission about finalizing the demand projections of urea for 10th Five Year Plan (2002-2007) in two to three months time as assured by Secretary. The Committee reiterate their recommendation for expeditious finalisation of demand projections for urea for 10th Five Year Plan (2002-2007).

B. MONITORING OF VARIOUS SCHEMES FOR OPTIMAL UTILIZATION OF PLAN ALLOCATIONS

Recommendation (Sl. No. 4, Para No. 24)

8. The Committee had found that of the total plan outlay of Rs. 1149.03 crore allocation for projects/schemes of NFL, RCF, IFFCO and KRIBHCO amounts to Rs. 812.03 crore only and the total allocation of Rs. 942.03 crore included Rs. 130 crore meant for HFC's Namrup Revamp Project was shown against NFL. NFL's outlay for the year 2001-2002 was only Rs. 29.73 crore. Besides DoF had hoped that joint venture OMIFCO project was also expected to commence implementation in 2001-2002 and therefore funds earmarked could be utilized. The Committee had hoped that entire outlay of Rs. 1149.03 crore for 2001-2002 was utilized and directed Department of Fertilizers to monitor the progress of implementation of various schemes for which the amount had been earmarked.

9. Government in their reply have informed:

> "Efforts would be made to ensure that the total outlay of Rs. 1149.03 crore for 2001-2002, is fully utilized by rigorous monitoring of the progress of implementation of various schemes by the PSUs/Cooperative Societies under the administrative control of the Department. The progress of utilization of plan outlay would be monitored regularly in company specific quarterly review meetings and separate meetings to review utilization of plan outlay from time to time."

10. The Committee find the reply of the Government misleading. For utilizing Plan outlay Rs. 1149.03 crores for 2001-2002 the DoF has informed that efforts would be made to ensure that this total outlay is fully utilized by rigorous monitoring of progress of implementation of various schemes by the PSUs/Cooperative Societies. However, the Committee find that out of the total Rs. 1149.03 crore of Plan allocation, KRIBHCO, IFFCO and RCF's projects account for Rs. 400 crore, Rs. 212 crore, Rs. 170.30 crore respectively. Totaling to Rs. 782.30 crore. In reply to recommendation No. 2 of the same report, the Department of Fertilizers has intimated that final clearance of projects of these Companies has been deferred for certain reasons. The Committee fail to comprehend as to how DoF would make efforts to ensure full utlization of allocation. The Committee would have appreciated if DoF had taken into account the decision of deferment of pending fertiliser projects before giving the reply. The Committee would like to have comments from DoF on this.

C. GRANT OF FISCAL CONCESSIONS IN THE PRICES OF FEED STOCK

Recommendation (Sl. No. 9, Para No. 42)

11. The Committee had recommended that if the Government's intention was to reduce subsidy, it should give substantial fiscal concessions in the prices of feed stock. The Government can free the fertiliser industry from bureaucratic hurdles and enable them to import their feed stock at competitive prices.

12. The Government in reply have stated:

"Petroleum products such as natural gas, naphtha and fuel oil/LSHS, used as feed stock in manufacture of urea are decontrolled products and are no longer under the administrative pricing mechanism of the Government. While natural gas, being a non-tradable commodity, cannot be imported as such, naphtha, fuel oil/LSHS can be imported by urea manufacturers on their own as these products are included in Open General Licensing category. Since import of naphtha, fuel oil/LSHS/LPG by urea manufacturer on their own would entail creation of infrastructure for holding and storage of ports requiring investments by urea manufacturers, they may not find it substantially cheaper *vis-a-vis* the rates being charged by domestic oil refineries. At the same time, the domestic refineries will be forced to export their products when these products are imported by fertiliser industry. This may not be desirable from the country's point of view. Government is currently engaged in the exercise of ensuring supply of Naphtha fuel oil/LSHS by domestic oil companies to fertiliser units at import parity price."

13. The Committee's recommendation was based on the back up they received informally from fertiliser industry when they undertook study visits to various places. There was a general complaint against oil companies against higher prices being charged for naphtha, fuel oil and the poor quality of these products. The Committee while appreciating the view point of the Government would advise the DoF should hold a formal meeting of fertiliser industry to seek their point of view. Meanwhile, the Committee have taken note of the fact that the Government was engaged in the exercise of ensuring supply of Naphtha fuel oil/LSHS by domestic oil companies at import parity price. The Committee would await the finality in the matter.

D. ALTERNATIVE FEEDSTOCKS FOR FERTILISER PRODUCTION

Recommendation (Sl. No. 10, Para No. 43)

14. The Committee had felt that in this era of globalisation and economic liberalisation, the fertiliser industry at its own should come forward and search for alternative feed stocks like coal. The Committee had hoped that the Government should take more initiative in encouraging coal based fertiliser by encouraging import of suitable technology for this purpose.

15. The Government in their reply informed:

"Department of Fertilisers constituted a Task Force in March 2000 under the Chairmanship of Secretary (Fertilisers) to explore the possibility of coal-based technology for the fertiliser sector. The Task Force has interacted with the leading process licensors of coal technology to explore the viable options for production of fertilisers based on indigenous coal. It has also considered blending of Indian coal with imported coal in order to handle the high ash content in the Indian coal. A Technical Team of the Task Force has visited the existing facilities for gassification in the pilot plant and conducted studies on coal gassification. The final report of the Task Force is expected to be submitted by August, 2001. On the receipt of the final report of the Task Force, Government will consider taking initiative for encouraging coal based fertiliser by adopting suitable technology for this purpose."

16. The Committee are satisfied to note that various steps have been taken by Government for encouraging coal based technologies for fertiliser production. These include holding interactions with leading process licensors, blending of Indian coal with imported coal for handling ash content and carrying out studies on coal gassification. The DoF informed the Committee that by August, 2001 final report of Task Force constituted for the purpose would be available. The Committee would like to be apprised of the follow up action taken in this regard.

E. FINALISATION OF LONG TERM FERTILISER POLICY

Recommendation (Sl. No. 11, Para No. 44)

17. The Committee had appreciated the stand taken by the Department in not endorsing the recommendation of Expenditure Reforms Commission regarding 7% yearly increase in urea prices. The Committee had recommended that the prices should be at an affordable level. The Committee had found that in developed countries, subsidies were given on a much large scale. Low price of fertiliser was linked with bigger question of protecting the interest of the small and marginal farmers. The Government should take necessary steps to ensure that fertiliser prices remain within easy reach to the small and marginal farmers. Further Committee had felt that ERC recommendation should have been treated as only an input to the overall long term Fertiliser policy. Committee also felt that instead of implementing such recommendations in piecemeal fashion keeping in view only subsidy angle, the finalisation of long term policy on feedstock, pricing, regional imbalance, etc. should have been prioritised. In Committee's view consultations with State Governments, Farmers' Organisations, Fertiliser industry, etc. were essential for formulating a long term policy.

18. In their reply the Government have informed:

> "In order to make available fertilisers at affordable prices and also taking into considerations factors such as fiscal sustainability and the need for balanced nutrient application, the fertilisers are sold at uniform maximum retail price in case of urea, and at indicative maximum retail prices in case of decontrolled phosphatic and pottasic fertilisers, to all the farmers including small and marginal farmers, which are far less than the cost of production of such fertilisers. Government has also received response of many States, fertiliser industry and other interest groups, on the recommendations of ERC relating to fertiliser subsidy. These will be kept in view while taking a decision on the subject."

19. The Committee are pained to note that pace of progress towards finalisation of long term policy by DoF has been very-very slow. The Committee find that after having received the Report of High Powered Committee on Fertiliser Pricing in March, 1998 and subsequently Report of Expenditure Reform Commission (ERC) on rationalisation of subsidy in September, 2000, DoF has now informed that responses have been received from States, Fertiliser Industry and other Interest Groups on the recommendation of Expenditure Reform Commission on fertiliser subsidies. DoF has also informed that these would be considered while taking decision on the subject.

The Committee are dismayed to note that about one year is over after receipt of ERC Report and required interactions with different shades of opinions like State Governments fertiliser industry and other interested groups are not yet over. The Committee, therefore, recommend early completion of these interactions for finalisation of long term policy for fertiliser sector.

F. EXPEDITIOUS COMMISSIONING OF NAMRUP REVAMP

Recommendation (Sl. No. 12, Para No. 49)

20. The Committee noted that as against the revised estimate of Rs. 36.50 crore for the last year *i.e.* 2000-2001, Rs. 97.50 crore had been provided for planned investment in PSUs under DoF for 2001-2002. It had also come out during the course of examination of Ministry that out of Rs. 97.50 crore a major chunk *i.e.* Rs. 80.00 crore had been earmarked for ongoing revamp of HFC Namrup and remaining Rs. 10 crore was proposed for renewal and replacement of equipment of FCI. About investment proposals finalised for HFC revamp the DoF had

informed the Committee that so far Rs. 131.69 crore had been released for revamping of HFC Namrup. The Committee had also been informed that the project had achieved an overall cumulative progress of 64.70% against the original targeted commissioning on 1.5.2001. On completion of health study of the plant, HFC had submitted a proposal for revision of capital cost of the project of Rs. 509.40 crore and extension of project upto 1.2.2002 for approval of the Government and the same was being considered by the Government. Secretary (Fertilisers) during the course of evidence informed the Committee that MD, HFC had been asked to implement HFC revamp project in full speed. The Committee were unhappy to note that there had been both cost and time overrun in the revamp of HFC Namrup. Whereas another PSU *viz.* Nangal Expansion project had been commissioned well before schedule. The Committee had deplored the delay that has occurred in commissioning HFC Namrup Project. The Committee had felt that the Department would extend all help and all out efforts would be made to complete revamping of HFC Namrup units in time.

21. In reply the Government has informed:

> "The Namrup Revamp Project was approved by the Government in 1997 at an estimated investment of Rs. 350 crore and has been under implementation *w.e.f.* 2.11.1998. However, during finalisation of design and engineering, the cost of the Project had increased owing to modification of scope for ensuring sustained trouble free operation of the post revamp plants as well as other factors like change in foreign exchange rate parity, price escalation, change in statutory levies etc. With a view to ensure timely completion of the Namrup Revamp Project, the Government has been making necessary budgetary provision and an amount of Rs. 131.69 crore has been released upto 31.3.2001. A provision of Rs. 80 crore has been made during the year 2001-2002. An additional plan outlay of Rs. 130 crore has been made in 2001-2002 for the project to be raised as loans from Financial Institutions/banks on de-merger of Namrup units from HFC and its formation into a new company.
>
> The proposal for demerger of the Namrup units from HFC to constitute into a separate Corporate entity which is necessary for securing term-loan from the Banks/Financial Institutions was included in the comprehensive rehabilitation proposal for HFC. This proposal was considered by the Government on 31.5.2001 and as directed a separate proposal in respect of the Namrup Revamp Project for revision of cost and completion schedule of the project including its demerger from HFC is being finalised and will be submitted to the competent authority shortly."

22. **The Committee are glad to note that for expeditious commissioning of Namrup Revamp, the Government on 31st May, 2001 has considered a proposal for demerger of Namrup units from HFC to constitute a separate corporate entity for the purpose of availing necessary funds. The Committee also note with satisfaction that a separate proposal for revision of cost and completion schedule for the project including its demerger for the project from HFC is also being finalised and would be submitted to the competent authority shortly. The Committee desire that this should be expedited and Committee be apprised of the further progress in this regard.**

G. REVIVAL OF OTHER SICK PSUs

Recommendation (Sl. Nos. 16 and 18, Para Nos. 63, 74, 75 and 76)

23. The Committee had found that a sum of Rs. 48 crore had been released to FCI for renewals of its Sindri project during 1998-99 and required funds had been utilised for necessary renewal/revamp in Sindri as also in other units of Ramagundam and Talcher. The Committee had noted that the rehabilitation proposal of FCI including Sindri had been finalised and is under submission to the competent authority. The Committee had felt that plan investment in PSUs like one in FCI can only be fruitfully utilised if the final decision on revival packages was taken up urgently to commence production in closed units of FCI like Ramagundam and Talcher. The Committee, therefore, had recommended that serious efforts be made for final clearance of revival package by competent authority within a time frame of three months from the date of presentation of this Report to the Parliament.

24. In the same context, the Committee had found that as against last year's amount of Rs. 300 crore as non-plan loans to PSUs, Rs. 200 crore had been provided for 2001-2002 for meeting the salaries requirements of FCI, HFC, PPCL and PDIL pending their revival. During the course of examination the Committee had found that production in various sick units of PSUs had been discontinued for variety of reasons.

25. The Committee also found that a number of Fertiliser Units were sick and Government each year was providing non-plan loans to sustain these units. These companies had been referred to BIFR but the process of their rehabilitation was very tardy. On an average only one meeting was being held in BIFR annually.

26. The Committee had then been informed by DoF that revival proposals for HFC, FCI, PDIL and PPCL had been finalised and under submission to competent authority in Government. During the course of evidence also the Secretary (Fertilisers) like earlier occasions had once again assured the Committee that DoF was presenting a total picture on the issue of revival to competent authority *i.e.* the Cabinet. The Committee, therefore, once again recommended that a final decision on the issue is need of the hour. The Committee hoped that it would not only save crore of rupees as non-plan on salaries of public exchequer but would also end uncertainly in public sector. The Committee had also desired that the specific action taken by Government in regard to revival of sick fertiliser PSUs.

27. The Government in their reply have informed:

> "The rehabilitation proposal for FCI was considered by the Government on 31.5.2001 and a Group of Ministers has been constituted to examine the proposal and submit its recommendation within a period of two months."

28. DoF further informed:-

> "The rehabilitation proposals for HFC, FCI, PDIL and PPCL were considered by the Government on 31.5.2001 and a Group of Ministers has been constituted to examine these proposals and submit its recommendations within a period of two months."

29. The Committee have taken note of the position that the Government has constituted a Group of Ministers to consider rehabilitation proposals for HFC, FCI, PDIL and PPCL. This Committee have in their various reports stressed upon the need to revive sick fertiliser units. All these recommendations contained in the Reports have been concised and sent to Department of Fertilisers with the objective that these be placed before the Group of Ministers. The Committee hope that outcome of GoM deliberations will be positive.

Meanwhile, the Committee have learnt that BIFR, in its hearing dated 28.06.2001 has fixed a deadline of 90 days for the Government to submit a fully tied up, comprehensive, acceptable revival scheme, failing which BIFR would automatically wind up FCI, without holding any further hearing. The Committee feel that the stand of BIFR is contrary to the intention of the Government in constituting GoM. The Committee desire that DoF should correct the position immediately.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 5, Para No. 27)

The Committee are happy to find that in pursuance of the need to cut Government expenditure on non-plan activities, the DoF has succeeded in limiting its expenditure on Secretariat Services well within the Budget Estimates for 2001-2002. The Committee would advise, the Department to exercise austerity in non-plan expenditure wherever it is possible.

Reply of the Government

Department of Fertilizers has taken note of the advice of the Standing Committee and all efforts will continue to be made to exercise the austerity in non-plan expenditure during 2001-2002.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

Recommendation (Sl. No. 6, Para No. 31)

The Committee find that as against the revised estimates of Rs. 4319 crore of last year a provision of Rs. 5714 crore has been made this year for payment of concessions on decontrolled indigenous and imported fertilisers. The Commmittee have been informed by DoF that the work relating to payment to manufacturing agencies for concessional sale of decontrolled fertilisers has been transferred to DoF *w.e.f.* 1.10.2000. Earlier the scheme was being operated by Department of Agriculture & Cooperation (DAC). The DoF has also informed that this arrangement was based on mutual consultations between DoF and DoAC, since DoAC wanted smooth transfer of scheme. In order to resolve pending demands/grievances of fertiliser sector pertaining to decontrolled fertiliser, DoF has held consultations with State Governments and fertiliser companies on 9th February, 2001, and three Departmental Committees represented by DoAC and Department of Expenditure and Tariff Commission have already submitted their recommendations for the approval of Government. The Committee hope that Government would soon take a positive stand on these recommendations in the interest of fertiliser industry as also of farmers. The Committee expect to be apprised of the action taken on these recommendations.

Recommendation (Sl. No. 7, Para No. 32)

As regards complaints about investors money being unnecessarily blocked for want of certification of sales by State Governments, the Commmittee are pained to note that as high as Rs. 795 crore has been shown as pending from 1997-98 onwards on this account. The DoF on its part has stated that it appreciates the magnitude of the problem and a Committee has since submitted a report to review the existing procedure which is to be followed for payment under concession scheme and modification with a view to reduce the time lag between sales and release of concessions. The Committee's recommendations are reportedly being processed. The Committee hope that the Government will take an early and positive action on the recommendations of the Committee constituted for the purpose. The Committee also recommend that the Department will play proactive role in releasing the blocked amount pending since 1997 so as to instill confidence in the manufacturers.

Reply of the Government

The recommendations submitted by two Departmental Committees and those of the Inter-Ministerial Group (IMG) represented by Department of Agriculture & Cooperation (DAC), Department of Expenditure and Tariff Commission have since been considered by Department of Fertilizers (DoF). Taking these into consideration, fresh guidelines laying down procedure for making payments under the Concession Scheme to manufacturers/importers of decontrolled potassic and phosphatic fertilizers have since been issued by the Department on 17.5.2001. With a view to reduce the time lag between sales and release of concessions, the procedure for certification of sales has been rationalized. Proforma 'B' has been suitably modified to expedite certification of sales by State governments. Besides, submission of Proformae 'E', 'F' and 'G' and the previous guidelines has been de-linked from filling of claim by the manufacturer/importers.

The issues relating to sale of non-standard SSP to farmers by some manufacturers have also been addressed. In order to put a curb on unfair practices and keeping in view the need to promote specified grades of rock phosphate purchased from notified sources for manufacture of SSP, under the new guidelines DoF has constituted a Technical Audit and Inspection Cell (TAC). The TAC shall conduct first time and six-monthly inspections of SSP manufacturers for ensuring usage of specified grades of rock phosphate from sources notified by the DoF from time to time. For achieving the underlying objective it has also been decided that the facility of 80% 'On-account' payment would be given only to those manufacturers of SSP who use specified grades of rock phosphate as raw material and submit monthly information in prescribed proforma on use of raw materials. The continuance of this facility has been subjected to recommendations of TAC based on six monthly inspections of the concerned SSP unit. The State Governments/UTs have also been advised to avail of the services to TAC in meeting their obligations towards ensuring production/ sales of SSP as per specifications laid down under the FCO. Those SSP manufacturers claiming concession on 100% sales would be required to submit month-wise statement showing details of raw material purchased, consumed and produced as per the new proforma 'E'.

A proposal to improve the ratio of 'On account' payments under the Concession Scheme is also under active consideration of the Government.

After transfer of work relating to concession scheme for decontrolled fertilisers to DoF *w.e.f.* 1.10.2000, Department of Fertilisers and Department of Agriculture and Cooperation (DAC) have also held a meeting at Secretary level. It has been further decided that all the issues relating to Concession Scheme, even for the period prior to 1.10.2000, pending with DAC would be dealt with by DoF *w.e.f.* 1.7.2001. This decision has been taken so that the Department of Fertilisers can play a proactive role in expediting the pending claims under Concession Scheme of manufacturers and importers of decontrolled fertilisers.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

Recommendation (Sl. No. 8, Para Nos. 39, 40 and 41)

The Committee find that as against the revised estimate of Rs. 9480 crore for 2000-2001, a provision of Rs. 7956 crore has been made for the year 2001-2002 for fertiliser subsidy. Out of Rs. 7956 crore an amount or Rs. 7146 crore has been provided for payment of retention price scheme and another amount of Rs. 805 crore has been provided for freight subsidy. The Committee note the Government's proposal to replace the existing Retention Price Scheme (RPS) for Urea with Group Concession Scheme (GCS) as per recommendation of

Expenditure Reform Commission (ERC) based on feedstock and vintage of the plants. The proposed scheme envisages a fixed rate of concession for urea units which have been grouped into five categories namely: (i) Pre-1992 gas based units; (ii) Post-1992 gas based units; (iii) Naphtha based units; (iv) FO/LSHS based units; (v) Mixed energy units.

The Department of Fertilisers informed the Committee that recommendations of Expenditure Reform Commission are being examined by DoF in consultations with concerned Ministries/ Departments of Government of India, State Governments and Fertiliser Industry with a view to formulate the new pricing policy for urea units. The Committee were informed that the proposed new policy will aim at bringing in uniformity and transparency in disbursement of subsidy payments to urea units and induce them to take cost reduction measures on their own to be competitive. During the course of evidence the Secretary (Fertilizer) also informed the Committee that decision of the Government on the new pricing policy was under active consideration of the competent authority *i.e.* Cabinet. The Committee note with satisfaction of the views of DoF that it was not in favour of 7% increase in urea price. As regard linkage of urea with international prices, the Secretary (Fertilizers) informed the Committee that the matter has been discussed in the Department. A cost audit on the issue has been recommended and a report is expected shortly.

In the opinion of the Committee, by putting the Fertiliser Companies in five groups, ERC has disregarded various important factors like the technology adopted, vintage of the plant, new investments recently made and total cost of production at normative level. Grouping may result in substantial profits for some companies but overall these are bound to incur heavy losses to other units without their any default. The Committee, therefore, recommend that before accepting these recommendations all related matters, pros and cons be examined in depth.

Reply of the Government

Before taking a decision on new pricing policy keeping in view the recommendations of Expenditure Reforms Commission, the Government will keep in mind the recommendation of the Standing Committee and examine in depth all issues involved to minimise the losses and gains to urea units while at the same time bring in greater uniformity and transparency in disbursement of subsidy payments and inducing units to take cost reduction measures on their own.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

Recommendation (Sl. No. 17, Para No. 64)

The Committee learn that though no major projects are under implementation in Paradeep Phosphates Limited except implementation of a revamp of 'A' stream of its Sulphuric Acid plant at the cost of Rs. 14.38 crore and Pollution Control Project envisaging setting up an effluent treatment plant at a cost of Rs. 4.69 crore which are under implementation. Admittedly both the schemes are far behind the schedule. The Committee feel that delayed execution of project is fraught with possibility of cost and time over-run. The Committee, therefore, recommend that steps for implementation of scheme be initiated at the right earnest but not later than 3 months from the presentation of this Report to the Parliament.

Reply of the Government

The revamp of stream 'A' of Sulphuric Acid Plant of Paradeep Phosphates Ltd. (PPL) is progressing satisfactorily and is expected to be completed on schedule by the end of the August, 2001 without any cost over-run. In the case of pollution control scheme envisaging installation of an Effluent Treatment Plant, most of its activities have been completed and the project is expected to be completed by the end of July, 2001 with a delay of about 7 months caused due to obstruction faced by the contractor from local contractors and workforce. The scheme is, however, expected to be completed without any cost over-run.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

CHAPTER III

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

Recommendation (Sl. No. 2, Para No. 21)

The Committee note that even though the Government accorded 'in principle' approval for the 4 mega fertilizer projects way back in April 1999, yet the final clearance has been held up by the Government. The Committee do not find any rationale in first according 'In Principle' approval and then withholding final clearance indefinitely. This has created uncertainity in investing funds in the investing fertiliser industry. The Committee would like the Government to spell out its final decision at the earliest.

Reply of the Government

'In Principle' approval to 4 mega fertilizer projects was accorded subject to Public Investment Board (PIB's) investment appraisal of the projects. This was with the objective of deciding the number of urea projects to be set up in the country based on the then available position on demand-supply-gap analysis and desirable level of self-sufficiency in urea production, provided the proposals met the investment appraisal parameters. Based on investment appraisal of these projects conducted by the PIB in July 1999 and subsequent available position regarding demand-supply-gap, urea consumption levels, future of fertilizer subsidy policy etc., it has been decided to defer these project proposals.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

Recommendation (Sl. No. 14, Para No. 61)

The Committee find that as against the revised estimate of Rs. 113.50 crore for 2000-2001 a provision of Rs. 84 crore has been made by DoF for plan loan to PSUs which are facing severe resource crunch. Out of Rs. 84 crore the major beneficiary PSUs are FACT (Rs. 45 crore), MFL (Rs. 21.00 crore), FCI (Rs. 10.00 crore) and PPL

(Rs. 7.49 crore). Madras Fertilizers Ltd. has decided to effect a recitification work on Urea Prill Tower at an estimated cost of Rs. 7 crore and the same is being implemented. The Committee are not convinced with the explanation that revamped urea prill tower posed certain limitations. In the opinion of the Committee such works should have been part of the major revamp work of the plant as a whole which was completed in 1998. The Committee would like to be assured that these types of works form a part of the one integrated major project.

Reply of the Government

As already stated, a revamp of the existing urea prill tower was also part of the major revamp project undertaken by Madras Fertilizers Ltd. which was completed in 1998. Further modifications/rectifications to the prill tower were necessitated because after commissioning, the revamped prill tower developed problems of high prill temperature and frequent break down of prill tower fans. In future efforts would be made to ensure that such type of works are integrated in the major revamp projects undertaken, taking into account the flexibility available considering the cost implications.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001.]

CHAPTER IV

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

Recommendation (Sl. No. 3, Para No. 23)

About demand position of urea by 2003-2004 the Secretary, Fertilisers informed that as against the demand of 234 lakh tonnes of urea by 2004 the indigenous availability of fertilisers would be 225 lakh tonnes from existing plants. About demand projections for urea for coming five years the Secretary (Fertilizers) informed that as per directions of the Planning Commission for the Tenth Plan (2002-2007) a working group has already been set up to project demand supply position wherein Department of Agriculture and Planning Commission may also deliberate and complete the process within two to three months *i.e.* by April or May, 2001 based on updated cost of different projects along with their critically. The Committee trust that Department of Fertilizers would adhere to the directions of Planning Commission and estimated requirement of Urea for the year 2003-2004 and as also for next five years would be worked out expeditiously. This step of DoF will not only remove uncertainty looming large over the fertilizer projects but would save cost overrun of these projects.

Reply of the Government

Planning Commission has constituted a Working Group on Fertilizers for the formulation of the Tenth Five Year Plan. The Working Group consists of representatives from different ministries, fertilizer industry and other experts. The terms of reference include "to assess the region-wise/State-wise demand for the Tenth Plan and in perspective of 15 years". The 1st meeting of the Working Group under the Chairmanship of Secretary (Fertilizers) was held in February, 2001. The Working Group has constituted following Sub-Groups:—

Sub-Group I	Demand projections and efficient use of fertilizers
Sub-Group II	Production of Fertilizers
Sub-Group III	Infrastructural facilities for the movement and Handing of fertilizers
Sub-Group IV	Technological issues

The Sub-Groups have had their meetings and are likely to submit their reports to the Working Group shortly. Based on the reports of the Sub-Groups, the Working Group will finalise its report and submit the same to the Planning Commission which will form the basis for the preparation of the 10th Five Year Plan for the fertilizer sector (2002-2007).

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* para 7 of Chapter I of the Report.

Recommendation (Sl. No. 4, Para No. 24)

Of the total plan outlay of Rs. 1149.03 crore for 2001-2002, the allocation for projects/schemes of NFL, RCF, IFFCO and KRIBHCO amounts to Rs. 812.03 crore only and the total allocation of Rs. 942.03 crore included Rs. 130 crore meant for HFC's Namrup Revamp Project shown against NFL. NFL's outlay for the year 2001-2002 is only Rs. 29.73 crore. Besides DoF has hoped that joint venture OMIFCO project is also expected to commence implementation in 2001-2002 and therefore funds earmarked can be expected to be utilised. The Committee would like to be assured that entire outlay of Rs. 1149.03 crore for 2001-2002 is utilised and direct Department of Fertilizers to monitor the progress of implementation of various schemes for which the amount has been earmarked.

Reply of the Government

Efforts would be made to ensure that the total outlay of Rs. 1149.03 crore for 2001-2002, is fully utilised by rigorous monitoring of the progress of implementation of various schemes by the PSUs/Cooperative societies under the administrative control of the Department. The progress of utilisation of plan outlay would be monitored regularly in company specific quarterly review meetings and separate meetings to review utilisation of plan outlay from time to time.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers
OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* Para 10 of Chapter I of the Report.

CHAPTER V

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

Recommendation (Sl. No. 1, Para No. 20)

The Committee note that the Planning Commission undertook Mid-term appraisal of 9th Five Year Plan during 1999 but did not convey any specific directions to DoF. In Committee's view, Planning Commission should analyse the reasons for non-utilisation of plan outlay and issue necessary directions with an aim to achieve the set targets. The Committee recommend that Planning Commission while appraising the plan implementation should issue formal directions to the concerned Ministry for taking remedial measures if the targets are not being achieved. The Committee would like the Planning Commission to formulate guidelines in this regard.

Reply of the Government

The Planning Commission has been informed for taking necessary action for issue of formal directions to the concerned Ministry for utilisation of plan outlay and taking remedial measures if the targets of plan outlay are not being achieved, as advised by the Standing Committee on Petroleum and Chemicals on Demands for Grants (2001-2002) of Department of Fertilisers.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Recommendation (Sl. No. 9, Para No. 42)

The Committee also feel that if the Government's intention is to reduce subsidy, it should give substantial fiscal concession in the prices of feed stock. The Government can free the fertilizer industry from bureaucratic hurdles and enable them to import their feed stock at competitive prices.

Reply of the Government

Petroleum products such as natural gas, naphtha and fuel oil/ LSHS, used as feed stock in manufacture of urea, are decontrolled products and are no longer under the administrative pricing mechanism of the Government. While nautral gas, being a non-tradable commodity, cannot be imported as such, naphtha, fuel oil/LSHS can be imported by urea manufacturers on their own as these products are included in Open General License category. Since import of naphtha, FO/LSHS/LNG by urea manufacturer on their own would entail creation of infrastructure for handling and storage at ports requiring investments by urea manufacturers, they may not find it substantially cheaper *vis-a-vis* the rates being charged by domestic oil refineries. At the same time, the domestic refineries will be forced to export their products when these products are imported by fertilizer industry. This may not be desirable from the country's point of view. Government is currently engaged in the exercise of ensuring supply of naphtha, fuel oil/LSHS by domestic oil companies to fertilizer units at import parity price.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* Para 13 of Chapter I of the Report.

Recommendation (Sl. No. 10, Para No. 43)

The Committee feel that in this era of globalisation and economic liberalization, the fertilizer industry at its own should come forward and search for alternative feed stock coal. The Government should take more initiative in encouraging coal based fertilizer by encouraging import of suitable technology for this purpose.

Reply of the Government

Department of Fertilizers constituted a Task Force in March 2000 under the Chairmanship of Secretary (Fertilizers) to explore the possibility of coal-based technology for the fertilizers sector. The Task Force has interacted with the leading process licensors of coal technology to explore the viable options for production of fertilizers based on indigenous coal. It has also considered blending of Indian coal with imported coal in order to handle the high ash content in the Indian coal. A Technical Team of the Task Force has visited the existing facilities for gassification in the pilot plant and conducted studies on coal gassification. The final report of the Task Force is expected to be submitted by August 2001. On receipt of the final report of the Task Force, Government will consider taking initiative for encouraging coal based fertilizer by adopting suitable technology for this purpose.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* Para 16 of Chapter I of the Report.

Recommendation (Sl. No. 11, Para No. 44)

The Committee appreciate the stand taken by the Department in not endorsing the recommendation of ERC regarding 7% yearly increase in urea prices. The Committee recommend that the prices should be at an affordable level. In developed countries, subsidies are given on a much larger scale. Low price of fertiliser is linked with bigger question of protecting the interest of the small and marginal farmers. The Government should take necessary steps to ensure that fertiliser prices remain within easy reach to the small and marginal farmers. Further Committee feel that ERC recommendation should have been treated as only an input to the overall long term Fertilizer policy. Instead of implementing such recommendations in piecemeal fashion keeping in view only subsidy angle, the finalisation of long term policy including policy on feedstock, pricing, regional imbalance etc. should be prioritised. Consultations with State Governments, Farmers' Organisations, Fertilisers industry etc. are essential for formulating a long term policy.

Reply of the Government

In order to make available fertilizers at affordable prices and also taking into consideration factors such as fiscal sustainability and the need for balance nutrient application, the fertilizers are sold at uniform maximum retail price in case of urea, and at indicative maximum retail prices in case of decontrolled phosphatic and pottasic fertilizers, to all the farmers including small and marginal farmers, which are far less than the cost of production of such fertilizers. Government has also received response of many States, fertilizer industry and other interest groups, on the recommendations of ERC relating to fertilizer subsidies. These will be kept in view while taking a decision on the subject.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* Para 19 of Chapter I of the Report.

Recommendation (Sl. No. 12, Para No. 49)

The Committee note that as against the revised estimate of Rs. 3650 crores for the last year *i.e.* 2000-2001, Rs. 97.50 crore has been provided for planned investment in PSUs under DOF for 2001-2002. It also came out during the course of examination of Ministry that out of Rs. 97.50 crore a major chunk *i.e.* Rs. 80.00 crore have been earmarked for ongoing revamp of HFC Namrup and remaining Rs. 10 crores is proposed for renewal and replacement of equipment of FCI. About investment proposals finalised for HFC revamp the DoF have informed the Committee that so far Rs. 131.69 crore have been released for revamping of HFC Namrup. The Committee have also been informed that the project has achieved an overall cumulative progress of 64.70% against the original targeted commissioning on 1.5.2001. On completion of health study of the plant, HFC has submitted a proposal for revision of capital cost of the project to Rs. 509.40 crore and extension of project upto 1.2.2002 for approval of the Government and the same is being considered by the Government. Secretary (Fertilizers) during the course of evidence informed the Committee that MD, HFC has been asked to implement HFC revamp project in full speed. The Committee are unhappy to note that there has been both cost and time overrun in the revamp of HFC Namrup. Whereas another PSU *viz.* Nangal Expansion project has been commissioned well before schedule. The Committee do not appreciate the delay that has occurred in commissioning the HFC Namrup Project. The Committee trust that the Department will extend all help and all out efforts would be made to complete revamping of HFC Namrup units in time.

Reply of the Government

The Namrup Revamp Project was approved by the Government in 1997 at an estimated investment of Rs. 350 crore and has been under implementation *w.e.f.* 2.11.1998. However, during finalisation of design and engineering, the cost of the Project had increased owing to modification of scope for ensuring sustained trouble free operation of the post revamp plants as well as other factors like change in foreign exchange rate parity, price escalation, change in statutory levies etc. With a view to ensure timely completion of the Namrup Revamp Project, the Government has been making necessary budgetary provision and an amount of Rs. 131.69 crore has been released upto 31.3.2001. A provision of Rs. 80 crore has been made during the year 2001-2002. An additional plan outlay of Rs. 130 crore has been made in 2001-2002 for the project to be raised as loans from Financial Institutions/Banks on de-merger of Namrup units from HFC and its formation into a new company.

2. The proposal for demerger of the Namrup units from HFC to constitute into a separate Corporate entity which is necessary for securing term-loan from the Banks/Financial Institutions was included in the comprehensive rehabilitation proposal for HFC. This proposal was considered by the Government on 31.5.2001 and as directed a separate proposal in respect of the Namrup Revamp Project for revision of cost and completion schedule of the project including its demerger from HFC is being finalised and will be submitted to the Competent authority shortly.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* Para 22 of Chapter I of the Report.

Recommendation (Sl. No. 13, Para No. 57)

The Committee in their earlier reports have been impressing upon the Government the need to make PPCL economically viable. The Committee regret to note that the Company has been declared sick. However, the Department has finalised a revival scheme which is under submission to the competent authority in the Government. The Committee wish to reiterate their earlier recommendation that the capital of Company should be restructured and thereafter KRIBHCO should be persuaded to take it over and run it economically.

Reply of the Government

The restructuring proposal of PPCL was considered by the Government on 31.5.2001. The Government decided that a group of Minister may examine hte proposal contained therein and submit its recommendations within a period of two months.

The action regarding investing 50% of equity for modernisaton of Amjhore unit of PPCL was taken up by KRIBHCO on the directions of Government of India. On the basis of recommendations of ICICI after carrying out due diligence exercise of PPCL, Amjhore and the fact that PPCL has accumulated losses, KRIBHCO decided against the proposal for taking over of the Amjhore unit. Further action for takeover of PPCL by KRIBHCO would depend upon the final decision of the Government on restructuring proposal of PPCL.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Recommendation (Sl. No. 15, Para No. 62)

The Committee also note that a Financial Assistance-cum-Capital Restructuring proposal to improve the performance of the MFL is pending with the Government since 1998. The Government has not been able to decided either way although sufficient period has lapsed. The very purpose of these schemes is defeated if timely action is not taken. The Committee, therefore, recommend to the Government to take final decision in the matter within 3 months from the date of presentation of this Report to the Parliament.

Reply of the Government

A proposal for taking a final decision on financial assistance-cum-capital restructuring of MFL, has been drawn up by the Department which is awaiting concurrence of the Ministry of Finance. It is expected that a decision would be available on the proposal shortly.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Recommendation (Sl. No. 16, Para No. 63)

The Committee find that a sum of Rs. 48 crore had been released to FCI for renewals of its Sindri project during 1998-99 and required funds have been utilised for necessary renewal/revamp in Sindri as also in other units of Ramagundam and Talcher. The Committee note that the rehabilitation proposal of FCI including Sindri has been finalised and is under submission to the competent authority. The Committee feel that plan investment in PSUs like one in FCI can only be fruitfully utilised, if the final decision on revival packages is taken up urgently to commence production in closed units of FCI like Ramagundam and Talcher. The Committee, therefore, recommend that serious efforts be made for final clearance of revival package by competent authority within a timeframe of three months from the date of presentation of this Report to the Parliament.

Reply of the Government

The rehabilitation proposal for FCI was considered by the Government on 31.5.2001 and a Group of Ministers has been constituted to examine the proposal and submit its recommendation within a period of two months.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Fin.-II Dated 24/07/2001]

Comments of the Committee

Please *see* para 29 of Chapter I of the report.

Recommendation (Sl. No. 18/Para Nos. 74, 75 & 76)

The Committee find that as against last year's amount of Rs. 300 crore as non-plan loans to PSUs, Rs. 200 crore have been proivded for 2001-2002 for meeting the salaries requirements of FCI, HFC, PPCL and PDIL pending their revival. During the course of examination the Committee find that production in various sick units of PSUs have been discontinued for variety for reasons.

The Committee find that a number of Fertilizer Units are sick and Government each year is providing non-plan loans to sustain these units. These companies have been referred to BIFR but the process of their rehabilitation is very tardy. On an average only one meeting is being held in BIFR annually.

Now the Committee have been informed by DoF that revival proposals for HFC, FCI, PDIL and PPCL have been finalised and are under submission to competent authority in Government. During the course of evidence also the Secretary (Fertilizers) like earlier occasions has once again assured the Committee that DoF is presenting a total picture on the issue of revival to competent authority *i.e.* the Cabinet. The Committee, therefore, once again recommend that a final decision on the issue is need of the hour. This, in Committee's view will not only save crores of rupees as non-plan loans on salaries of public exchequer but will also end uncertainty in public sector. The Committee would like to be apprised of the specific action taken by Government in regard to revival of sick fertiliser PSUs.

Reply of the Government

The rehabilitation proposals for HFC, FCI, PDIL, and PPCL were considered by the Government on 31.5.2001 and a Group of Ministers has been constituted to examine these proposals and submit its recommendations within a period of two months.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 5(4)/2001-Dated 24/07/2001]

Comments of the Committee

Please *see* Para 29 of Chapter of the Report.

NEW DELHI;
20 *August*, 2001
29 *Sravana*, 1923 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

SUB-COMMITTEE ON FERTILISERS*

A SUB-COMMITTEE OF STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Fourth Sitting
13.08.2001

The Sub-Committee sat from 1600 to 1645 hrs.

PRESENT

Sh. Dipankar Mukherjee — Convenor

MEMBERS

Lok Sabha

2. Shri Ajay Singh Chautala
3. Shri D.C. Srikantappa

Rajya Sabha

4. Shri Ravi Shankar Prasad
5. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1. Shri Brahm Dutt — *Deputy Secretary*
2. Shri J.N. Oberoi — *Under Secretary*

At the outset, Hon'ble Convenor, Sub-Committee on Fertilisers welcomed the Members of the Sub-Committee to the Sitting.

2. The Sub-Committee considered and adopted the following Draft Action Taken Reports:—

(i) ** ** **

(ii) ** ** **

(iii) Action Taken by Government on the recommendations of the Standing Committee on Petroleum & Chemicals (2001) contained in their Fourteenth Report (13th Lok Sabha) on Demands for Grants relating to Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2001-2002.

3. The Sub-Committee authorised the Convenor to finalise the above three Draft Action Taken Reports and submit the same to Hon'ble Chairman for consideration by Standing Committee on Petroleum & Chemicals (2001).

4. ** ** ** **

The Sub-Committee then adjourned.

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*Matters not inclued in the Report.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Seventh Sitting
20.08.2001

The Committee sat from 1000 hrs. to 1040 hrs.

PRESENT

Sh. Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) C. Suguna Kumari
3. Shri Padam Sen Choudhary
4. Shri Dilipkumar Mansukhlal Gandhi
5. Shri Pawan Singh Ghatowar
6. Smt. Nivedita Mane
7. Dr. Bikram Sarkar
8. Smt. Kanti Singh
9. Shri Prabhunath Singh
10. Shri Shankersinh Vaghela

    Shri B. Venkateshwarlu

12. Shri Rajesh Verma

Rajya Sabha

13. Shri Gaya Singh
14. Shri Moolchand Meena
15. Shri Dipankar Mukherjee
16. Smt. Basanti Sarma
17. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1.	Shri Brahm Dutt	*Deputy Secretary*
2.	Shri J.N. Oberoi	*Under Secretary*

At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting. He invited the Members to give their suggestions, if any on the draft reports being considered for adoption. He also stated that such Members who wish to give their suggestions later may do so latest by 23rd August, 2001.

2. Thereafter, the Committee considered and adopted the following Draft Reports:—

(i)

(ii)

(iii)

(iv)

(v Action taken by Government on the recommendations of Standing Committee on Petroleum & Chemicals (2001) contained in their Fourteenth Report (13th Lok Sabha) on 'Demands for Grants-(2001-02) of the Ministry of Chemicals & Fertilisers, Department of Fertilisers.

3. After some consideration, the Committee adopted the Reports without any amendment.

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

5. The Committee placed on record their appreciation of the work done by the Sub-Committees on Chemicals & Petrochemicals and Fertilisers.

6. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

The Committee then adjourned.

**Matters not related to this Report.

APPENDIX III

[Vide Para 4 of the Introduction*]*

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001) CONTAINED IN THEIR FOURTEENTH REPORT (THIRTEENTH LOK SABHA) ON 'DEMANDS FOR GRANTS — 2001-2002 RELATING TO MINISTRY OF CHEMICALS & FERTILISERS DEPARTMENT OF FERTILISERS'.

I.	Total number of recommendations	18
II.	Recommendations that have been accepted by the Govt. (*vide* Recommendations at Sl. No. 5, 6, 7, 8 & 17)	5
	Percentage to total	27.77%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (*vide* Recommendation at Sl. Nos. 2 & 14)	
	Percentage to total	11.11%
IV.	Recommendations in respect of which replies of Govt. have not been accepted by the Committee (*vide* Recommendation at Sl. Nos. 3 & 4)	2
	Percentage to total	11.11%
	Recommendations in respect of which final replies of Govt. are still awaited (*vide* Recommendations at Sl. Nos. 1, 9, 10, 11, 12, 13, 15, 16 and 18)	9
	Percentage to total	50.00%