THIRTY-THIRD REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

(THIRTEENTH LOK SABHA)

DEMANDS FOR GRANTS (2002-2003)

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

[Action Taken by the Government on the Recommendations contained in the Twenty-Fifth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants (2002-2003) of the Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals']

Presented to Lok Sabha on **20.12.2002**
Laid in Rajya Sabha on **20.12.2002**

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, **2002/***Agrahayana,* **1924** *(Saka)*

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Shri Mulayam Singh Yadav—*Chairman*

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Lok Sabha

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri Ram Chander Bainda
5. Shri Ananda Mohan Biswas
6. Shri Padam Sen Choudhry
7. Prof. Kailasho Devi
8. Shri P.D. Elangovan
9. Shri Dilipkumar Mansukhlal Gandhi
10. Smt. Sheela Gautam
11. Shri Paban Singh Ghatowar
12. Shri Bijoy Handique
13. Shri Shriprakash Jaiswal
14. Shri C. Kuppusami
15. Shri Jagannath Mallick
16. Shri Punnulal Mohale
17. Shri P. Mohan
18. Shri Ashok N. Mohol
19. Dr. Debendra Pradhan
20. Shri Ram Sajivan
21. Shri Mohan Rawale
22. Shri Shyama Charan Shukla
23. Dr. V. Saroja
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25. Shri Prabhunath Singh
26. Shri Ramjiwan Singh
27. Dr. Ram Lakhan Singh
28. Shri Shankersinh Vaghela
29. Shri Ratilal Kalidas Varma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Balkavi Bairagi
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42. Ms. Mabel Rebello
43. Shri Gaya Singh
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45. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary	*Additional Secretary*
2. Shri K.V. Rao	*Joint Secretary*
3. Shri P.K. Grover	*Director*
4. Shri R.K. Saxena	*Under Secretary*
5. Smt. Madhu Bhutani	*Senior Executive Assistant*

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* Nominated *w.e.f.* 8th April, 2002.

** Nominated *w.e.f.* 8th May, 2002.

*** Nominated *w.e.f.* 14th May, 2002.

**** Vacancy caused consequent upon retirement of Shri Shyam Lal, MR (RS) from the membership of Rajya Sabha *w.e.f.* 25.11.2002.

COMPOSITION OF SUB-COMMITTEE ON CHEMICALS & PETROCHEMICALS

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

Shri Mulayam Singh Yadav	*Chairman*
2. Dr. Girija Vyas	*Convenor*

MEMBERS

Lok Sabha

3. Shri P.D. Elangovan
4. Shri Shriprakash Jaiswal
5. Shri C. Kuppusami
6. Shri P. Mohan
7. Shri Ashok N. Mohol
8. Shri Mohan Rawale
9. Dr. V. Saroja
10. Shri Ramjivan Singh
11. Dr. Ram Lakhan Singh

Rajya Sabha

12. Shri Ram Nath Kovind
13. Shri Mool Chand Meena
14. Shri Pritish Nandy
15. Shri Yadlapati Venkat Rao
16. Shri Gaya Singh

SECRETARIAT

1. Shri P.D.T. Achary	*Additional Secretary*
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4. Shri R.K. Saxena	*Under Secretary*
5. Smt. Madhu Bhutani	*Senior Executive Assistant*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2002) having been authorised by the Committee to submit the Report on their behalf present this Thirty-Third Report on Action Taken by Government on the recommendations contained in Twenty-Fifth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants 2002-2003 relating to Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals'.

2. The Twenty-Fifth Report of the Committee was presented to Lok Sabha on 23rd April, 2002. The Replies of the Government to all the recommendations contained in the Twenty-Fifth Report were received on 8th October, 2002. The Sub-Committee on Chemicals & Petrochemicals considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 21st November, 2002.

3. The Standing Committee on Petroleum & Chemicals (2002) considered and adopted this Report at their sitting held on 19th December, 2002. The Committee place on record their appreciation of the work done by the Sub-Committee on Chemicals & Petrochemicals.

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

5. 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.

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

NEW DELHI;
December 20, 2002
Agrahayana 29, 1924 *(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 Twenty-Fifth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals for the year 2002-2003 which was presented to Lok Sabha on 23rd April, 2002'.

2. Action taken notes have been received from the Government in respect of all the 25 recommendations/conclusions contained in the Report. These have been categorised as follows:

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

Sl. Nos. 1, 3, 5, 9, 10, 12, 13, 15 and 17.

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

Sl. Nos. 2, 14, 16, 19 and 25.

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

Sl. Nos. 4, 7, 8, 11 and 18.

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

Sl. Nos. 6, 20, 21, 22, 23 and 24.

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

A. Projects Based on Utilisation of Gas Available in Small Quantity in North-East

Recommendation (Para No. 4)

4. The Committee while examining the Demands for Grants for Department of Chemicals & Petrochemicals for the year 2002-03 had welcomed the decision of the Government to provide 10% of the total planned budget each year as contribution towards non-lapsable central pool of resources for funding specific programmes in the North Eastern States and Sikkim. The committee had desired that the Department of Chemicals & Petrochemicals should explore the possibility of setting up the projects based on utilisation of gas available in small quantity, industrial projects related to pharma & chemicals for inclusion in the specific programmes meant for implementation under non-lapsable funds.

5. The Government while replying to this recommendation of the Committee responded as under:

(i) Chemical Sector : The Chemical Sector being totally decontrolled, the Department does not have any role in establishment of industrial units in the NE and Sikkim areas.

(ii) Petrochemical Sector: The Government of Assam proposed to set up a gas cracker plant of 300,000 TPA Ethylene capacity which was conceived in order to utilise the available gas in the North Eastern Region. However, the actual availability of gas is much less and the PSUs under the Government were not in a position to make available the requisite quantity of gas for this project with the result that the project capacity had to be reduced from 300,000 TPA to 200,000 TPA of Ethylene. Even gas for this quantity was not available and Ministry of Petroleum & natural Gas has been requested to make available alternate feedstock to make up for the shortage of Gas for the Assam Gas Cracker for the production of 200,000 TPA of Ethylene. The agency to supply the alternate feedstock is yet to be identified.

(iii) Pharmaceutical Sector : This Department has a joint sector undertaking in North-East promoted by Hindustan Antibiotics Ltd. (HAL) in collaboration with Government of Manipur, *viz.* Manipur State Drugs & Pharmaceuticals Ltd.

(MSDPL). HAL holds 51% of the equity share and the rest is with Manipur Industrial Development Corporation (MANIDCO) on behalf of government of Manipur. The Company was incorporated on the 18th July, 1989. The project with an estimated original outlay of Rs. 2.50 crore is yet to be fully commissioned. The manufacturing unit and the registered office is at Imphal (Manipur). Due to time and cost overruns, the project could not be completed; it was decided in August, 1997, that a professional consultants report may be obtained to identify the requirements for making the project viable. The final report of the consultant, Business Horizon, was received in May, 1999.

The matter has been referred to the Government of Manipur in August, 2000, for eliciting their comments on the viability of MSDPL based on the reports submitted by M/s. Business Horizon. A response is still awaited from the Govt. of Manipur.

2. In view of the above position no proposals for setting up new industrial projects in North Eastern Region in Petrochemicals, Chemicals and Pharmaceuticals sectors are envisaged at present."

6. The Committee feel that serious efforts are not being made in finally deciding the project envisaged in the pharmaceutical sector as a joint venture promoted by Hindustan Antibiotics Ltd. in collaboration with Government of Manipur. They specifically take note of the fact that the Report of the consultant, Business horizon, was received in May, 1999 and the matter was referred to Government of Manipur in August, 2000 i.e. after more than a year. The Committee wish that the Department of Chemicals & Petrochemicals through Hindustan Antibiotics Ltd. should play a proactive role to get the final decision on this project expedited.

7. The Committee would like to point out again that they had asked the Department to seriously consider the project proposals based on utilisation of gas available in small quantity for inclusion in the specific programmes meant for implementation under non-lapsable funds. The Committee feel that the Department has not analysed this recommendation appropriately. Therefore, the Committee would reiterate their earlier recommendation on the subject.

B. Assam Gas Cracker Project

Recommendation (Para Nos. 7 & 8)

8. The Assam Gas Cracker Project was proposed in 1984 for utilisation of petroleum fractions of natural gas resources of Assam. The Central Government have approved one time capital subsidy of Rs. 377 crore for the project. The implementation of the project has not yet started for two reasons:

(1) Land for the Project has not been handed over to the project authorities.

(2) Gas Supply Agreement between the promoters of the project and ONGC has not been finalised.

9. Regarding handing over of the land the Committee had been earlier assured that it would be done soon, but as observed by the Committee the position remained unchanged during the one year preceding the presentation of their twenty-fifth Report. The Committee had, therefore, urged the State Government to expedite handing over of the land to the project authorities. The Government while apprising the Committee of the latest status of the acquisition of the land have now replied as under:

> "Department of Chemicals & Petrochemicals has been periodically reviewing the resolution of critical issues like acquisition of land and signing of Gas Supply Agreement for the implementation of the Project, considering the significance of the Assam Gas Cracker Project in the economic growth and development of North Eastern region particularly, Assam. In the last review meeting convened by Secretary (C&PC) on 10th May, 2002, representatives of the Government of Assam informed that the site at Lapetkata had been identified by the State Government of Assam for the project and they did not envisage any problem in this regard. The representative of RAPL informed that they would take possession of the land only after the question of feedstock was finalised and agreements signed."

10. About the conclusion of the Gas Supply Agreement, the Government have stated as under:

> "As regards the Gas Supply Agreement, RAPL signed the Agreement with OIL on 19th October, 2000 for the supply of 5 MMSCMD of gas, which was considered adequate for production of 1,30,000 tonnes p.a. of Ethylene. For the production of remaining 70,000 tonnes of 'Ethylene, the gas was to be supplied by the ONGC. In the review meeting taken by the Secretary, Department of Chemicals & Petrochemicals on 10th May, 2002, it was indicated that ONGC and RAPL had resolved the contentious issue of Gas Supply Agreement under the direction of Secretary, Ministry of Petroleum & natural Gas. The representatives of RAPL informed that they were ready to conclude the Gas Supply Agreement with ONGC. The Ministry of P&NG were processing the case for identifying the agency which would supply LPG to make up the shortfall in the supply of gas. It is expected that this exercise would be completed by June, 2002. Once the issue of feedstock is resolved, the implementation of the project would proceed expeditiously."

11. The Committee have the impression that the position regarding acquisition of land has not materially changed during the last one year. The reply of the Government at that time was the same as has been furnished now. Mere identification of the land would not serve the purpose of making the Assam Gas Cracker Project take off. The Committee would like to emphasise on the State Government to fulfil their obligation with regard to making available land to the Project authorities. They hope that this task would be completed at least during the current financial year.

12. As regards conclusion of Gas Supply Agreement, the Committee would like to recall that they were assured that the agreement would be finalised within 4 months but Government's reply date lined 23rd September, 2002 does not indicate that the Agreement has been finalised. The Committee, however, have seen Press reports that an understanding has been reached between ONGC and Project authorities on this issue. The Committee would like to impress upon all concerned that this Gas Cracker Project is a national commitment and all out efforts should be made to ensure that it is implemented honestly and expeditiously. The Committee, therefore, would like to be apprised of the action initiated for commencement of the Project.

C. Institute of Pesticide Formulation Technology (IPFT)

Recommendation (Para No. 11)

13. The Institute of Pesticide Formulation Technology (IPFT) is a non-profit making organisation. The Committee were apprised that the activities of this Institute are expected to increase substantially during the 10th Plan period. The Committee had appreciated this objective set up for 10th Plan and had hoped to see the development of this Institute to one of the international level. The Government in their reply have stated as under:

> "Government is fully conscious of the important role to be played by the IPFT for the benefit of Indian agrochemical industry and the Indian agriculture at large. A new R&D laboratory conforming to international standards has been set up at the Institute. This is expected to give a big boost to the activities of the Institute. The IPFT has been interacting with international organisations including the Organisation for Prohibition of Chemical Weapons (OPCW) and research institutions of the Asia-Pacific region engaged in developing environment and user friendly pesticide formulations."

14. The Committee find that the Institute is doing tremendous work in the field of pesticide formulation technology. More researchers are required in the bio-pesticide field to develop user friendly pesticide formulations. For that, R&D activities have to be promoted at international level. The Committee would like the Government to see that lack of funds is not allowed to become hurdle in their R&D activities. There is also need for raising the status of this Institute to national importance equal or similar to that of National Institute of Pharmaceutical Education and Research (NIPER). The Committee would like the Government to initiate steps to achieve this objective.

D. Drug Prices Equalisation Account (DPEA)

Recommendation (Para No. 18)

15. The Committee were apprised that the Department of Chemicals & Petrochemicals was maintaining Drug Prices Equalisation Account (DPEA) and the Department has referred 72 important assessment cases involving an amount of Rs. 220 crore to the Drug Prices Liabilities Review Committee for its recommendations. This Committee had

already furnished recommendations in 50 cases for taking further action to recover the due amounts. The Committee had found that an amount of Rs. 24 crore had only been deposited in the DPE Account and the recovery of the balance amount was held up due to litigation. The Committee had felt that the existing laws/rule and regulations relating to recovery were not sufficient to compel the pharma manufacturers to deposit their amount in DPEA. The Committee had, therefore, recommended that rules and regulations should be reviewed and if need be amended to see that Government recoveries are not held up indefinitely due to prolonged litigation.

16. The Government reply to this observation is as under:

"The Drug Prices Liabilities Review Committee (DPLRC) constituted by the Government to give fair and equitable view of the matter to the Government, has made certain recommendations to the Government in connection with liabilities of the companies. On the issues requiring detailed examination from legal angle, this department had obtained the advice of Larne Solicitor General of India. On the basis of the advice/opinion of the Learned Solicitor General, fresh guidelines for determining the final liabilities have been formulated. These guidelines are under examination in consultation with the Ministry of Law and Justice, Department of Legal Affairs for finalisation.

In all the cases, where pharmaceutical industries had gone to various courts against the liabilities determined by this Department, it had been pleaded before the courts that the companies deposit 50% of the impugned amount. In some cases/writ petitions the courts have also ordered the companies to deposit 50% or some other percentages of the impugned amount with the Govt. before interim stay was granted in these writ petitions. Efforts are made by the Govt. that litigant first deposit at least 50% of the amount due to them in the DPE account before stay is granted to them by the court."

17. The Committee are happy to note that the Department of Chemicals & Petrochemicals has sought the advice of learned Solicitor General of India and on the basis of his advice/opinion fresh guidelines for determining the final liabilities have been formulated and these are under examination in consultation with the Ministry of Law and Justice, Department of Legal Affairs for finalisation.

The Committee have specifically noted the statement made by the Ministry that efforts are made by the Government that litigants first deposit at least 50% of the amount due to them in DPE Account before interim stay is granted to them by the court. The Committee appreciate the initiative taken by the Government in this regard but would like to point out that in such cases persuasions often do not yield results. What is needed is the adoption of stringent rules and their strict enforcement. The Committee, therefore, recommend that the guidelines under examination in consultation with the Ministry of Law and Justice, Department of Legal Affairs would be finalised within a time frame of 3 months.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Part II, Para No. 1)

The Committee while examining the Demands for Grants of the Department of Chemicals and Petrochemicals during the past few years had been emphasizing the need to synchronize utilisation of plan outlay with each year's allocation. However, the Department could not utilize the planned outlay for various reasons explained elsewhere. The Committee appreciate that the Department had taken a policy decision and set up a monitoring and evaluation cell in the Department to conduct a comprehensive review of plan performance. The Committee hope that utilization of planned outlay will improve during 10th Five Year Plan. The Committee desires that the performance of this cell be brought out in the Performance Budget, a document submitted alongwith Demands for Grants for scrutiny by the Parliamentary Committee.

Reply of the Government

Noted for compliance.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 3)

The Committee were informed that Expenditure Reforms Commission has made two types of recommendations, one relating to abolition of some posts in the Department and reducing the sanctioned staff of the Office of Welfare Commissioner and the second about merger of Petrochemicals Division with the Ministry of Petroleum and Natural Gas. The Committee without analyzing the recommendations of Expenditure Reforms Commission would like to emphasise that reduction in staff strength should not result in under staffing and ultimately delayed decision-making process. The Department efficiency and promptness should not be allowed to suffer. Further the office of

Welfare Commissioner should be strengthened to see that all pending claims are settled quickly. The Ministry of Finance should give due weightage to the views of Department of Chemicals and Petrochemicals before giving their final decision on the recommendations of Expenditure Reforms Commission.

Reply of the Government

The observations of the Standing Committee has been conveyed to Ministry of Finance for necessary action.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 5)

The Committee note with satisfaction that CIPET's performance had been satisfactory all along. The Committee in their earlier Reports have been impressing upon the Institute to spread its activities throughout India preferably by setting up original Centres. The Committee find that for the Annual Plan of 2002-2003, the Department had proposed Rs. 34.00 Crores as Plan Outlay, Rs. 23.00 Crores as IEBR and Rs. 11.00 Crores as Budget Support but the Planning Commission has revised the outlay to Rs. 29.50 Crores, IEBR to Rs. 24.50 Crores and Budget Support to only Rs. 5.00 Crores. The Committee feel that revision of planned outlay would harm the growth of CIPET. Besides, generation of Rs. 24.50 Crores as IEBR would be burden on the Institute. The Committee would like the Department to take up this issue with Planning Commission appropriately.

Reply of the Government

The Department also felt the need for increased Budgetary Support to CIPET during the Tenth Plan period. Accordingly, the proposal for increased Budgetary Support was examined in this Department and it was proposed to the Planning Commission that CIPET should be provided Rs. 36.00 Crores as Budgetary Support during the Tenth Plan as against Rs. 20.00 Crores tentatively approved by them. The proposal was discussed between this Department and the Planning Commission. However, at the time of finalisation of the Tenth Plan, CIPET has been allocated Direct Budgetary Support of Rs. 20.00 Crores and Rs. 80.00 Crores as Internal Extra Budgetary Resources (IEBR) for the Tenth Plan by the Planning Commission. The proposal for increased

Budgetary Support could, however, be taken up with the Planning Commission at the time of the Mid-Term Appraisal of the Tenth Plan.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 9)

In the wake of Bhopal Gas Leak Disaster, the Central and State Governments have taken various measures like relief, rehabilitation and compensation to victims. The process of adjudication of claims for payment of compensation to the victims commenced in February 1992. The Committee learn that total number of cases registered for settlement of compensation claims were 10,29,431. Out of these claims 5,65,539 have been awarded and disbursed and claims of rest 4,63,892 (10,29,431-5,65,539) of these persons have been rejected. Out of these rejected cases, about 3.50 lakh cases were such which were dismissed in default but 42053 cases were reopened for restoration as per the Supreme Court's order. Out of these, 28,261 cases have also been decided up to 31.12.2001. As on 28th February, 2002, the number of pending cases is as follows:

(a)	Original cases	186
(b)	Restored cases	6212
(c)	Appeals	14182
(d)	Revision	2251
	Total	22831

The Committee recommend that process of settlement of compensation claims and disbursement to all eligible persons be settled during the current financial year itself.

Reply of the Government

The observations of the Standing Committee have been brought to the notice of the Welfare Commissioner who is the judicial authority to disburse compensation to Bhopal Gas victims.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

has been enacted & notified on 28th August, 2000. However, rules relating to the act are under finalization. The Committee note that sufficient time has clasped since notification of the Act and finalization of the rules under the Act have been delayed. The Committee would like that the rules be finalized and notified at the earliest.

Reply of the Government

CWC rules have been drafted by a Committee which included representatives from this department, national Authority and Legislative Department. Efforts are being made finally to notify the rules at the earliest.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 13)

National Institute of Pharmaceutical Education and Research (NIPER) has been conceived as a mother institution to set standards of excellence for pharmaceutical studies and for research and development in the field of pharmaceuticals. The work on the project meant for NIPER is progressing satisfactorily. As far as human resource is concerned, the Committee learn that out of 279 posts created/sponsored by the Ministry/Board of Governors of NIPER a total of 99 posts have been filled. While examining the Demands for Grants for the last year of the Department of Chemicals & Petrochemicals, the Committee had recommended in the context of human resource of the Institute that the Institute should go out of the routine way to fill the vacant positions and attract the best talent in the country. The Institute should be allowed to real the rules to offer higher pay scales. The Committee reiterate their earlier recommendation and recommend that the NIPER should search the best talent to fill the vacant positions and the rules and regulations should not be allowed to become hurdle in recruiting the best talent. The Committee hope that the Government would extend all necessary help in this regard.

Reply of the Government

National Institute of Pharmaceutical Education & Research (NIPER) has been conceived as a mother institution to set standards of excellence for pharmaceutical studies and for research and development in the field of pharmaceuticals. The Institute has made continuous efforts to recruit meritorious professionals with expertise in different areas of pharmaceutical sciences. The Institute has been able to fill 95 posts so far, out of 279 posts created/sponsored by the Ministry/Board of Governors of NIPER. NIPER has relaxed at times, the limits of age or experience and also offered higher starting salary in a grade limited to five advance increments in case of otherwise suitable candidates. The reasons for non-filling up of posts are outlined below:

(i) The Institute has set high standards and wishes to retain the same to achieve the proclaimed objectives of the Institute, while making recruitment.

(ii) There is a general dearth of highly trained personnel in many specialized area of pharmaceutical sciences.

(iii) Only a few specialists are available in each area in the country and even overseas. These experts being from applied sciences, have the option to either join industry or academic institutes like NIPER. In accordance with the provisions of the National Institute of Pharmaceutical Education and Research Act 1998, the Board of Governors of the Institute is responsible for the general superintendence, direction and control of the affairs of the Institute and has the power to institute academic and other posts and to make appointments thereto (except in the case of the Director). Therefore, keeping all the relevant factors in view, the Board of Governors takes appropriate decision in this regard. It needs to be kept in view that NIPER has to move towards self sufficiency in terms of financial resources in the coming years and that very high pay sales as exceptions for some selective posts may not be conductive to a congenial academic environment in the Institute.

It is, however, emphasized that the Institute will not lower its standards in recruitment.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 15)

The Committee are glad to see that Indian Pharmaceutical industry is competing at the international level and has been showing good performance during the last many years. The Committee have taken note of the new drug policy pronounced by the Government in the recent past and find that the working of the National Pharmaceutical Pricing Authority (NPPA) will be reoriented from a primarily price control organization to primarily monitoring organization. The Committee wish to emphasise that the objective should be to ensure that the drug prices remain within affordable limits of the common man. To achieve this objective, the Committee recommend that NPPA should monitor the prices of the medicines commonly used by the maximum people so that their prices remain under affordable limit/ control.

Reply of the Government

The National Pharmaceutical Pricing Authority (NPPA) is already monitoring the prices of formulations marketed in trade channels regularly, based on the monthly reports of ORG-MARG which provide information on about 21,000 medicines marketed by about 250 companies in the country. Wherever unreasonable/abnormal price increases in respect of medicines with an annual sales value above Rs. 1 crore are noticed, the reason/justification for such increase is called from the manufacturers. In cases where substantial price increase are noted, Senior Executives of the Company are called to the NPPA for hearings. Pharmaceutical Policy-2002 announced in February, 2002 envisages suitable modifications in the Drugs (Prices Control) Order for the purpose of effective monitoring.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 17)

The Committee are convinced that the pharma industry in India needs such policies which help them to keep the prices of medicines low. For this purpose the 'Process patenting' suits the industry most and the Committee recommend that the same viz. process patenting should be allowed to continue for at least fifteen years. They feel that product patenting shall cause immunerable problems for the pharma industry resulting in steep increase in prices of drugs.

The Committee are glad that the Government succeeded in convicting the Doha Conference of the needs of the developing countries in November, 2001 which is known as 'Declaration on Trips Agreement on Public Health. Now the Government are seized of the issues of framing patent law. The Committee would like the Government to take into account the following factors before enacting the patent law:

(1) The powers of the Government to safeguard the public health and

(2) Interest.

(3) Patentable invention should be so defined that unscrupulous claimants are not able to derive the unintended benefit of the patent monopoly beyond a specific period say 15 to 20 years.

(4) While allowing imports it should be ensured that the interest of the developing countries are fully protected.

The Committee, therefore, recommend that the Department of Chemicals & Petrochemicals should apprise the Ministry of Commerce of the views of this Committee and impress upon them to incorporate these salient features in the Patent Bill before it is finally enacted.

Reply of the Government

The Department of Chemicals and Petrochemicals has apprised the Department of Commerce and also Department of Industrial Policy and Promotion of the views of the Committee.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

CHAPTER III

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

Recommendation (Part II, Para No. 2)

The Committee find that tentative proposals in respect of schemes of PSUs and organizations under the administrative control of the Department for inclusion in the 10th Five Year Plan account for an outlay of Rs. 3565.58 crore comprising Internal and Extra Budgetary Resources (IEBR) of Rs. 2730.39 crore and budgetary support of Rs. 835.19 crore. The break up of this outlay amongst three divisions of the Department is as under:

Petrochemicals	Rs. 3038.74 crore
Chemicals	Rs. 396.89 crore
Pharmaceuticals	Rs. 129.92 crore
Others	Rs. 0.03 crore

These proposals also include the left over projects of 9th Five Year Plan to the extent considered necessary. The Committee note that as against original outlay of Rs. 6760 crore for 9th Plan, the proposed outlay for 10th plan of Rs. 3565.58 crore is about half. In Committee's opinion, slashing of outlay would certainly affect the industrial development of Petrochemical, Chemical and pharmaceutical industry. The Committee expect that the Department must have set a specific target of economic growth and to achieve that it must have prepared proposals for inclusion in tenth Five Year Plan. The Committee would like to be assured that target of economic growth in all the three sectors is more than the target set in 9th Five Year Plan.

Reply of the Government

It may be mentioned that the approved 10th Plan Outlay of this Department is Rs. 3031 crore as against a proposed outlay of Rs. 3565.58 crore. This include an amount of Rs. 2457 crore for IPCL. Since Government has disinvested 26% of its equity in IPCL on 4.6.2002 and the management of the company has passed over to M/s Reliance Petroinvestments Ltd., which is a private company, IPCL has ceased to be a public sector undertaking under the Central Government. Some more PSUs under this Department are likely to be disinvested/ privatized during the 10th Plan period. The reduction in the 10th Plan outlay in respect of the Department of Chemicals & Petrochemicals is the result of the policy of the Government to disinvest in non-core companies. However, the approved Budget support to PSUs and organizations under this Department is Rs. 300 crore for the 10th Plan as against Rs. 187 crore during the 9th Plan.

The major players in all sectors of this Department *i.e.* Petrochemical, Chemicals and Pharmaceuticals are in private sector and in Petrochemicals some PSUs are under Ministry of Petroleum and Natural Gas. As may be seen from the Table below, the overall targeted economic growth resulting from these sectors may not suffer due to lesser fund allocation under the 10th Plan of this Department.

TABLE

<table>
<tr><th rowspan="2">Sector</th><th colspan="2">Ninth Five Year Plan</th><th>Tenth Plan</th></tr>
<tr><th>Target</th><th>Achievement</th><th>Target</th></tr>
<tr><td></td><td>2</td><td>3</td><td>4</td></tr>
<tr><td>Manufacturing Sector</td><td>8.2%</td><td>3.6%</td><td>9.8*%</td></tr>
<tr><td>(i) Petrochemicals
(ii) Chemicals
(iii) Pharmaceuticals
(iv) Total</td><td>The sub-sectoral growth targets for chemicals, petrochemical etc.; under manufacturing are not available.</td><td>Domestic Product of Chemicals etc.
(Rs in crore)
<table>
<tr><th>Year</th><th>Regis-tered</th><th>Unregis-tered</th><th>Total</th><th>Growth Rate (%)</th></tr>
<tr><td>1996-97</td><td>23443</td><td>2910</td><td>26354</td><td>—</td></tr>
<tr><td>1997-98</td><td>22513</td><td>3329</td><td>25842</td><td>-1.94</td></tr>
<tr><td>1998-99</td><td>26753</td><td>3550</td><td>30303</td><td>17.26</td></tr>
<tr><td>1999-00</td><td>29416</td><td>3903</td><td>33319</td><td>9.95</td></tr>
<tr><td colspan="4">CARG 3 years)</td><td>8%</td></tr>
</table>
Source: Handbook of Industrial Policy and Statistics 2001 Table 14 and 15
Manufacture of industrial organic and inorganic chemicals (Manufacture of chemicals for laboratory and technical use is classified in group 309); fertilizers and pesticides; plastics in primary forms, synthetic rubber, paints vernishes and related products; artists'</td><td>As the growth rate of 8 per cent, achieved for the three industries (chemical, petrochemicals and pharmaceuticals), was more than two times that of overall manufacturing sector growth (3.6%) achieved in the Ninth Plan, it is envisaged that these three</td></tr>
</table>

1	2	3	4
		colours and ink; drugs, medicines and allied products; perfumes, cosmetics, lotions, hair dressings, toothpastes, soap in any form, detergents, shampoos, shaving products, washing and cleaning preparations and other toilet preparations, man-made fibers; matches; explosives; ammunition and fiber-works, and chemical products not elsewhere classified.	industries combined may achieve about 19% growth during 10th Plan.

*Tentative growth rate for the manufacturing sector. The Tenth Plan is under finalization.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 14)

NIPER has the potential to bring a lot of income by way of research and patent registration. The Committee recommends that the Institute should adopt a long term plan to set up satellite institutes in other places also so that people in those areas can be benefited.

Reply of the Government

The following marketing strategy is planned for the 10th five year plan:

The Institute is planning to have Business Development group to increase interaction with the pharmaceutical industry in niche areas both within India and abroad. The group will be responsible for exploring contract research opportunities, licensing of laboratories generated know-how/ services, consultancy arrangements etc. In fact a small group has been formed.

The Institute will build up a strong IPR portfolio so as to create a basket of commercialisable process/products.

The Institute will proactively work to gainfully exploit Indias Unique bio-diversity especially its medicinal plant wealth.

The Institute shall create a brand name for itself through its high quality teaching and research programmes. It would strive to reach its potential clients both nationally and internationally by participation in national/international technology trade fairs, seminars, symposia etc. An in-house capability would be created for such a market thrust.

In order to keep pharmaceutical professional acquainted with the latest developments in the field of pharmaceutical sciences, the Institute conducts continuous education programmes from time to time. The programmes are not only restricted to the Indian national but also open to all the professionals from the developing countries. So far NIPER has conducted 3 international training programmes for delegates of developing countries in the area of drug registration and regulatory affairs. A fourth programme is scheduled for September 2002. The exposure of these personnel to these courses eventually helps in the export of our bulk drugs and formulations to these countries. During the past three years, NIPER has an impressive record of 175 publications in the peer reviewed national and international journals. Six patents have been filed so far. As regards setting up of satellite Institute in other places, it is felt that NIPER should first get established fully and should become self sustaining before setting up of satellite institutes is considered.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 16)

The Committee find that there is a discussion going on in the pharma industry that generic names of drugs should be predominantly printed on the labels and packings. The Committee find substance in this view and recommend that the Government should undertake a separate study to examine this issue comprehensively and bring out legislation if considered necessary in this regard.

Reply of the Government

The Ministry of Health & Family Welfare has stated that in order to popularize generic names of drugs under the provisions of the Drugs and Cosmetics Act & Rules 96(i) (A) made thereunder, the generic name is to be shown on the label of the container in a manner that is more conspicuous followed by the trade name. However, there is no rule making it mandatory to print only the generic name on the label.

Earlier, however, Rule 96 of the Drugs & Cosmetics Act & Rules was amended and a separate schedule 'W' was introduced prohibiting use of brand names for certain drugs. However, this provision was challenged in the High Court of Delhi which declared it ultra vires. SLP was filed in the Hon'ble Supreme Court by the Government. Hon'ble Supreme Court in its judgment delivered in 1997, upheld the order of the High Court.

Government, however, encourages use of drugs in generic names by purchasing them under generic names. The MSDs, CGHS, ESIC, Railways, DGL, AFMC etc. purchase drugs as far as possible under generic names.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 19)

Hindustan Insecticides Limited (HIL) is engaged in producing insecticides. The Committee note with concern that the Company has been incurring losses and last year its loss stood at Rs. 15.45 crore. The Committee have been informed that the Company might turn around and start earning profit by the end of 10th Five Year Plan. The Committee hope that the Company would start earning profit as expected. However, they regret to see that the execution of Bhatinda Plant has been delayed. The Committee hold the management responsible for the avoidable delay in placement of orders for plant & equipment. The Committee recommend that the Department should take action against the management who showed laxity in placing the order which affected time bound execution of the project. The Committee further note that corporate office HIL is functioning at Delhi whereas its Delhi Plant has been relocated at Bhatinda. In Committee's opinion, there is no rationality in retaining corporate office at Delhi and it should be shifted to Bhatinda at Plant site.

Reply of the Government

(1) Relocation of Delhi Unit

The Delhi Unit of HIL had stopped its operation with effect from 1.12.1996 as per the orders of Hon'ble Supreme Court Dated 8.7.1996. The Supreme Court *vide* its order dated 8.7.1996 directed to relocate the Delhi Unit to any of the five-neighbouring States *i.e.* Rajasthan, Haryana, Punjab, Himachal Pradesh and Uttar Pradesh. In compliance with the orders of Supreme Court, HIL had approached various State Governments for allotment of land to relocate Delhi Unit due to pollution angle, none of the States allotted suitable land to HIL. Almost two years were spent in this process.

2. Punjab Govt. offered land in 1999 at Industrial Growth Centre, Bhatinda for setting up a plant for pesticides formulations. The State Government did not allow manufacture of Technical Grade Pesticides on account of environmental reasons. Hence, HIL had made a proposal for setting up pesticides formulations plant consisting of liquid formulation, powder formulation and granular formulation plants with a total investment of Rs. 770.00 lakhs which was approved by the Standing Finance Committee (SFC) on 12.2.1999.

3. Possession of land was obtained in June, 1999. Construction of boundary wall, appointment of Architect for the main plant, appointment of Industrial Consultant for the plant, preparation of layout plan, soil testing of the land and approval of final drawings of the building by Punjab State Industries and Export Corporation (M/s. PSIEC) took considerable time. The drawings were finally approved in April 2001 and the construction activity started in May 2001.

4. As per the present status of progress, the granulation plant is expected to be commissioned by July 2002 and the other plants by October-2002. Most of the equipments have now been ordered. Some of equipments have already arrived at site.

5. In the mean time, the equipment for formulation of liquid EC plant were shifted from the Delhi Factory and installed in one of the Godowns at Bhatinda to start the production activity and the facilities were commissioned in October 2001. Liquid formulated products worth Rs. 100.00 lakhs have already been produced and sold from Bhatinda unit up to March 2002.

(2) Shifting of Head Office to Bhatinda

As regards the suggestion by the Standing Committee that the Head Office of the company be shifted to Batinda, it may be stated that the major production facilities of HIL are located at Rasayani in Maharashtra and Cochin in Kerala. Coordination of all procurement activities for raw-materials, packing materials and supplies etc. is

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2. Moreover, more than 50% of the turn over of the Company is generated through supplies of insecticides for public health purposes like DDT and Malathion. Procurement in the case of DDT is routed through national Anti Malaria Programme (NAMP) of the Ministry of Health, situated at New Delhi. Malathion is procured by the Central Government for distribution to various States and is also coordinated by NAMP. Various State Governments are also buying Malathion Formulation directly and coordination of procurement of such orders is centrally done from the Head Office at New Delhi.

3. The company has six Regional Sales Offices located at New Delhi, Ahmedabad, Nagpur, Calcutta, Hyderabad and Coimbatore. The coordination activities for all Sales Offices are also centralized at the Head Office at New Delhi.

4. In view of the facts mentioned above, it is considered necessary that the company continues to maintain and operate its Head Office from New Delhi.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 25)

Indian Petrochemicals Corporation Limited (IPCL) is the pioneering Petrochemical Industry in India and one of the leading PSUs under the administrative control of Department of Chemicals and Petrochemicals. This PSU has got the Navratna status and many Small Scale Industries (SSIs) are dependent upon the efficient working of IPCL. In turn, these SSIs have generated lot of employment. Over the years IPCL has accumulated very valuable assets, which indicate the efficiency of this undertaking. The Government of India have now proposed to sell 26% of equity to a strategic investor and transfer control to manage the affairs of IPCL to the strategic investor. While examining the Demands for Grants of Department of Chemicals & Petrochemicals for the year 2001-02, the Committee was informed that the Government was considering transferring of Vadodara Plant of the company to IOCL on nomination basis. The Committee learns that IOCL and IPCL could not arrive at a mutually acceptable valuation of the complex and therefore the proposal did not materialise. The Committee had earlier recommended that the entire IPCL. Company should be transferred on nomination basis to IOCL. They are still of the same opinion and reiterate their earlier recommendation. IPCL is a profit making company and the Committee are against disinvestment in this company.

Reply of the Government

The Government had earlier taken a policy decision to disinvest its equity in non-core sector companies and IPCL was identified as one such company. In pursuance, Government decided to disinvest 26% of its equity by inviting bids from prospective buyers. IOC was one of the three bidders for the Government stake in IPCL. After evaluating the bids, the Government accepted M/s. Reliance Petroinvestments Limited as the Strategic partner on the basis of the bid of the company. The Share Purchase Agreement with the Strategic partner was signed on 21.5.2002. The final agreements, including the Shareholders Agreement, were signed on 4.6.2002. Consequently, the management of the company has passed to the Strategic Partner and IPCL has ceased to be a Public Sector Undertaking under the Central Government.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

CHAPTER IV

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

Recommendation (Part II, Para No. 4)

The Committee are happy to note that the Government have made it mandatory for each Department/Ministry to provide 10% of the total planned budget each year as contribution towards non-lapsable Central pool of resources for funding specific programmes in the North Eastern States and Sikkim. When specifically asked by the Committee whether the Department of Chemicals and Petrochemicals has proposed some schemes on behalf of the Department for inclusion in specific programmes of North-Eastern States, the Department referred to two pending schemes *viz.* Assam Gas Cracker Project and CIPET's Extension Centre in Assam for the purpose. The Committee are amused at this reply as these two schemes were already awaiting implementation even before the Non-lapsable Fund came into being. The Committee would like the Department to seriously consider the proposals based on utilization of gas available in small quantity, industrial projects related to pharma & chemicals for inclusion in the specific programmes meant for implementation under Non-lapsable Fund.

Reply of the Government

(i) **Chemical Sector** : The Chemical Sector being totally decontrolled, the Department does not have any role in establishment of industrial units in the NE and Sikkim areas.

(ii) **Petrochemical Sector** : The Government of Assam proposed to set up a gas cracker plant of 300,000 TPA Ethylene capacity which was conceived in order to utilize the available gas in the North Eastern region. However, the actual availability of gas is much less and the PSUs under the Government were not in a position to make available the requisite quantity of gas for this project with the result that the project capacity had to be reduced from 300,000 TPA to 200,000 TPA of Ethylene. Even gas for this quantity was not available and Ministry of Petroleum & natural Gas has been requested to make available alternate feedstock to make up for the shortage of Gas for the Assam Gas Cracker for the production of 200,000 TPA of Ethylene. The agency to supply the alternate feedstock is yet to be identified.

(iii) **Pharmaceutical Sector** : This department has a joint sector undertaking in North-East promoted by Hindustan Antibiotics Ltd. (HAL) in collaboration with Government of Manipur, *viz.*, Manipur State Drugs & Pharmaceuticals Ltd. (MSDPL). HAL holds 51% of the equity share and the rest is with Manipur industrial Development Corporation (MANIDCO) on behalf of Government of Manipur. The company was incorporated on the 18th July, 1989. The project with an estimated original outlay of Rs. 2.50 crore is yet to be fully commissioned. The manufacturing unit and the registered office is at Imphal (Manipur). Due to time and cost overruns, the project could not be completed; it was decided in August 1997, that a professional consultants report may be obtained to identify the requirements for making the project viable. The final report of the consultant, Business Horizon, was received in May, 1999.

The matter has been referred to the Government of Manipur in August, 2000, for eliciting their comments on the viability of MSDPL based on the reports submitted by M/s. Business Horizon. A response is still awaited from the Govt. of Manipur.

2. In view of the above position no proposals for setting up new industrial projects in North Eastern Region in Petrochemical, Chemicals and Pharmaceuticals sectors are envisaged at present.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Comments of the Committee

Please *see* para 6 & 7 of Chapter I of the Report.

Recommendation (Part II, Para No. 7)

The Assam Gas Cracker Project was proposed in 1984 for utilization of petroleum fractions of natural gas resources of Assam. The Central

Government have approved one time capital subsidy of Rs. 377 crore for the project. The implementation of the project has not yet started for the reasons that gas supply agreement between the promoters of the project and ONGC has not been finalized and land for the project has also not been handed over to the project authorities. Regarding handing over of the land, the Committee were earlier assured that it would be done soon but the position has remained unchanged during last one year. The Committee would strongly urge the State Government to expedite handing over of the land to the project authorities.

Further/Final Reply of the Government

Department of Chemicals & Petrochemicals has been periodically reviewing the resolution of critical issues like acquisition of land and signing of Gas Supply Agreement for the implementation of the Project, considering the significance of the Assam Gas Cracker Project in the economic growth and development of North eastern region particularly, Assam. In the last review meeting convened by Secretary (C&PC) on 10th May, 2002, representative of the Government of Assam informed that the site at Lapetkata had been identified by the State Government of Assam for the project and they did not envisage any problem in this regard. The representative of RAPL informed that they would take possession of the land only after the question of feedstock was finalized and agreements signed.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Comments of the Committee

Please *see* para 11 of Chapter I of the Report.

Recommendation (Part II, Para No. 8)

Regarding the finalisation of Gas Supply Agreement, the Committee regret to note that despite repeated assurances, the Government have not clinched the issue finally. The Committee observe seriously that the Department has failed to fulfil its obligation as facilitator. The Committee have now been again assured that the agreement would be finalized within four months. The Committee hope that the assurance would be fulfilled within committed time.

Further/Final Reply of the Government

As regards the Gas Supply Agreement, RAPL signed the Agreement with OIL on 19th October, 2000 for the supply of 5 MMSCMD of gas, which was considered adequate for production of 1,30,000 tons p.a. of Ethylene. For the production of remaining 70,000 tons of Ethylene, the gas was to be supplied by the ONGC. In the review meeting taken by the, Department of Chemicals & Petrochemicals on 10th May, 2002, it was indicated that ONGC and RAPL had resolved the contentious issue of Gas Supply Agreement under the direction of Secretary, Ministry of Petroleum & Natural Gas (Ministry of P&NG). The representative of RAPL informed that they were ready to conclude the Gas Supply Agreement with ONGC. The Ministry of P&NG were processing the case for identifying the agency which would supply LPG to make up the shortfall in the supply of gas. It is expected that this exercise would be completed by June, 2002. Once the issue of feedstock is resolved, the implementation of the project would proceed expeditiously.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Comments of the Committee

Please *see* para 12 of Chapter I of the Report.

Recommendation (Part II, Para No. 11)

The Institute of Pesticide Formulation Technology (IPFT) is a non-profit making organization. The Committee were apprised that the activities of the Institute are expected to increase substantially during the Tenth Plan Period. This is specifically so as there is need to develop safe and environment friendly pesticides as also the technologies for application of the same in view of the global scenario of encouraging use of organic pesticides. The Committee appreciate the objectives set up for Tenth Plan and would like to see the development of the Institute to one of International level. IPFT should have inter-active institutional arrangements with international agencies and the Government should extend all financial help to achieve this goal.

Reply of the Government

Government is fully conscious of the important role to be played by the IPFT for the benefit of Indian agrochemical industry and the Indian agriculture at large. A new R&D laboratory conforming to international standards has been set up at the Institute. This is expected to give a big boost to the activities of the Institute. The IPFT has been interacting with international organizations including the Organization for Prohibition of Chemical Weapons (OPCW) and research institutions of the Asia-Pacific region engaged in developing environment and user friendly pesticide formulations.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin., dated 23.9.2002]

Comments of the Committee

Please *see* para 14 of Chapter I of the Report.

Recommendation (Part II, Para No. 18)

The Department of Chemicals & Petrochemicals is maintaining Drug Prices Equalisation Account (DPEA). The Department has referred 72 important assessment cases involving an amount of Rs. 220 crore to the Drug Prices Liabilities Review Committee for its recommendations. This Committee has already furnished recommendations in 50 cases for taking further action to recover the due amounts. As of now an amount of Rs 24 crore has been deposited in the DPE Account and the recovery of the balance amount has been held up due to litigation. The Committee feel that the existing laws/rules and regulations relating to DPE account are not sufficient to compel the pharma manufacturers to deposit their amount in DPEA. The Committee recommend that rules and regulations relating to this account should be reviewed and if need be amended to see that the Government recoveries are not held up indefinitely due to prolonged litigation. The law or the rules should be so amended that the litigant should first deposit the amount in the DPE Account before going in for the appeal in the court.

Reply of the Government

The Drug Prices Liabilities Review Committee (DPLRC) constituted by the Government to give fair and equitable view of the matter to the Government, has made certain recommendations to the Government in connection with liabilities of the companies. On the issues requiring detailed examination from legal angle, this Department had obtained the advice of Learned Solicitor General of India. On the basis of the advice/opinion of the Learned Solicitor General, fresh guidelines for determining the final liabilities have been formulated. These guidelines are under examination in consultation with the Ministry of Law and Justice, Department of Legal Affairs for finalisation.

In all the cases, where pharmaceutical industries had gone to various courts against the liabilities determined by this Department, it had been pleaded before the courts that the companies deposit 50% of the impugned amount. In some cases/writ petitions the courts have also ordered the companies to deposit 50% or some other percentages of the impugned amount with the Govt. before interim stay was granted in these writ petitions. Efforts are made by the Govt. that litigant first deposit at least 50% of the amount due to them in the DPE account before stay is granted to them by the court.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin., dated 23.9.2002]

Comments of the Committee

Please *see* para 18 of Chapter I of the Report.

CHAPTER V

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

Recommendation (Part II, Para No. 6)

The Committee while examining the Department's Demands for Grants for the year 2001-2002 were informed that OPEC's assistance of US$ 16.67 million for CIPET was under consideration. This year also the position has remained the same. The Committee would like the Government to take all necessary steps to get OPEC's assistance released at the earliest.

Reply of the Government

The Departmental Expenditure Finance Committee met on April 12, 2002 under the Chairmanship of Secretary, Department of Chemicals & Petrochemicals to consider the proposal under reference. The Committee observed that various equipment proposed to be procured and installed at CIPET Centres were not in conformity with the identified thrust areas for these Centres. It was decided that CIPET should first settle this issue in consultation with the Planning Commission. It was also decided that after examination of the above issue, the proposal under reference would be reconsidered in the next meeting of the Committee.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin., dated 23.9.2002]

Recommendation (Part II, Para No. 20)

The Committee learn that the revised proposal for capital restructuring of HIL is pending with the Government since July 2001. The Committee would like the Government to take final action in the matter immediately. They would also urge that prompt action on such proposals should be taken by Government especially for those companies which are striving to come out of red.

Reply of the Government

This Department considered the Capital Restructuring proposal submitted by HIL in July 2001 and it was found that certain modifications are required in the proposal. Accordingly, HIL was advised to modify the proposal. HIL submitted its modified Capital restructuring proposal in the first week of May 2002. The proposal has been further examined and referred to the Joint Controller General of Accounts (Capital restructuring Cell), Department of Expenditure, Ministry of Finance for their comments in the second week of June, 2002. Efforts are being made to take a final decision on the proposal at the earliest.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin., dated 23.9.2002]

Recommendation (Part II, Para No. 21)

Indian Drugs & Pharmaceuticals Ltd. (IDPL) was formally declared sick by BIFR on 12th August, 1992. The operations of the Company have been practically closed down and the Government are releasing wages and salaries of the employees through—plan assistance. The Net worth of the company as on 31st March, 2002 was negative amounting to Rs. (-)1660.43 crore. In spite of repeated recommendations of the Committee, the Government have not been able to finalise their decision regarding revival of the company. The Committee are still of the opinion that PSUs like IDPL have their capacity in controlling prices of drugs and all out efforts should be made to revive it. Some of the units of IDPL namely Chennai unit need small amount for revival. The Committee recommend that Government should release funds for revival of units like Chennai or alternatively if the State Government/s is/are interested in acquiring and reviving the same, they should be given all sorts of help. The Committee also recommend that in the event of change of management in IDPL, social and financial interests of the staff and workers should be protected.

Reply of the Government

After due consideration, a communication was sent to the BIFR in November, 2001 intimating that the Government intends to facilitate privatisation of each of the units of IDPL, including the wholly owned subsidiaries at Chennai and Muzzafarpur, separately through the induction of strategic partners. Towards this objective, the Government would be agreeable to:

(a) Conversion of Government loan into equity,

(b) Waiver of interest/penal interest and guarantee fee by the Govt. of India,

(c) Payment of outstanding statutory dues and funding of VRS.

Consequent to the request as above made by the Govt. and pursuant to the direction of the BIFR, the Operating Agency (OA) issued an advertisement. A report in the matter is yet to be furnished by the OA to the BIFR.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin., dated 23.9.2002]

Recommendation (Part II, Para No. 22)

Smith Stanistreet Pharmaceuticals Limited has been formally declared sick by the Board of Industrial and Financial Reconstruction on 21 December, 1992 and the Government are releasing non-plan funds to the company since September, 1998 to meet the Salary and Wages Bill of the company. The BIFR in its meeting held on 3rd December, 2001 had given its final decision that the Company should be wound up. However, the Workers Union of the Company have gone into appeal before the appellate Authority for Industrial and Financial Reconstruction against the order of the BIFR. The appeal is still pending in the Appellate Authority. The Committee recommend that the Government should also be a party in the Appellate Authority and present their point of view. The Committee also recommend that the SSPL should be extended the same treatment as has been decided in the case of IDPL *viz.* that all the dues of the Company should be waived and the balance sheet should be cleaned. Thereafter, the Company should be offered for change of management as has been decided in the case of other companies like IDPL. The Committee opine that there should not be undue delay in finalisation of the matters and in the event of winding up the company finally the social and financial interests of the workers should be fully protected. The Committee also recommend that the valuation of the assets of the company should be updated.

Reply of the Government

Department of Chemicals & Petrochemicals was a party in the appeal filed by the Smith Stainstreet Workers' Union and others in the Appellate Authority for Industrial and Financial Reconstruction. After hearing all the parties, the Appellate Authority dismissed the appeal.

The Department of Chemicals & Petrochemicals has decided to implement VSS in the Company. Necessary action is being taken to obtain the required approvals for this purpose.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 23)

Bengal Immunity Limited (BIL) is also one of those companies, which have been declared sick long back. This was declared sick on 9th March, 1993. The BIFR through its operating agency has already issued an advertisement for change of management. In this case also the Committee would like to emphasise that the Central Government should undertake updation and valuation of all kinds of assets of the company. Needless to emphasise that before finally winding up, the dues of workers should be paid to them fully.

Reply of the Government

The Government had informed BIFR that it is not willing to continue as promoter of the company any more and that any decision of BIFR to wind up the company would be acceptable to the Government. However, BIFR, on the 9th November, 2001, ordered for change of management, the exercise for which has been undertaken by the Operating Agency. The BIFR has not yet taken any view on winding up of the company.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

Recommendation (Part II, Para No. 24)

Bengal Chemicals and Pharmaceuticals Limited (BCPL) was formally declared sick by BIFR in January, 1993, but the revival package as approved by BIFR in April, 1995, was working well. The Company has proposed an upward revision of the revival package to Rs. 69.08 crore with Government funding of Rs. 38.15 crore from the original package of Rs. 28.49 crore. It is reported that the Government are in the process of taking a view on the proposals of the company. The Committee would like that the public sector character of the company be allowed to remain and the Government character of the company be allowed to remain and the Government should extend all financial help to make this company a viable one.

Reply of the Government

The Government has already released Rs. 39.15 crore to BCPL against Rs. 8.60 crore approved by BIFR in the original sanctioned scheme. The Government has conveyed its "in principle approval" to the company to consider a modified rehabilitation scheme which is made taking into account the directions given by the BIFR. The Company has been requested to submit its modified scheme on that basis to the Operating Agency/Monitoring Agency as per the directions of the BIFR.

[M/o Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16(6)/2002-Fin. dated 23.9.2002]

NEW DELHI;
December 20, 2002
Agrahayana 29, 1924 *(Saka)*

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

APPENDIX I

MINUTES

SUB-COMMITTEE ON CHEMICALS & PETROCHEMICALS

A SUB-COMMITTEE OF THE
STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(2002)

Sixth Sitting
(21.11.2002)

The Committee sat from 1500 hrs. to 1630 hrs.

PRESENT

Dr. Girija Vyas — Convenor

MEMBERS

Lok

2. Shri Shriprakash Jaiswal
3. Shri Ashok N. Mohol
4. Dr. V. Saroja
5. Dr. Ram Lakhan Singh

Rajya

Shri Yadlapati Venkat Rao

SECRETARIAT

1. Shri K.V. Rao	*Joint Secretary*
2. Shri P.K. Grover	*Director*
3. Shri R.K. Saxena	*Under Secretary*
4. Shri R.R. Rai	*Assistant Director*

Representatives of Ministry of Agriculture
(Deptt. of Agriculture & Cooperation)

1. Shri J.N.L. Srivastava	—	Secretary (A&C)
2. Shri B.S. Minhas	—	Additional Secretary (M)
3. Dr. C.R. Hazra	—	Agriculture Commissioner

4. Shri Prem Narain	Joint Secretary (PP)
5. Dr. P.S. Chandurkar	Plant Protection Adviser & Director (CIL)
6. Shri S.S. Prasad	Director (PP) and Secretary (CIB&RC)
7. Dr. A.D. Pawar	Director (IPM)
8. Dr. D. Kanungo	Consultant
9. Dr. R.B.L. Bhaskar	Joint Director (Bio.)

EVIDENCE OF THE REPRESENTATIVES OF MINISTRY OF AGRICULTURE, DEPARTMENT OF AGRICULTURE AND COOPERATION IN CONNECTION WITH PRODUCTION AND AVAILABILITY OF PESTICIDES

** **

2. The Committee then considered and adopted the draft Action Taken Report on the recommendations contained in Twenty-Fifth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants of Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals for the year 2002-2003.

3. The Sub-Committee authorised the Convenor to finalise the draft Report and submit the same to Hon'ble Chairman for consideration by the Standing Committee on Petroleum & Chemicals.

4.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(2002)

Thirteenth Sitting
(19.12.2002)

The Committee sat from 1030 hrs. to 1100 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri P.D Elangovan
5. Shri Dilipkumar Mansukhlal Gandhi
6. Smt. Sheela Gautam
7. Shri Bijoy Handique
8. Shri P. Mohan
9. Dr. Debendra Pradhan
10. Shri Mohan Rawale
11. Shri Shyama Charan Shukla
12. Dr. Chhatrapal Singh
13. Shri Ramjiwan Singh
14. Dr. Girija Vyas

Rajya Sabha

15. Shri Balkavi Bairagi
16. Shri Rajiv Ranjan Singh 'Lalan'
17. Shri Dipankar Mukherjee

SECRETARIAT

1. Shri P.K. Grover	*Director*
2. Shri R.K. Saxena	*Under Secretary*
3. Shri Ram Raj Rai	*Assistant Director*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

3. Thereafter, he invited the Members to give their suggestions, if any, on the following draft Reports being considered for adoption:—

(i) Thirty-Third Report on action taken by Government on the recommendations contained in the Twenty-Fifth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2002) on 'Demands for Grants 2002-2003 of Ministry of Chemicals & Fertilisers, Department of Chemicals & Petrochemicals';

(ii)

(iii)

(iv)

(v)

(vi)

4.

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

6. The Committee placed on record their appreciation of the work done by all the Sub-Committees of the Standing Committee on Petroleum & Chemicals.

7. 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.

**Matter not related to this Report.

APPENDIX III

(*Vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-FIFTH REPORT (THIRTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002) ON 'DEMANDS FOR GRANTS—2002-2003 RELATING TO MINISTRY OF CHEMICALS & FERTILISERS, DEPARTMENT OF CHEMICALS & PETROCHEMICALS'

I.	Total No. of Recommendations	25
II.	Recommendations which have been accepted by the Government (*Vide* Recommendations at Sl. Nos. 1, 3, 5, 9, 10, 12, 13, 15 and 17)	9
	Percentage to Total	36
III.	Recommendations which the Committee do not desire to pursue in view of Government's Reply (*Vide* Recommendations at Sl. Nos. 2, 14, 16, 19 and 25)	5
	Percentage to Total	20
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*Vide* Recommendations at Sl. Nos. 4, 7, 8, 11 and 18)	5
	Percentage to Total	20
V.	Recommendations in respect of which final replies of the Government are still awaited (*Vide* Recommendations at Sl. Nos. 6, 20, 21, 22, 23 and 24)	6
	Percentage to Total	24