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

TWELFTH LOK SABHA

**MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF CHEMICALS
& PETRO-CHEMICALS)**

**DEMANDS FOR GRANTS
(1998-99)**

FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

July, 1998/Asadha, 1920 (Saka)

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(TWELFTH LOK SABHA)

DEMANDS FOR GRANTS 1998-99

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF CHEMICALS
& PETRO-CHEMICALS))

*Presented to Lok Sabha on 10.7.98
Laid in Rajya Sabha on 10.7.98*



LOK SABHA SECRETARIAT
NEW DELHI

July, 1998/Asadha, 1920 (Saka)

P.&C.C. No. 61

Price : Rs. 21.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by Shree Enterprises.

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

Dr. Balram Jakhar — *Chairman*

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SECRETARIAT

1. Shri J.P. Ratnesh — *Additional Secretary*
2. Shri Brahm Dutt — *Under Secretary*
3. Shri Ram Raj Rai — *Committee Officer*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on Demands for Grants of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals and Petro-chemicals for the year 1998-99.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-chemicals for the year 1998-99 which were laid on the Table of the House on 10th June, 1998 .

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals at their sitting held on 22nd June, 1998.

4. The Committee considered and adopted the Report at their sitting held on 2nd July, 1998.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petro-chemicals for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1998-99 and for giving evidence before the Committee.

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;
July 7, 1998
Asadha 16, 1920 (Saka)

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

REPORT

A. Introductory

The Department of Chemicals and Petro-chemicals under the Ministry of Chemicals and Fertilisers has the main objective to plan, develop, regulate and control industries in the field of chemicals, pharmaceuticals and petrochemicals. The activities of this Department also include the administrative control of the public sector undertakings in these areas. The Department deals with the following public sector undertakings/institutions:—

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

2. The Demands for Grants of the Deptt. of Chemicals and Petro-chemicals (hereinafter referred to as the Department) were laid on the

table of the Lok Sabha on 10th June, 1998. Demand for Grants No. 5 of the Department under which provision has been made for plan and non-plan expenditure, consists of two parts *viz.* Revenue Section and Capital Section for the year 1998-99. It contains the following figures:-

(Rs. in crores)

	Plan	Non-Plan	Total
Revenue Section	22.10	97.73	119.83
Capital	17.55	37.49	55.04
Total	39.65	135.22	174.87

A detailed statement showing the actual Revenue and Capital Expenditure for the year 1996-97, Budget Estimates, Revised Estimates and Actuals for 1997-98 and Budget Estimates for 1998-99 are given at Appendix - I.

3. Out of total Demands for Rs. 174.87 crores, the major heads are 'Funds for Bhopal Gas Leak Disaster' (Rs. 60 crores), subsidy to Assam Gas Cracker Project (Rs. 25 crores), Grant to National Institute of Pharmaceutical Education and Research (Rs. 14 crores), Investment in PSUs (Rs. 9.40 crores) and plan and non-plan loans to PSUs (Rs. 45.64 crores).

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

Major Head '3451'

B. Secretariat/Economic Services (Rs. 4.68 crores)

5. A provision of Rs. 4.68 crores has been made in the Budget for 1998-99 against the provision of Rs. 4.37 crores in the Revised Estimates and Actual Expenditure of Rs. 4.13 crores in 1997-98. The Actual Expenditure under the 'head' during 1996-97 was Rs. 3.26 crores.

6. Explaining the reasons for the increase in expenditure under Secretariat Head over the previous year, the Deptt. informed that this

was due to normal increase in the salary allowances including increase in DA, Bonus etc.

7. During the course of examination the Committee wanted to know about the actual staff strength of the Department as compared to the strength recommended by Staff Inspection Unit before the creation of NPPA. The Secretary, Chemicals and Petro-chemicals stated during evidence:—

“Originally we had 349 employees. After the study of SIU, the number of posts came down to 268. When the NPPA was created 17 posts were transferred to NPPA. So, against the 268 posts we have 252. One post was created. Now, the 16 employees are surplus. Originally 81 posts were found surplus. The surplus employees were 35. At present, we have 16 employees surplus. We have informed the Surplus Cell of the Ministry of Personnel. As and when any vacancy arises they will be posted there.”

8. The Committee further wanted to know about the category-wise details of the employees and also enquired whether these employees will be adjusted in the same Department or they would be transferred to other Departments. The witness replied:—

“There are 14 UDCs and LDCs and another two in Group ‘D’. We have requested the Department of Personnel to absorb these 14 people as and when vacancies arise in the entire Government, and even when vacancies do come up in our Department, we will also absorb them.”

9. The Committee note that as against the actual expenditure of Rs. 3.25 crores for ‘Secretariat Services’ during 1996-97, the Estimated, Revised and Actual Expenditure for 1997-98 was Rs. 3.68 crores, 4.37 crores and 4.13 crores respectively. As against this, the Estimates for 1998-99 have been placed at Rs. 4.68 crores, which the Committee feel are reasonable one.

10. The Committee note that according to the Study Report of Staff Inspection Unit (under Ministry of Finance) there were 81 surplus posts in 1996 (out of which 46 were vacant) in the Department. Out of the 35 actual surplus employees that time only 19 have been absorbed till date. There are still 16 officials in the surplus cell. The Committee feel that the progress in regard to posting of officials sitting in surplus cell has been very slow. They

accordingly recommend that all the remaining 16 employees should be posted in needy Ministries/ Deptts. as quickly as possible so that their services are put to productive use.

(Recommendation Sl. No. 1, Para Nos, 9 & 10)

Major Head '2852'

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

11. The Central Institute of Plastics Engineering and Technology (CIPET) was established at Chennai in the year 1968 with the assistance of UNIDO. The primary objective of CIPET is to provide technical trained manpower and provide technical services to plastic and allied industries. In order to create trained manpower, the Institute runs long term courses, short term courses, Tailor made/Modular Programme, to suit the requirement of industries. Over a period of time, the plastics industries have grown manifold and this has increased the need for trained manpower. To meet this requirement, in addition to its main centre at Chennai, 10 extension centres have been established so far at Ahmedabad, Bhubaneswar, Bhopal, Lucknow, Hyderabad, Amritsar, Imphal, Mysore, Calcutta and Patna. The Budget provisions for the Institute during the last 3 years have been as under:—

Year	Rs. in crores
1996-97 (Actuals)	7.00
1997-98 (BE)	7.65
1997-98 (RE)	13.75
1997-98 (Actuals)	14.15*
1998-99 (BE)	8.75

*(including Rs. 6.5 crores from the balance left over in the World Bank component of US\$ 12 million assistance.)

12. Asked about the programmes undertaken through utilisation of World Bank loan, the Deptt. informed in a note that the sum of Rs. 6.5 crore was utilised for purchase of 19 special equipments and for training more personnel.

13. The Committee further inquired whether some more external assistance was being sought for further strengthening of CIPET centres. The Deptt. informed in a note:—

“It is proposed to seek more external assistance for CIPET and a project proposal for modernisation of the CIPET facilities in the respective thrust areas was prepared and Department of Economic Affairs in the Ministry of Finance were consulted. On their advice, the proposal has been revised and a project proposal For capacity building of CIPET centres for development in thrust areas’ has been prepared and the possibilities of funding of US\$ 14 million from multilateral agencies/bilateral assistance are being explored. The proposal involves further upgradation and modernisation of the extension centres for specialised assistance to the Plastic Industry in the country. Each centre has been identified with the thrust areas and is also designed to act as a nodal agency for providing service in identified speciality discipline.

Centre	Area of Specialisation
1	2
Madras Centre	Standardization, Quality Control and Testing of plastic materials.
Ahmedabad	Development of Plastics Processing Machinery.
Amritsar	Substitution of Plastics for conventional material.
Bhopal	Application of Plastics in Agriculture.
Bhubaneshwar	Application of Plastics in Housing and Packaging.
Hyderabad	Application and Development of Engineering Plastics.
Imphal	Application of Plastics in Water Management and House-hold appliances.
Lucknow	Application of Plastics in Teletronics and Automobiles.

1	2
Mysore	Application of Plastics in Precision Engineering
West Bengal	Application of Plastics in Medicare Products."

14. During the evidence it also came out that Patna and West Bengal Centres were being run in hired premises. When asked about the reasons for not having CIPET's own building, the Secretary C&PC stated that for these centres they were not getting the land from the respective State Governments.

15. When pointed out by the Committee that Bihar Govt. was offering a piece of land about 30 kms. near Patna and due to expansion of cities it would be difficult to get land within the city, the witness stated :—

"It is true that this place is 30 kms. away. Since we will be constructing a permanent Centre, if we can get land near Patna, then it would be better to start the Centre near Patna. That is why, we have made a request to the State Government but if they do not give us land near Patna then we will think about it."

16. Asked further about the exact schedule for the establishment of CIPET centres at Patna and Calcutta, the witness replied:—

"In Calcutta and Patna our aim is to complete the Centres within Ninth Five Year Plan."

17. On being pointed out by the Committee that due to special need of North-Eastern region, the Govt. should expedite the proposed centre at Guwahati, the Deptt. stated:—

"The proposal for setting up of an extension centre of CIPET at Guwahati (Assam) was taken up in 1996-97. The State Government of Assam in May, 1997 confirmed its participation and contribution of the State share in the project costing Rs. 10.35 crores. In order to tie up the Government of India contribution for the project, the Ministry has sent a suitable proposal to the Planning Commission for providing an additional amount during the Ninth Plan period."

18. The Committee further pointed out that setting up of centres in Ninth Plan was too general a target, the Secretary, C&PC stated :—

“For Guwahati, the site is not yet allotted. For Patna, we can draw up a schedule which (land) has been offered.”

19. In reply to another query of the Committee, the Deptt. stated that IPCL (a PSU under the Deptt.) had also contributed Rs. 105 lakhs for the Patna CIPET centre.

20. Out of the total 9th Plan outlay of Rs. 7185 crores for PSUs/ organisations under the Deptt. of Chemicals and Petrochemicals, a plan out of Rs. 65 crores has been earmarked for CIPET. The Committee inquired whether the funds earmarked for opening up of new centres during the Ninth Plan period as also to strengthen the existing ones will be sufficient. The Department in a written reply stated as follows:—

“Of the total outlay of Rs. 65 crores for Central Institute of Plastics Engineering and Technology during the Ninth Plan period, only Rs. 15 crores will be available to CIPET as Budgetary support. The remainings outlay of Rs. 50 crores is to be raised from extra budgetary resources. A project proposal for Rs. 11.5 crores, as assistance from the Oil Industries Development Board, has been formulated and posed to the Board of OIIB. A proposal for external assistance has been prepared by CIPET and this is proposed to be posed for multi-lateral/bilateral financial assistance only for upgradation/modernisation of training and testing facilities provided by the CIPET at existing centres. The budgetary support of Rs. 15 crores in the Ninth Plan is inadequate for setting up of new centres as Rs. 10 crores out of this is committed for implementation of other schemes viz. modernisation and strengthening of training facilities, construction of hostel rooms, shop floor, class rooms etc. in the existing centres and Rs. 5 crores only is available for new centres during the Ninth Plan. Capital cost for Guwahati Centre alone is estimated as Rs. 1035 lakhs of which Government of India's share is Rs. 517.50 lakh, the State Government of Assam meeting the balance amount of Rs. 517.50 lakhs. The Planning Commission has, therefore been requested to provide additional outlay of Rs. 517.50 lakhs during the Ninth Plan for the Guwahati Extension Centre. In view of these reasons funds for opening new centres at Rajasthan, Maharashtra, Delhi/NOIDA and Kerala are not sufficient.”

21. The Committee note that with the growing need for strengthening the plastic industry CIPET which was set up in 1968, has added 10 more extension centres in different parts of the country. However, Committee's examination of the newly set up Centres has revealed that there is lack of proper planning and implementation of centres in a time bound programme. For instance even though West Bengal and Patna Centres were started 2-3 years back in hired premises, CIPET has been unable to procure requisite land from the respective States for building permanent Centres at these places. Similarly progress on one more sanctioned centre viz. Guwahati Centre can not be made in absence of land. The Committee are unable to understand CIPET's reluctance to take the offered land from Bihar Govt. which is 25-30 kms. near Patna. In Committee's view with the manifold growth of all major cities, particularly the Capitals, land will not be available in the hearts of cities. The Committee therefore expect the Ministry as also CIPET to adopt a pragmatic approach in the matter. Besides, the Committee would like the Ministry to convince the respective States of the benefits of having CIPET centres for the industrial development of the respective States. This would help the CIPET to get requisite land expeditiously.

(Recommendation Sl. No. 2)

22. The Committee find that in addition to setting up permanent Extension Centres at West Bengal, Patna and Guwahati, CIPET also propose to set up similar Centres in Rajasthan, Maharashtra, Delhi/NOIDA and Kerala during 9th Five Year Plan. The Committee, however, regret to note that completion schedule for all these centres is least to say is too general i.e. these would be set up in 9th Five Year Plan. The Committee strongly recommend that specific targets/schedules should be chalked for each centre for acquiring land, construction of building, acquisition of machines/ training facilities and starting of training programmes. The Committee would await necessary details in this regard.

(Recommendation Sl. No. 3)

23. The Committee note that out of Rs. 65 crore plan outlay for CIPET for the 9th Five Year Plan, the component of Rs. 15 crores as budgetary support for the entire plan is inadequate. Not to speak of planned Centres at Rajasthan, Maharashtra, Delhi/NOIDA, the funds for the sanctioned centre at Guwahati are not sufficient. The

Committee hardly need to emphasise the urgency of setting up centre at Guwahati, which is must for development of the hitherto backward region. The Committee also urge upon the Ministry to take up the issue at the highest level to get the requisite funds from Planning Commission/ Ministry of Finance/ OIIB so that planned programmes for 9th Plan are not hampered due to shortage of funds.

(Recommendation Sl. No. 4)

24. The Committee find that CIPET was set up with the help of UNIDO and also utilised the World Bank assistance of 12 million US dollars during the recent years in upgrading the facilities in its centres. The CIPET has further sought US\$ 14 million assistance from multilateral agencies/ bilateral agencies to further upgradation and modernisation of the extension centres for specialised assistance to the plastic industry in the country. The Committee trust in that even in the existing situation of sanctions and hardened attitude of many countries/ international agencies towards the country, the Govt. will make sincere and vigorous efforts with the concerned agencies for getting these funds at the earliest.

(Recommendation Sl. No. 5)

25. It is heartening to note that IPCL, a PSU under the Deptt., contributed Rs. 105 lakhs for running of Patna Centre. In Committee's view this is a laudible effort by a PSU and a step in the right direction. The Committee, however, would like the Govt. to pursue with profit earning PSUs as also big companies in the private sector to contribute towards setting up/ running the CIPET Centres so that available training facilities are upgraded to international level. This will help the industry to get the trained/ skilled manpower at door step.

(Recommendation Sl. No. 6)

Major Head '2852'

D. Subsidy to Assam Gas Cracker Project

26. Assam Gas Cracker Project costing over Rs. 3600 crores (without participation of Central Govt.) is to be set up in Assam. Owing to various disadvantages of setting up the unit in Assam, the Central Government had agreed to grant one time capital subsidy of

Rs. 377 crores for the proposed complex . A provision of Rs. 75.00 crores was made in BE for 1996-97 and BE 1997-98 which could not be utilised and a provision of Rs. 25.00 crores has been made in the B.E. for 1998-99.

27. During the course of examination of the Department, the Committee pointed out that the Committee in earlier Reports had emphasised the need of early implementation of the Assam Gas Cracker Project particularly in view of the fact that this project was part of Assam Accord signed in 1985 as also it was planned for an industrially backward region in the North-East. Asked about the issues which were yet to be decided and settled by the Government and were still pending in regard to the approval/ implementation of the project, the Deptt. in a written note stated:—

“Supply of gas as feedstock for 2 lakh tonnes Ethylene production capacity has been committed by the Ministry of Petroleum and Natural Gas for the Assam Gas Cracker Project. The agreement to this effect between RAPL and ONGC/ OIL is to be finalised. Supply of additional feedstock i.e. Naphtha for additional capacity of Ethylene production by the Assam Gas Cracker Project is to be committed by the Ministry of Petroleum and Natural Gas. Information desired by the Ministry of Petroleum and Natural Gas regarding the requisite quality of Naphtha for this project has been submitted and they have been requested to allocate 3,25,000 TPA of Naphtha for the project.

It has been decided that the Gas Separation Plant under implementation at Lakwa by GAIL be transferred to the Assam Gas Cracker Project at a price to be determined by an independent agency. Accordingly, BICP has been requested to determine the transfer price. GAIL and RAPL have furnished requisite information to BICP to enable them to determine the price. BICP has desired some supplementary information/data from GAIL.

The State Government of Assam is to allot 1262 acres of land for the Gas Cracker Project. The State Government has identified the land and 128 acres has been handed over to the RAPL and another 144 acres of land is likely to be handed over to the company in near future. Proceedings for acquisition of remaining 990 acres of land are to be completed.

The projected cost of the project is Rs. 3600 crore and it is expected that the Cracker Project will be commissioned within 44 months of the finalisation of the gas supply agreement and handing over of possession of land for the Project to RAPL."

28. On being pointed out by the Committee that the things were not sorted out as fast as promised to the Committee earlier, the Secretary (C&PC) stated during evidence:—

"The project can meet progressively three-four things. The first thing is, the BICP has to finalise its recommendations regarding the transfer price of the Lakwa Gas Separation Plant. All information has been given, it is now the question of BICP giving its recommendation on the price of the Gas Separation Plant.

The second thing is Gas Purchase Agreement. The Gas Purchase Agreement has to be signed. Now, we are aware that the drafts have been prepared. They have been discussed between the promoters and also OIL. But the Agreement has not been signed as yet. It could be, because of the way the industry is, there could be some hesitation on the part of the promoters. But we can call them, I have called them earlier also and then they had said that there was no hesitation on their part. But still it is a fact that the Agreement has not been signed even. More or less, drafts have been agreed to.

The third thing is, firm allocation of naphtha. Now, the Ministry of Petroleum has confirmed that naphtha will be available, we have written to them about 10 days ago saying that that is not enough. The exact refinery from which the naphtha will be made available and the 'cut' has to be given to the promoters. They have agreed to do that. And, we expect progress in that.

The fourth thing is land acquisition which is not progressing as fast as it should be."

29. During course of evidence of the representatives of Ministry of Petroleum and Natural Gas the Committee enquired as to how they were not expediting the solution of the pending issues of Assam Gas Cracker Project, the Secretary, Petroleum stated:—

"Originally, the plant at Lakwa was to be set up by the Gas Cracker Authority but they did not do it. As a result, the LPG

plant got delayed. Today, the commitment is there that until the Gas Cracker Project comes up, this Plant will produce LPG. The moment the Gas Cracker Project comes up, the plant will go to the Gas Cracker company. The BICP have made certain calculations about the cost."

He added:—

"As far as BICP is concerned, I am afraid that it will be difficult for us to give a commitment because the Department of Petrochemicals is the administrative Ministry. As far as we are concerned, actually, there was some delay on the part of GAIL in furnishing that information. We have persuaded them to furnish that information."

Regarding pricing of gas, the witness informed:—

"As far as price is concerned, 30 years thing is a good idea. Originally, it was said that it will be for 15 years. That commitment stands. That concession will go for 15 years.

Now, a point has been raised as to when will the Department of Chemicals and Petrochemicals take up this matter. It will go to the Cabinet. We cannot go at the moment and ask the OIL to stick to the reduced price for all times to come. They have to be compensated for ensuring proper health. As far as we are concerned, whatever help or information is necessary, we will give. If there is any delay, we will take care of that. We will give that commitment now."

30. The Committee further pointed out that the budget provision of Rs. 25 crores for 1998-99 was too less in comparison to last two years when the provision was Rs. 75 crores and wanted to know the reasons for that. The Department explained in a note as under :—

"Provision of Rs. 75 crores was made in the Budget for 1996-97 and 1997-98. However, this provision remained un-utilised. A provision of Rs. 25 crores has been made in the current year's budget. Depending upon the progress made by the Project during the year, the provision would be appropriately reviewed and additional amount required for capital subsidy for the project would be provided through Supplementary Demands."

31. The Committee find that even though on their directions/recommendations made during 1996-97, some progress was made in regard to giving a shape to Assam Gas Cracker Project which was conceived as back as 1985, the progress during the last 7-8 months has been dismal. The Committee wonder, how GAIL, a PSU under

the Ministry of Petroleum and Natural Gas (which had assured early action in the matter before the Committee earlier) could delay the furnishing of information to BICP, which has to fix a price of their Lakwa Plant. The Committee once again strongly recommend that Deptt. of Chemicals and Petrochemicals, which is administrative Ministry for the Project should coordinate with concerned agencies like Assam Govt./Ministry of Petroleum and Natural Gas, ONGC, OIL, GAIL and RAPL, with a view to expedite the pending issues *i.e.* transfer of GAIL plant, signing of gas purchase agreement, issue relating to naphtha and acquisition of land in a time bound programme.

Since the matter has already been considerably delayed, the Committee expect that the issues will be settled in a month's time. The Committee desire that a progress report in this regard should be furnished to them within 2 months of presentation of their Report in Parliament.

(Recommendation Sl. No. 7)

32. The Committee are astonished to find that even though the State Govt. is a joint partner in the Project acquisition of land for the project has been very tardy. Out of required 1262 acres of land for the project, a mere 128 acres has been handed over to RAPL. The Committee hardly need to emphasise that the Deptt. should convince the State Govt. of the benefits of early execution of the project and accordingly they desire that State Govt. must be approached for expediting the whole process of land acquisition.

(Recommendation Sl. No. 8)

Major Head '2857'

E. Bhopal Gas Leak Disaster

33. The following table shows the provisions made under the 'head' during the years 1997-98 to 1998-99:—

	(Rs. in crores)		
	BE 1997-98	RE 1997-98	BE 1998-99
Voted	150.59	48.33	59.90
Charged	—	—	0.10
Total	150.59	48.33	60.00

Following are the important Minor Sub-Heads and provisions made thereunder:—

(Rs. in crores)			
	1997-98 (BE)	1997-98 (RE)	1998-99 (BE)
Payment under Retainer Agreement for engagement of Attorneys	0.01	0.01	0.01
Interim Relief to the victims of Bhopal Gas Leak Disaster—Charged	25.00	—	0.10
Exchange rate variation	118.15	15.63	21.24
Other Charge	0.10	0.10	0.10
Other Charges (Action Plan)	0.01	25.01	27.13
Establishment of Welfare Commissioner	7.32	7.58	11.4187
	150.59	48.33	60.00

34. According to the Deptt., the latest position in regard to settlement of cases and disbursement of relief as on 31.5.98 is as follows:—

	Death cases	injury cases	Total
(i) Claims filed (Nos.)	15,310	5,97,908	6,13,218
(ii) Claims settled (Nos.)	15,225	5,96,298	6,11,523
(iii) Awards passed	11,475	3,31,103	3,42,578
(iv) Claims rejected (Nos.)	3,750	2,65,195	2,68,945
(v) Compensation awarded (Rs. crores)	76.60	882.40	959.00
(vi) Cases in which compensation disbursed (Nos.)	10,968	3,26,848	3,37,816
(vii) Amount disbursed (Rs. crores)	74.60	871.93	946.53

35. On being asked as to how even adjudication of some death cases was pending, the Deptt. in a note informed that the pending 85 death claims were either disputed cases or cases where the claimants were not turning up for adjudication.

36. When asked further whether all the 56 courts were operational, the Deptt. stated in a note that as on 10th June, 1998, 47 Deputy Commissioners were in position. With a view to man all 56 in operation the experienced Deputy Commissioners had been put in charge of more than one ward.

37. When the Committee inquired about the strategy being followed and time frame for disposal of over 4 lakh fresh claims received during the period of December, 1996 to February, 1997, the Department stated in a written reply as follows:—

“The new cases received as a result of the Notification will be disposed of in the existing 56 courts. No new courts are proposed to be added. Each Deputy Commissioner has been assigned a fixed quota of cases for disposal and this is being watched closely. The Office of the Welfare Commissioner, Bhopal Gas victims has informed that the pending cases are proposed to be cleared by March 2000.”

38. In the context of providing relief to Bhopal Gas victims when the Committee wanted to know the balance for payment of compensation, Secretary, P&C informed that the balance amount was Rs. 630 crores of which Rs. 590 crore in the dollar component and remaining Rs. 40 crore in the rupee component.

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

“The Scheme for the payment of Interim Relief to the victims of Bhopal Gas tragedy was restarted in June, 1993 for a period of 3 years and was subsequently extended by another year *i.e.* 31.5.97. A provision of Rs. 25 crores was made in the Budget estimates 1997-98 but this amount could not be utilised because the number of entitled beneficiaries declined due to disposal of claims. The balance amount available with banks during the

year 1996-97 was utilised for payment of relief during the year 1997-98 upto May, 1997 when the Scheme came to an end.

Following the Supreme Court's directions, in order dated, the 6th March, 1998, which laid down that the persons eligible for payment of Interim Relief in the earlier Scheme be continued to be paid till their claims are disposed off, an amount of Rs. 10 lakhs has been withdrawn from the Contingency Fund of India and the amount has been placed at the disposal of the State Bank of India for restarting the Interim Relief Scheme w.e.f. 1st March, 1998. Additional funds for payment of Interim Relief during the year 1998-99 will be obtained through the Supplementary Grants.

The provision for exchange rate variation for 1998-99 is much lower than that of 1997-98 because of the steep fall in the requirements of funds."

40. On being pointed out by the Committee that even after getting several extensions to complete rehabilitation schemes under the Central Government Action Plan, some of the schemes were yet to be completed. Asked about the reasons for such delays and the present status of ongoing rehabilitation schemes, the Department stated in a note:

"An Action Plan of the State Government of Madhya Pradesh for the medical, economic, social and environmental rehabilitation of the Bhopal Gas victims was approved by the Government of India, initially for a period of 5 years from 1st April, 1990 to 31st March, 1995. Subsequently, it has been extended upto 30th September, 1998, to enable the State Government to complete the various Schemes which could not be completed till then. The outlay for the Action Plan, initially at Rs. 163.10 crores has been enhanced in stages to Rs. 258 crores after considering the State Govt.'s proposals. As recommended by the Finance Commission, 75% of the expenditure is met by the Central Government and the rest by the State Government. The Central Government has so far released Rs. 166.37 crores. Provision for the remaining amount has been made. Further releases can be considered after the State Government fulfils the conditions for the grant like submission of Audit Certificates for the expenditure incurred and achievement of physical and financial targets."

41. Elaborating the scheme-wise expenditure incurred, the Deptt. stated:—

“As. per information furnished by the State Government of Madhya Pradesh, expenditure on the rehabilitation schemes upto 31.3.98 has been as follows:—

	(Rs. lakhs)	
	Outlay	Expenditure
1. Medical Rehabilitation	15035.111	9612.71
2. Economic Rehabilitation	2117.75	1636.34
3. Social Rehabilitation	4971.88	4005.13
4. Environmental Rehabilitation	2376.27	2275.92
5. Miscellaneous	529.26	515.31
6. Litigation and Administration	770.07	865.56
Total	25800.34	18910.97

Even though considerable money has been spent, the schemes relating to medical rehabilitation remain incomplete. The State Government has informed that except for Kamla Nehru Hospital and Indira Gandhi Mahila Avum Bal Chikitsalaya, all other Hospitals are functioning. In the case of former the building is under construction and in the latter case, the equipment are to be purchased. The State Government of Madhya Pradesh is being constantly pursued to complete the projects. It is in process of procuring equipment and appointing staff so that the new hospitals can be commissioned.”

42. The Committee note that even though most of the death claims as also the injury claims relating to Bhopal Gas disaster received earlier have been settled and compensation has been awarded over Rs. 1000 crores, with the receipt of over 4 lakh injury claims (between December, 1996 to February, 1997), the problem has

again become of great magnitude. According to the Govt. estimates all claims would be settled by March, 2000. The Committee desire that the Deptt. should keep an unremitting vigil over the progress of settling the claims in a prior settled time schedule, so that even a single claim is not left over beyond March 2000 un-settled.

(Recommendation Sl. No. 9)

43. The Committee note that 47 officers are manning 56 courts. Due to shortage of judicial officers, some of the experienced officers have been put in-charge of more than one ward. For meeting the target of March, 2000 for disposing off all the pending cases, the Committee once again recommend that State Govt./ High Court must be approached for getting 9 more judicial officers (as also a few more to meet contingencies and exigencies of work) so that practically all courts are fully operational.

(Recommendation Sl. No. 10)

44. The Committee note that even though considerable money has been spent, the schemes (which were to be completed by March, 1995) relating to medical rehabilitation remain incomplete. Similarly two hospitals part of the Action Plan are yet to become functional. The Committee take a serious view of the matter particularly when these hospitals were meant for specific treatment of gas victims. Since the completion of Action Plan has been delayed considerably, the Committee desire that the Ministry in coordination with State Government should ensure that these are completed within the extended period i.e. upto 30.9.98 and no further extension should be granted for this purpose.

(Recommendation Sl. No. 11)

Major Head '2852'

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

45. The NIPER has been set up at Chandigarh with an outlay of Rs. 99 crores. The Institute seeks to promote excellence in the sphere of pharmaceutical education in India and to meet the current and future needs of the Pharmaceutical sector in India. It will be the first national level Institute in India in the pharmaceutical sciences. The

organisation structure, and functional approach will be at par with Indian Institute of Technology. It has been declared as an Institute of national importance like IITs. During the 1997-98 an amount of Rs. 14 crores was allocated to this Institute. A provision of Rs. 14.00 crores has been made in the Budget Estimates of 1998-99.

46. During the course of examination the Committee wanted to know about the money already spent on the project so far and the details of the progress made in regard to construction work, requirement of staff, provision of libraries and laboratory facilities and admission etc. The Department in a written reply stated as under:—

“National Institute of Pharmaceutical Education and Research (NIPER) has spent Rs. 40 crores on the project till May, 1998. Construction work of six teaching and research blocks, a five storey library building, seminar hall, visiting faculty guest house, halls of residences for 120 scholars, 20 acres medicinal plant garden, environmentally controlled plant nursery, animal house and other building like the secretariat, central stores, workshops, utilities building, electric sub-station pump house and faculty residences have been completed. Construction of auditorium, dispensary, cafeteria for scholars, animal house extension, lecture halls and pilot plant is in progress. This phase of construction is expected to be completed by March, 1999.

Out of sanctioned posts of 143 (both technical and non-technical) NIPER has filled 40 technical (including faculty) and 18 non-technical posts till 1.6.98.

Laboratory facilities and instrumentations for the functioning Departments have been provided.

First batch of the Ph.D Scholars (18) in five disciplines have been admitted in January, 1998. In July, 1998 NIPER is planning to take in about 30 students for Masters Degree and next batch of 10 scholars for Ph.D programme.”

47. In reponse to the specific query of the Committee regarding the courses being started during the current academic year and the future activities of the Institute, the Deptt. stated in a written reply as follows:—

“ In the current academic year, the National Institute of Pharmaceutical Education and Research (NIPER) plans to start

the following courses/programmes:

- I. Master of Science in Pharmacy (M. S. Pharma)
- II. Master of Pharmacy (M. Pharma)
- III. Master of Technology in Pharmacy [M. Tech (Pharmach)]
- IV. Ph.D

The Institute when fully functional, will have 10 teaching and research departments and central facilities like Instrumentation Centre, Computer Centre, Laboratory and Animal House. Presently, six Departments *viz.* Medicinal Chemistry, Natural Products, Pharmacology & Toxicology, Pharmaceuticals, Biotechnology and Pharmaceutical Technology and all the above mentioned four central facilities have become functional. Laboratory facilities and instrumentations required for these departments have been provided. A beginning has already been made to interact with the pharmaceutical industry and the Institute has taken up a few sponsored programmes from the industry. Some basic projects have also been initiated by various departments of the Institute which have been funded by the Department of Science and Technology, Department of Biotechnology, Council of Scientific and Industrial Research and Indian Council of Medical Research. Some collaborative programmes in the area of drug resistance have also been initiated with WHO. The Institute is likely to start all the major activities in 1999."

48. The Committee are glad to note that with the completion of basic infrastructure, NIPER has started some of the academic courses this year. The Committee would however, like the Government to ensure completion of remaining facilities, buildings etc. which are under construction at the earliest so that, as promised, the Institute becomes fully operational in all respect by 1999.

(Recommendation Sl. No. 12)

Major Head '2852'

G. Institute of Pesticides Formulation Technology (IPFT)

49. The Institute of Pesticides Formulation Technology at Gurgaon is a non profit making organisation. The objective of the Institute is to promote advancement of Pesticide Formulation Technology in India. The Institute aim to develop and promote safer, efficient, economic

and environment friendly pesticide formulation. Utilising indigenously available raw material. The Institute also has been assigned the role of Technical Coordinator Unit of the Regional Network on safe Pesticides Production and Information for Asia and the Pacific (RENPAF) , a programme of UNDP/ UNIDO on Pesticide Formulation and Quality Control.

50. For IPFT like previous year, a provision of Rs. 1 crore has been made in the Demands of the Deptt. for 1998-99. The Committee were informed in 1995 that Institute intended to be self-sustaining in the coming years. The year-wise earnings for the last three years are given below:-

Years	Earnings (Rs. in lakhs)
1995-96	24.33
1996-97	26.57
1997-98	30.49

51. When the Committee wanted to know that whether these earnings were sufficient to meet the total expenditure of the Institute. The Department has stated in a note:-

“It may be noted that although the earnings are increasing steadily, these are not sufficient to meet the total expenditure. In order to mitigate the situation, the IPFT is pursuing a proposal with the Govt. to create a Corpus Fund of at least Rs. 3 crores in line with that of the Indian Institute of Technology.

Incidentally it may be mentioned that the eco-friendly pesticide formulation technologies are fast changing for the better and to keep pace with these developments, the upgradation of the laboratory is inevitable. Therefore, besides the recurring costs there would be a continuous need of capital investment for replacing old equipment and procuring state-of-the-art equipments.”

52. In the context of earlier recommendations of the Committee, the Committee asked about present staff strength and the independent staff cadre of IPFT, the Department stated in a written reply as follows:-

“The present staff comprises of broadly four category:—

1. 13 employees recruited by the HIL for the IPFT.

2. 14 employees of HIL working on full time for IPFT.
3. 10 employees of HIL in respect of whom 50% cost is being paid to the HIL against their services.
4. 4 employees directly recruited by IPFT.

In order to create an independent staff cadre, a Committee was constituted by the management of the IPFT. Based on the recommendations of this Committee offers were made to the HIL employees for absorption in the IPFT. Since the HIL employees are on industrial pattern of DA and the offers were based on the 4th Pay Commission recommendations of the Central Government, each employee was put to significant financial losses and they declined to opt for the services of the IPFT. This matter was considered by the Governing Body of the Institute and taking into account the large investment made on their training and the overall need of conserving the closely held technologies developed by these scientists/technical for the Institute, it was decided to workout a more attractive pay package adopting the 5th Pay Commission Recommendations and fringe benefits and to make a fresh offer to the employees of the HIL selected by the IPFT for creating its own cadre.

The Management of IPFT is in the final stage of preparing the pay package for the identified employees against the various posts created in the IPFT."

53. The Committee regret to note that as envisaged earlier, the earnings of the Institute are not very encouraging. An increase of Rs. 2 lakhs to Rs. 4 lakhs a year is nothing when inflation/ devaluation of rupee is taken into consideration. The Committee, therefore, desire that earnest efforts should be made to enhance the earnings of Institute. Needless to emphasise that for this purpose each year targets should be fixed and all out efforts should be made to achieve them.

(Recommendation Sl. No. 13)

54. The Committee also desire that all pending issues relating to the pay and independent cadre for IPFT should be settled early. They would like to know the conclusive action taken in the matter within 3 months of presentation of the Report in Parliament.

(Recommendation Sl. No. 14)

Major Head '2852'

H. National Pharmaceutical Pricing Authority (NPPA)

55. As part of the new Drug Policy announced in 1994, an independent body of experts has been set up which is responsible for price fixation/revision of drugs and formulations and other related matters. NPPA has started functioning and provision of Rs. 3.67 crore has been made in the budget for 1998-99 for meeting the administrative expenses of the Authority.

56. In response to the query of the Committee regarding the work already undertaken by NPPA and the assessment of the Minister in regard to working of new set-up. The Department has stated in a written reply as follows:—

“NPPA set up under Resolution of the Government notified in the Gazette of India Extraordinary on 29th August, 1997 is now functional. Necessary powers have been delegated to NPPA under DPCO, 1995 on 4th September, 1997.

Since it started functioning, the NPPA has fixed/ revised the prices of following seven bulk drugs.

- I. Mebhydroline Napadisylate
- II. Pheniramine Maleate
- III. Vitamin B1 HCL
- IV. Vitamin B2 Mononitrate
- V. Vitamin B-2-5 Phosphate
- VI. Metronidazole
- VII. Metronidazole Benzoate

In addition, prices of 412 formulations have been fixed/ revised. Of these, 231 cases are on *Suo-moto* basis while the remaining 181 cases are based on applications received from manufacturers.

With setting up of NPPA the process of price fixation/revision is progressing at a faster speed.

NPPA is also carrying out monitoring of production on monthly basis. Data have been processed for 96 bulk drugs upto March, 1998 and are being maintained by NPPA.

As the functions performed earlier by the BICP and the Deptt. of C & PC relating to drugs pricing and monitoring have been entrusted to the NPPA, the process of price fixation/revision has become more efficient."

57. On being asked about the reasons for increase in budget of the Authority from Rs. 1.91 crore in 1997-98 to Rs. 3.67 crore in 1998-99, the Department submitted in a note as under:—

"The outlay proposed for the NPPA is not on the higher side. The budget outlay proposed for the NPPA is based on the following:

Since no Government accommodation was available for the office of NPPA, it had to hire office space at Jawahar Vyapar Bhawan belonging to STC. The expenditure on Rent, Rates and Taxes was Rs. 1.05 crores during 1997-98. The expenditure on this account in 1998-99 will be about Rs. 1.78 crores. However, a provision of only Rs. 1.20 crores has been made.

Further, as NPPA has been established with effect from 29th August, 1997, one time expenditure on furnishing the office, telephones, computers etc. has to be made over the years 1997-98 and 1998-99. Thus, the outlay for NPPA has been proposed after duly assessing the needs of this new organisation."

58. Asked as to what extent NPPA has reduced the work of administrative Ministry, the Department submitted in a note:-

"As per the Resolution of the Government establishing NPPA, the work relating to pharmaceutical pricing and enforcement of the DPCO, 1995 has been entrusted to NPPA. Further, monitoring of the availability, production, prices and imports of the drugs which was being done by Department of Chemicals and Petrochemicals earlier has also been included in the responsibilities entrusted to NPPA. This has reduced the work of the Administrative Ministry with corresponding transfer of posts from the Department to the Authority.

In addition, the work relating to cost-cum-techno-economic studies and the work relating to processing of form III and IV for fixation/ revision of the prices of formulations under DPCO, 1995 being done earlier by Bureau of Industrial Costs and Prices (BICP), Ministry of Industry has been transferred to NPPA."

Asked about the mode of price fixation being adopted by NPPA, the Secretary, C&P replied :—

"...the price control order specified how the price is to be calculated by allowing a return to the manufacturer. So the NPPA follows that formula. The prices are based on the techno-economic study and a return as per the law has to be allowed it....."

59. The Committee further pointed out that there was steep increase in prices of medicines and enquired as to how the Authority could ensure availability of medicines to the common man at affordable prices, the witness stated:—

"Under the DPCO of 1995, 74 bulk drugs are presently under price control; and formulations based on bulk drugs have also to be price controlled.

So, the list is based on the entire range of drugs which are produced in the country. More than 500 bulk drugs are now produced and marketed in the country. Out of these, 74 bulk drugs are under price control. Identification is based on the revised drug policy which was announced in Parliament. After NPPA came in, two changes have come in.

First is this. Earlier, the original price fixation used to be done by the Government, within the Department itself based on the techno-economic studies carried by the BICP. Today, it is the NPPA which is doing the techno-economic studies and also fixing the prices. Only the review comes to the Government. Since the NPPA has come in, they have fixed the prices of 412 formulations. In 216 cases, the prices were reduced. Roughly in 50 per cent. of the cases, the prices were brought down."

60. When the Committee enquired about the system of monitoring being done by the Authority to check the prices of drug formulations, Chairman, NPPA replied :—

“Monitoring is being done by the State Drug Controllers. Recently, I had called a meeting of all the six State Drug Controllers where production is there. I have discussed with them and had requested them to strengthen the monitoring mechanism. Now, on our part, we have started collected data from the Super Bazar and we have studied about 425 medicines. Out of this, there is no change in 14 cases. Prices have declined in 100 cases. In 179 cases the prices have gone up above zero and below 25 per cent. In 79 cases it has gone up from 25 per cent and below 50 per cent and in 53 cases, it is above 50 per cent rise. Out of these 53 cases, 15 drugs are controlled and 38 are decontrolled. We are further examining in respect of the decontrolled items. Now, we have also taken up the issue of IV fluids where the prices are ruling high. So, we have convened a meeting of both the manufacturers as well as the retailed chemists.”

61. The Committee further wanted to know the steps taken for greater control on prices of drugs so that these could be available to common man at affordable prices. The Secretary, C&PC stated:—

“This is a very ticklish issue. In bringing more and more drugs under price control, one has to strike a balance. if there are newer drugs, one has to see to what extent they are used here, whether there is adequate return or not, whether the drugs are so widely used for a price to be fixed or not and so on.”

62. The Committee note that the budget allocation for NPPA to meet its administrative expenditure has increased from Rs. 1.91 crore in 1997-98 to Rs. 3.67 crore (BE) during 1998-99. The Committee however, find that apart from the salary of officials of the Authority the main component is rent for the hired building for its office which is over Rs. 1 crore annually. The Committee would like the Government to find suitable space for NPPA office in Central Government complexes, so that the avoidable expenditure of recurring nature is minimised/ eliminated.

63. From the deposition of the Secretary, C&PC and Chairman, NPPA, the Committee got an impression that setting up of the Authority has really expedited the process of price fixation of the drugs/ formulations. Within a short span, the Authority is reported to have revised price of 412 formulations apart from 7 drugs. Even though out of 412 cases, prices are reported to have reduced in 216 cases, in Committee's view the prices for essential drugs/ medicines are still very high in the market and unaffordable to poor people. The Committee would expect from the Govt./ NPPA to keep a constant vigil on the market prices/ availability of essential drugs particularly for common man with a view to take timely and positive action in the matter so that essential medicines remain at affordable levels.

(Recommendation Sl. No. 16)

64. It also came out during evidence the Chairman, NPPA closely inter-act with State Drug Controllers in regard to quality and prices of drugs/medicines. In Committee's view, much progress can be achieved in this area through strengthening the system. The Committee, therefore, recommend that the Authority should call for monthly reports from each State (through Drug Controller) on prices, quality and availability of drugs and medicines. Based on the reports further inter-action and guidelines/directions should follow for taking corrective measures wherever necessary.

(Recommendation Sl. No. 17)

Major Head '4857/6857'

I. Investment and Loans to PSUs

65. The following table shows the amount given to sick PSUs under the Department:—

(Rs. in crores)

		Investment		Loan	
		Plan	Non-Plan	Plan	Non-Plan
1996-97	Actuals	6.00	-	6.00	39.90
1997-98	BE	9.90	-	8.65	24.00
	RE	9.90	-	8.65	56.97
	Actuals (Provisional)	14.10*	-	-	-
1998-99	BE	9.40	-	8.15	37.49

* Includes Plan Loan.

66. The five public sector units, namely, Indian Drugs & Pharmaceuticals Ltd. (IDPL), Hindustan Antibiotics Ltd. (HAL), Bengal Chemicals & Pharmaceuticals Ltd. (BCPL), Smith Stanistreet & Pharmaceuticals Ltd. (SSPL) and Bengal Immunity Ltd. (BIL) have all been in the red due to outmoded technology, excessive workforce, high overheads, weak marketing set ups, etc. All these units have been referred to BIFR and revival package approved by Govt. for BCPL, BIL and SSPL are under implementation. Latest position about these units is as under:—

Indian Drugs and
Pharmaceuticals Ltd.
(IDPL)

IDPL was declared sick and referred to BIFR in 1992. A revival package was approved in 1994. The operations of IDPL could not reach the targetted levels in 1994-95. It was decided to revise the revival plan. The revival package has, however, not been revised/ finalised/ approved so far. In the meantime production activities of IDPL has been discontinued w.e.f. Oct. 1996. Since the future of IDPL is uncertain, only a token provision of Rs. 5.00 lakhs has been made as plan investment for IDPL for 1998-99. A provision of non-plan loan of Rs. 34.49 crores has also been made for IDPL for 1998-99 primarily to pay salaries etc. to the employees.

Petrofils Cooperative
Ltd. (PCL)

PCL has been incurring losses for the last 6-7 years. PCL submitted its revival package to Govt. in June, 1996. However, it has been repeatedly sent to PCL for updating/revision. A provision of Rs. 2.00 crores has been kept in the 'Demand' for meeting the essential capital expenditure on renewals and replacement, utilities etc.

Hindustan Antibiotics
Ltd. (HAL)

It was referred to BIFR in March, 1997. Rehabilitation proposals prepared by HAL were submitted to operating

agency in June 1997. The Operating Agency is preparing a rehabilitation scheme for the company which is in the advance stage of finalisation. A provision of Rs. 3.00 crores has been made for providing plan assistance for meeting essential expenditure on renewals and replacements of utilities.

Hindustan Insecticides Ltd. (HIL)

An annual plan outlay of Rs. 8.50 crores has been made which will be met mainly through budgetary support (Rs. 7.50 crores) and balance through internal generation of resources.

Bengal Immunity Ltd. (BIL) & Smith Stanistreet Pharmaceuticals Ltd. (SSPL)

Revival packages of these units were put in operations in 1994-95. Rs. 1.00 crore has been provided to each PSU to meet their capital requirements for renewals and replacements necessary modifications etc.

Bengal Chemicals and Pharmaceuticals Ltd. (BCPL)

Revival package of BCPL was put into operation in 1994-95. A provision of Rs. 10 crores has been made for the year 1998-99 which will be met through budgetary support of Rs. 3.00 crores and balance through internal resources and contributions.

Revival of IDPL

67. During the course of examination the Committee pointed out that IDPL was declared sick and referred to BIFR as far as back as 1992. The revival package approved earlier was abandoned in 1995-96. Enquired about the latest position in regard to finalisation of the revised revival package of IDPL. The Department in a detailed note stated as follows:—

“ IDPL was referred to the BIFR in May, 1992. It was formally declared sick on 12.8.1992. A revival package, prepared by the

IDPL Management, vetted by the Industrial Development Bank of India (IDBI), Mumbai, was approved by the BIFR on 10.2.1994. The package was approved as an agreed package in terms of Section 17(2) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985). IDPL could not achieve the targeted levels of production, sales and profitability in the year 1994-95, the first year of the revival operations. The Plan and Non-plan assistance amounting to Rs. 119.94 crore as envisaged in the revival plan, was provided by the Government. Consequently, the company suggested the modifications in the package. The Government, therefore, decided to approach the BIFR for the techno-economic analysis of the modifications proposed before any commitment about additional financial assistance was given. The BIFR, on the basis of the performance reports of IDPL upto September, 1995 and the stand of the Government with regard to the modifications proposed, passed orders under Section 17(3) of the SICA, 1985 appointing the IDBI, Mumbai as the Operating Agency for a techno-economic viability study for long term rehabilitation measures for IDPL. The report of the Operating agency indicated that it would not be possible to prepare a viable and acceptable rehabilitation plan for IDPL. Accordingly, the Ministry placed a note before the Cabinet for a decision. The Cabinet in a meeting held on 17.5.1997 decided to constitute a Group of Ministers (GOM) to look into the matter. The GOM on 21.5.1997 directed the Ministry to consider the proposal prepared by the workers and the management of the company. This was examined and the GOM considered the matter again on 28.5.1997. In the meeting held on 8.8.1997 the GOM directed that the IDPL management should be advised again to rework the rehabilitation proposal, clearly establishing the unit-wise viability. The IDPL was advised accordingly and the management in coordination with the workers prepared a revised proposal. The proposal was submitted to the Government on 24.10.1997. a Note for the Group of Ministers was sent to the Cabinet Secretariat on 19.12.1997. The Cabinet Secretariat on 24.12.1997 advised that the note should be circulated to the concerned Ministries/ Departments and their comments incorporated in the body of Note. The Note was accordingly circulated to various Ministries/ Departments.

The revival package submitted by IDPL with a cut off date of 31.12.1997 was received by the department on 24.10.1997. Before

the process of Inter-Ministerial consultation could be completed there was a change of Government. After the assumption of office by the New Government in March, 1998 the proposal was required to be examined afresh and updated. Accordingly, on 1.6.1998, IDPL has sent a new revival package with the cut off date as 30.9.1998. This is under examination of the Government. After completing the process of Inter-Ministerial discussions, rehabilitation package would be submitted to the Cabinet for its consideration and decision. As the whole process involves consultation/ concurrence with various Ministries/ Departments and other Agencies of the Government, no target in terms of time limit can be set for the revival of IDPL."

68. Asked further as to how inspite of repeated recommendations of the Committee made during the last four years, the Government has not been able to finalise the revised package for IDPL, the Secretary P&C stated that the Deptt. had always given due further he stated:-

"Earlier, a package had come. Before the Government could decide, unfortunately, there was a change of Government. Therefore, we had to work out the package once again. The latest package has come. It is being examined. I think, some decision will be taken shortly.

Basically, what the IDPL management has proposed is a cash inflow of about Rs. 650 crores by the Government plus other sacrifices from Government and others. If you take into account the sacrifices, cash inflows, sacrifices of financial institutions, sundry debtors, it comes to about Rs. 2000 crore. The Cabinet will take a decision. We will be going to the Cabinet shortly."

69. The Committee are deeply anguished over the fact that inspite of repeated recommendations of the Committee (in various reports submitted during last 4 years), the Government has not come with any concrete revival plan for IDPL so far. The Committee feel that the Government has not shown the desired seriousness to bring IDPL out of red. IDPL which was incorporated with the primary objective of creating self-sufficiency in essential/ life saving drugs and medicines has reached to the stage where the operations in the main units have come to a stop since October, 1996.

70. The Committee are also not happy with the Ministry's explanation that the process was delayed due to change in the Govt. In Committee's view this factor should not have hampered the early finalisation of revival package of IDPL.

(Recommendation Sl. No. 18, Para Nos. 69 & 70)

71. The Committee have now been informed that IDPL has sent a new revival package with the cut off date as 30.9.1998. The package is lying with Government. The matter is reportedly being put up for Cabinet approval shortly. The Committee strongly recommend that in view of importance of IDPL for public health/ common man the Government should finalise and approve a reasonable revival package of IDPL without any further loss of time. In Committee's view the Government should start and continue some 'holding on' operations so that plant and machines/ equipments remain in working condition.

(Recommendation Sl. No. 19)

Revival of Petrofils Cooperative Ltd. (PCL)

72. Petrofils Cooperative Ltd. (PCL) has been incurring losses since 1994-95. The Committee pointed out that the revival plan of PCL which was initially submitted in June, 1996 was repeatedly being sent to PCL for updation etc. Due to this exercise there was no development in approval of revival plan till date. Asked about the reasons for taking undue long time in finalising the revival plan of PCL, the Department stated in a written reply as under:—

"The proposal initially submitted by PCL was mainly for seeking financial restructuring. The proposal was examined and sent to the Financial Institutions who had in the past extended term loans and other loans to PCL for their reaction/ views. On receipt of the comments of IDBI, Petrofils Cooperative Limited revised the proposal and referred to IDBI and the consortium of bankers. On receipt of the comments of IDBI and the consortium of Banker, PCL submitted the same to the Government in the last week of January, 1998. IDBI has proposed that it would like a One Time Settlement (OTS) of its overdues on account of term loan and other finance given to the Society. As the proposal of PCL did not contain any specific approach towards the revival

operations and consultation with the workers had also not been undertaken with reference to the sacrifices and support that would be required from the employees. PCL was advised to consult the Workers' Unions and also indicate whether it would prefer the One Time Settlement or avail the reliefs and concessions that would be admissible in terms of the guidelines of the Reserve Bank of India. PCL has in May, 1998, informed that it would prefer to have OTS of the dues of the IDBI, the bankers and other lenders. However, there is no indication as to how the working capital requirements would be financed if the One Time Settlement with Banks is made. According to the existing banking practices no scheduled commercial bank would finance the working capital requirements of an organisations which has availed a OTS. The expectations of the society that after the one time settlement the entire working capital requirements would be funded by the Government, are unrealistic. These aspects as also the uncertain areas of the approach towards a techno-economically viable and acceptable revival package have therefore been discussed with the present management of PCL. As the revival of the Multi-State Cooperative Society PCL is dependent on the financial support of all the shareholders, *i.e.* the Government, National Cooperative Development Corporation and the 1450 member Co-operative Societies and their willingness to contribute requisite funds for the revival of the Society, the revival plan is proposed to be finalised in consultation with all concerned, namely the shareholders, management, employees and the Bankers at the earliest."

73. Enquired further about the steps being taken by the Government to improve the financial position/ performance of PCL, the Department stated as follows:—

"To improve the operations and performance of PCL, the Government has agreed and undertaken to provide Central Government Guarantee for a sum of Rs. 10 crore on account of *ad-hoc* working capital requirements of the Society. Out of Rs. 10 crore guarantee agreed to by the Government, the Society has already been able to mobilise a sum of Rs. 2.55 crore of additional working capital from the State Bank of India/ Bank of Baroda and Dena Bank. The possibilities of obtaining further working capital facilities against Government guarantee are being explored by the management of PCL. A Voluntary Retirement

Scheme (VRS) has been introduced in the Society. The Government provided a sum of Rs. 2.87 crore in March, 1998 for meeting the cost of the scheme and 102 employees availed the VRS in March, 1998.

In 1997-98, the Government also provided a sum of Rs. 2 crore as equity to the Society to enable it to finance essential capital expenditure on repairs, renewals. The Society has made a long-term arrangement for utilisation of the Spandex plant of the Society at Naldhari. These measures are reflected in the performance of PCL in 1997-98. The total production was 20,559 tonnes and sales were 20,677 tonnes 'as against 10,711 tonnes of production and 11,694 tonnes of sales of the year 1996-97. As against the operating loss of Rs. 26.24 crore of 1996-97, the Society registered an operating profit of Rs. 8.31 crore in 1997-98."

74. In reply to a further query as to provisions of Rs. 2 crore would be sufficient to continue PCL operation smoothly, the Department stated:—

"The provision of Rs. 2 crore in the Budget for 1998-99 is for the purpose of meeting the essential capital expenditure on renewals, replacements, utilities, etc. this amount is in accordance with the requirement of funds projected by the Society for the purpose."

75. The Committee are concerned to note that the Government has unduly delayed the finalisation of revival package of PCL. Sending of revival plan of PCL repeatedly for updating / incorporating one point or another does not show the seriousness on the part of the Government. The Committee emphasise the need of an early finalisation of proposal submitted by PCL. Since Govt. owns majority shares, the responsibility of revival of PCL should not be shifted to all shareholders. The Committee once again urge upon the Government to understand the seriousness of matter and take the concrete steps in finalisation of revival package in consultation with all concerned within month's time.

(Recommendation Sl. No. 20)

76. The Committee are happy to note that PCL has shown an improvement in production in 1997-98. The production and sales has been almost doubled during the last one year which shows that

PCL has the ability to improve . In view of PCL's performance, the Committee feel that Government must provide all possible support and encouragement to PCL so that it may achieve new heights and come out of red.

(Recommendation Sl. No. 21)

Revival of BCPL, BIL, SSPL and HAL

77. Asked about the latest position and targets for revival of other sick units which are under revival, the Department in a note stated that BCPL has achieved a consistence growth of amount 20% in the year 1994-95 to 1997-98. The net losses per annum has come down significantly. The Company is on the the path of recovery and progressing according to BIFR sanctioned plan. The performance of BIL and SSPL has fallen short of the targets. BIFR took a view of the progress in the implementation of the sanctioned revival package. Both the companies have been issued some directions from BIFR to follow. The study reports prepared as per directions of BIFR are being examined by the Government IDBI is preparing a rehabilitation scheme of HAL, which was declared sick in 1997.

78. When the Committee wanted to know about the latest position of SSPL and the reasons for allocating small funds for 9th Plan period for Department explained in a written reply as follows:—

“In so far as SSPL is concerned, the report of the Operating Agency indicate that the SSPL is a non viable company and even unprecedented levels of support and sacrifices from the Promoters would not be enough for a techno-economically viable Revival Package. The budgetary support for Ninth Plan has been fixed at Rs 6 crores. This allocation of funds, however, will undergo changes depending upon the decision of the Government about the future of the company.”

79. When the Committee wanted to know about the reasons for providing a small amount for BIL for the 9th Five Year plan period, the Department explained the position as follows:—

“As regards BIL, the company projected the requirement of funds on the basis of the perspective plan submitted by the company to BIFR in June, 1997. The United Bank of India, the monitoring agency has not yet submitted its comments/observations on the

perspective plan of BIL. The performance of BIL has been far below the targets since 1994-95. The indications are that the company would not be able to make a turn around. In these circumstances and pending a view on the future of the company an outlay of Rs. 6 crores has been provided in the draft 9th Plan period as budgetary support."

80. The Committee are at all not happy about the performance of sick PSUs under the administrative control of Deptt. viz. HAL, BIL, SSPL and BCPL. A meagre budgetary support is being provided by the Government to these PSUs. The Committee also regret to note the change in stand of Government as intimated to them in March, 1998 and as of now regarding the viability of SSPL and BIL particularly. As emphasised by the Committee in their earlier Reports, the Committee once again strongly recommend that Government should make sincere efforts to make these units viable and till a final decision is taken 'holding on' operations should continue so that revival potential of these units is not jeopardised.

(Recommendation Sl. No. 22)

81. The Committee also urge upon the Government to continue to monitor the performance of these PSUs through various periodical reports received by the Department as also through the mechanism of Quarterly Performance Review Meetings and through Government nominees on the Board of these PSUs.

(Recommendation Sl. No. 23)

NEW DELHI;
July 7, 1998
 Asadha 16, 1920 (Saka)

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

APPENDIX I

Statement showing the Actual Revenue and Capital Expenditure for the year 1996-97, Budget Estimates, Revised Estimates and actuals for 1997-98 and Budget Estimates

REVENUE SECTION

S.No.	Major Head/ Detailed Head	Plan Non-Plan	1996-97		1997-98		1998-99	
			Actuals	BE	RE	Actuals (Prov.)	BE	
								4
1	2	3	4	5	6	7	8	
1.	3451	Secretariat/ Economic Services	—	—	—	—	—	—
		Non-Plan	3.26	3.69	4.37	4.13	4.68	
2.	Bhopal Gas Leak Disaster (Processing of Claims Act, 1985)	Plan	66.96	150.59	48.33	30.85	60.00	
		Non-Plan	—	—	—	—	—	
3.	2852	Central Institute of Plastics Engineering & Training	3.90	3.25	9.75	9.75	4.75	
		Non-Plan	2.50	4.40	4.00	4.40	4.00	

1	2	3	4	5	6	7	8	
4.	2852	National Instt. of Pharmaceutical Education & Research	Plan	1.00	14.00	14.00	14.00	14.00
			Non-Plan	—	—	—	—	—
5.	2852	Institute of Pesticides Formulation Technology (IPFT)	Plan	1.00	1.00	0.50	0.95	1.00
			Non-Plan	—	—	—	—	—
6.	2852	Regional Network on Pesticides for Asia & Pacific (RENPAF)	Plan	0.05	0.05	0.05	0.05	0.05
			Non-Plan	—	—	—	—	—
7.	2852	Chemical Weapons Convention	Plan	—	0.50	—	—	—
			Non-Plan	0.23	0.50	0.20	0.31	0.28
8.	2852	National Pharmaceutical Pricing Authority (NPPA)	Plan	—	—	—	—	—
			Non-Plan	—	1.91	1.90	2.04	3.67
9.	2852	Assam Gas Cracker	Plan	—	—	—	—	—
			Non-Plan	—	75.00	—	—	25.00

1	2	3	4	5	6	7	8
10.	2852	VRS in PSUs					
		Plan	—	—	2.50	2.0	1.65
		Non-Plan	—	—	—	—	—
11.	2852	Other schemes					
		PEPS, PPDA, PRDP,	—	0.65	0.65	0.04	0.65
		CPDS	—	0.10	0.10	0.04	0.10
Total Revenue			79.50	255.64	86.35	68.56	119.83
Capital Section							
1.	4857	Investment in PSUs					
		Plan	6.00	9.90	9.90	14.10*	9.40
		Non-Plan	—	—	—	—	—
2.	6857	Loans to PSUs					
		Plan	6.00	8.65	8.65	—	8.15
		Non-Plan	39.90	24.00	56.97	56.97	37.49
Capital Total			51.90	42.55	75.52	71.07	55.04
Grand Total			131.40	298.19	161.87	139.63	174.87

* includes plan loan.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1998-99)

Second Sitting
22.6.98

The Committee sat from 11.00 hrs. to 13.30 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Vallabh Bhai Kathiria
3. Shri Ashok Argal
4. Shri V. Dhananjaya Kumar
5. Shri Devibux Singh
6. Dr. Ramesh Chand Tomar
7. Dr. Ravi Mallu
8. Shri Paban Singh Ghatowar
9. Shri Krishan Datt Sultanpuri
10. Shri Nepal Chandra Das
11. Shri Narendra Budania
12. Dr. Asim Bala
13. Shri Raja Paramasivam
14. Dr. C. Suguna Kumari
15. Shri Arjun Charan Sethi
16. Shri Prem Singh Chandumajra
17. Shri C. Kuppusami

Rajya Sabha

18. Shri Radhakishan Malaviya
19. Shri Anantha Sethi
20. Smt. Malti Sharma
21. Shri Ram Nath Kovind
22. Shri Dipankar Mukherjee
23. Dr. Y. Lakshmi Prasad
24. Shri Dara Singh Chauhan

SECRETARIAT

- | | | |
|-------------------------------|---|-----------------------------|
| 1. Shri J.P. Ratnesh | — | <i>Additional Secretary</i> |
| 2. Shri Brahm Dutt | — | <i>Under Secretary</i> |
| 3. Smt. Abha Singh Yaduvanshi | — | <i>Assistant Director</i> |

Representatives of Deptt. of Chemicals & Petrochemicals

- | | | |
|------------------------------|---|------------------------|
| 1. Shri Dipak Chatterjee | — | Secretary (C&PC) |
| 2. Shri K. Kosal Ram | — | Chairman (NPPA) |
| 3. Shri S.K. Sood | — | Joint Secretary (PI) |
| 4. Shri Shantanu Consul | — | Joint Secretary (O) |
| 5. Shri S. Kabilan | — | JS & FA |
| 6. Smt. Ananya Ray | — | Director (PI) |
| 7. Shri O.P. Saini | — | Director (CDN) |
| 8. Shri S.K. Sharma | — | Director (Finance) |
| 9. Shri Sanjeev Saran | — | Director (CWC) |
| 10. Shri Nandan Singh Samant | — | Dy. Secretary (PC) |
| 11. Shri D.S. Saggi | — | Dy. Secretary (PI) |
| 12. Shri B. Balagopal | — | Dy. Secretary (Bhopal) |
| 13. Shri Sanjeev Kumar | — | Controller of Accounts |
| 14. Shri B.B. Kaura | — | Joint Director (PSUs) |

- | | | |
|-----------------------------|---|-----------------|
| 15. Shri K.G. Ramanathan | — | C&MD, IPCL |
| 16. Maj. Gen. V.K. Sareen | — | C&MD, IDPL |
| 17. Shri M.C. Abraham | — | C&MD, HAL |
| 18. Shri Rajendra Mohan | — | C&MD, HIL |
| 19. Smt. Reena Ramachandran | — | C&MD, HOCL |
| 20. Dr. C.L. Kaul | — | Director, NIPER |
| 21. Shri C. Bhattacharya | — | CMD, IPCL |

The Committee took oral evidence of the representatives of Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals in connection with examination of Demands for Grants the Deptt. of Chemicals & Petrochemicals for the year 1998-99.

2. The main issues which came up for discussion included the Central Institute of Plastic Engineering & Technology (CIPET), Assam Gas Cracker Project, Bhopal Gas Disaster, National Pharmaceutical Pricing Authority (NPPA) and Revival of IDPL.

3. In the context of implementation of Assam Gas Cracker Project, the Committee decided to have a joint meeting at some later date with representatives of Deptt. of Chemicals and Petro-chemicals, Ministry of Petroleum and Natural Gas, GAIL, OIL and Govt. of Assam to review the progress in regard to pending issues.

4. The Committee also sought detailed notes on progress of all Centres of CIPET, including the completion schedule, receipt of funds from other sources for victims of Bhopal Gas Disaster, reservation of posts for various categories in NIPER, List of essential drugs under price control and revival of IDPL and other PSUs under Deptt. of Chemicals & Petrochemicals.

5. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

APPENDIX III

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS

Fifth Sitting
02.07.1998

The Committee sat from 1200 hrs. to 1230 hrs.

PRESENT

Dr. Balram Jakhar — *Chairman*

MEMBERS

Lok Sabha

2. Dr. Vallabh Bhai Kathiria
3. Shri Ashok Chhabiram
4. Shri V. Dhananjaya Kumar
5. Shri Ganga Charan
6. Shri Devibux Singh
7. Dr. Ramesh Chand Tomar
8. Shri Tejveer Singh
9. Dr. Mallu Ravi
10. Shri Paban Singh Ghatowar
11. Shri Krishan Dutt Sultanpuri
12. Shri Gurudas Kamat
13. Shri Nepal Chandra Das
14. Shri Narendra Budania
15. Dr. Asim Bala
16. Shri Balram Singh Yadav

17. Shri Pitambar Paswan
18. Shri Prabhunath Singh
19. Dr. C. Suguna Kumari
20. Shri Arjun Charan Sethi
21. Shri Mohan Vishnu Rawale
22. Shri C. Kuppusami
23. Smt. Kailasho Devi

Rajya Sabha

24. Prof. Naunihal Singh
25. Shri Ram Nath Kovind
26. Shri Dipankar Mukherjee
27. Shri Dara Singh Chauhan
28. Shri Joyanta Roy
29. Shri Parag Chaliha

SECRETARIAT

- | | |
|-------------------------------|-------------------------------|
| 1. Shri J.P. Ratnesh | — <i>Additional Secretary</i> |
| 2. Shri Brahm Dutt | — <i>Under Secretary</i> |
| 3. Smt. Abha Singh Yaduvanshi | — <i>Asstt. Director</i> |

**	**	**	**
**	**	**	**

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

(i) ** ** ** **

(ii) 5th Report on 'Demands for Grants of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals and Petrochemicals for the year 1998-99'.

(iii) ** ** ** **

3. The Committee also authorised the Chairman to finalise the Reports after factual verification by the concerned Ministries/ Departments and present the same to the Parliament in the current Session.

4. The Committee placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee. In particular, the Chairman as also the Members commended the Secretariat for the quality of drafting of Reports within a very short span of time.

5.	**	**	**	**
6.	**	**	**	**
7.	**	**	**	**
8.	**	**	**	**
9.	**	**	**	**

The Committee then adjourned.