

ESTIMATES COMMITTEE

(1973-74)

(FIFTH LOK SABHA)

FORTY-FIFTH REPORT

MINISTRY OF PETROLEUM AND CHEMICALS

(DEPARTMENT OF CHEMICALS)

**Action taken by Government on the recommendations
contained in the Fortieth Report of the Estimates
Committee (Fifth Lok Sabha) on the Ministry
of Petroleum and Chemicals (Department
of Chemicals) — Fertilizers.**



LOK SABHA SECRETARIAT
NEW DELHI

December, 1973/Agrahayana, 1895 (Saka)

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(1973-74)

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(ESTIMATES COMMITTEE)

1973-74

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14. Shri R. K. Sinha

*Elected with effect from 29th November, 1973 *vice* Shrimati Jyotsma Chanda died.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Forty-fifth Report of the Estimates Committee on action taken by Government on the recommendations contained in the Fortieth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Petroleum and Chemicals (Department of Chemicals)—Fertilisers.

2. The Fortieth Report of the Estimates Committee was presented to the Lok Sabha on the 27th April, 1973. Government have furnished their replies indicating action taken or proposed to be taken on the recommendations contained in that Report on the 22nd October and 16th November, 1973. The replies were examined by Study Group 'E' of the Estimates Committee (1973-74) at their sitting held on the 3rd December, 1973.

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

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

I. Report.

II. Recommendations which have been accepted by Government

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

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

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

5. An analysis of the action taken by Government on the recommendations contained in the Fortieth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix. It would be observed therefrom that out of 45 recommendations made in the Report, 28 i.e. 62 per cent have been accepted by the Government; the Committee do not desire to pursue 15 recommendations, i.e. 34 per cent, in view of the Government's replies; in respect of one recommendation, i.e. 2 per cent, the reply of the Government has not been accepted; and in respect of one recommendation, i.e. 2 per cent, the final reply of the Government is still awaited.

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

NEW DELHI;
December 27, 1973

Pousa 6, 1895 (S).

CHAPTER I

REPORT

The Estimates Committee note that about 62 per cent of the recommendations contained in their 40th Report on the Ministry of Petroleum and Chemicals (Department of Chemicals)—Fertilisers have been accepted by Government. Further, in respect of about 34 per cent of the recommendations the Committee do not desire to pursue the matter in view of Government's replies. The Committee would, however, emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, like the Government to keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement the recommendations for any reason, the matter should be reported to the Committee with reasons for non-implementation.

2. The Committee further observe that in respect of one recommendation, which has been included in Chapter V, final reply of the Government is still awaited. They desire that final reply to this recommendation and further information where called for in respect of recommendations included in Chapter II may be intimated to the Committee expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sr. No. 4, Para No. 1.23)

The Committee are averse to the *ad hoc* manner in which the fertilizer capacity and production targets were fixed for the Fourth Plan period by the Planning Commission and the Ministry of Petroleum and Chemicals. They are also surprised at the leisurely manner in which the public sector projects were identified and finalised even through the Fourth Plan envisaged their implementation within the Plan period. They also feel that the capital intensive, long gestation and low profitable nature of the fertiliser industry was a sufficient warning for the Government that the private sector may not have an impressive role to play in this field; yet, Government had not taken up in advance preparation for a maximum effort in the public sector to achieve the targetted capacity.

Reply of Government

The Committee's observations have been noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 16-11-73].

Recommendation (Sr. No. 6, Para No. 1.35)

The Committee find that the targets of capacity and production projected for inclusion in the Fifth Plan are too ambitious as they envisage a five fold increase in the achievements made in the Fourth Plan. They feel that such a massive programme is impossible of attainment except on the basis of a "Crash Programme" to be earnestly implemented. Apart from the massive resources to the extent of Rs. 1500 crores including the foreign exchange component of Rs. 650 crores which will have to be committed to implement the programme, the norms and procedure for clearance of projects and the principles on which import of technical know-how and equipment is allowed, will have to be reoriented and the implementation machinery properly organised and geared up to work on a "Crash" basis to achieve the task assigned. All this, the Committee feel, need a very careful planning on the part of the Ministry of Petroleum and Chemicals.

Reply of Government

Although Approach Document for the Fifth Plan indicated a production target of 39.12 lakhs of nitrogen and 11.74 lakhs tonnes of phosphates by 1978-79, final view in regard to the targets is yet to be taken. Government have, however, decided in principle, the setting up of 5 fertilizer plants at Bhatinda, Panipat, Mathura, Trombay and Paradeep in the public sector during the Fifth Plan period and action has also been initiated for their speedy implementation.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 16-11-73].

Recommendation (Sr. No. 8, Para No. 2.11)

Government are in the process of formulating a massive crash programme for the production of fertilizers in the country during the Fifth Plan period involving an outlay of about Rs. 1500 crores. In the larger national interest of achieving self-reliance at the earliest, Government would like both the public and private sector to play their part in setting up additional production capacity.

Reply of Government

Accepted. The policy recommended is already being followed. As in the industry in the "Core Sector, even larger industrial houses are eligible to participate in the country's fertiliser programme."

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 11, Para No. 2.46)

The Committee note that Government have accepted the recommendations of the Feedstock Committee and Review Committee that in future the fertiliser plants would be based on fuel oil and that, to set off the higher cost of production of fertilizers involved in the process, the excise duty and certain other charges built into the price of fuel oil, when used as feedstock for the manufacture of fertilisers, have recently been waived. The Committee urge that other measures to bring the economy of fuel oil based plants at par with those based on Naphtha, which are under examination of Government, should be decided upon and announced soon so that a complete picture is available to the general public for taking investment decision.

Reply of Government

The Recommendation of the Committee has been noted and necessary announcement will be made as soon as decisions are taken of granting further concessions to fuel oil|heavy stock based fertilizer plants. Attention is also invited to the reply given to Recommendation No. 10.

[Min. of P&C O.M. No. 20(15)/73-Ferts.-IV dated 16-11-1973].

Recommendation (Sr. No. 13, Para No. 2.48)

As coal is abundantly available in the country, fertilizer Plant based on coal as feedstock, would appear to be most suitable feedstock from the point of view of self-reliance. The Committee note that three of the plants under construction are already based on coal and further expansion of these plants as also setting up new plants based on coal as feedstock would depend upon the success of these plants. The Committee recommend that while planning for additional capacity for the production of fertilisers during the Fifth Plan period, Government should place greater reliance on coal as feedstock subject, of course, to the existing experiment being successful.

Reply of Government

Noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 17, Para No. 2.61)

In one case the Committee have observed that the main cause for the delay in taking a final decision on the proposal to set up a fertilizer unit has been the repeated shifts in the policy of the Government in regard to import of intermediates and feedstock for the Plant. The Committee recommend that after a letter of intent has been issued to a party, Government should avoid, as far as possible changes in the basic features of the Plant approved by them as it involves reappraisals of the economic viability of the Plant leading to further delays.

Reply of Government

Noted.

2. Save in exceptional circumstances or unless the wider interests of the national economy so warrant, no changes are made in the basic features of a project, after the issue of letters of intent.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-73].

Recommendation (Sr. No. 18, Para No. 2.62)

In an earlier section of this Report, the Committee have stressed the need for evolving a long term and stable feed-stock policy for manufacture of fertilisers. The Committee recommend that this policy should be widely publicised so as to remove all ambiguities and uncertainties in this regard.

Reply of Government

While accepting this recommendation, Government wish to point out that the industry in general, and prospective entrepreneurs in particular, have been made sufficiently aware, both during discussions and in correspondence, that, in the context of the present acute shortage of naphtha, which presently happens to be the most preferred feedstock, we have to move over to other feedstocks like fuel oil, heavy petroleum fractions, etc. The industry is also appreciative of the background against which a shift away from naphtha has become necessary and, judging from the number of applications received for creation of additional capacity, it could be said that the response to the diversification of the feedstock is quite encouraging.

[Min. of P&C O.M| No. 20(15)/73-Ferts. IV dated 16-11-73].

Recommendation (Sr. No. 19, Para No. 2.63)

The Committee also recommend that the Ministry of Petroleum and Chemicals should set up a standing Task Force to watch the progress of a case from the stage of the issue of a letter of intent to the stage of the issue of the industrial licence the need for which has already been admitted by Government during evidence before the Committee.

Reply of Government

Government accept the Committee's recommendation in principle. It may, however, be pointed out that a Project Cell consisting of technical officers is already in existence in the Ministry of Petroleum and Chemicals and one of its functions is to watch the progress of cases from the stage of the issue of a letter of intent to the stage of the issue of the industrial licences.

[Min. of P&C O.M| No. 20(15)/73-Ferts. IV dated 16-11-73].

Recommendation (Sr. No. 20, Para 2.75)

The Committee are unhappy that considerable delays ranging from six months to three and a half years have taken place in the

commissioning of the fertilisers projects in the public sector leading *inter alia* to a sizeable escalation of cost of putting up the projects. While some part of the delay might have been due to reasons beyond the control of the project authorities, the Committee feel that atleast some part of it could have been avoided by a more effective coordination as between different agencies of the Government. Government have set up Coordination Committees for the Cochin and Durgapur Projects to review critically the progress of implementation of these projects at regular intervals. The Committee suggest that such Coordination Committees should be set up for each of the other projects under implementation.

Reply of Government

The recommendation made by the Committee is accepted.

[Min. of P&C O.M. No. 20 (15) | 73-Ferts. IV dated 16th November, 1973]

Recommendation (Sr. No. 22, Para No. 2.85)

The Committee observe that besides the power shortage and industrial relations which have generally affected the utilisation of all fertiliser plants, the Alwaye, Neyveli, Trombay and Sindri plants have been suffering from design, engineering and maintenance problems. In the case of Rourkela, the shortage of Coke Oven Gas has impaired production while in the case of Nangal, the production is low mainly because of short supply of power which is its basic feed stock.

Reply of Government

Several renovation, debottlenecking and modernisation programmes have been put through or are under implementation to improve the production performance of the plants in question. These are detailed below:—

Alwaye

- (a) Additional phosphoric acid reactor, thickener for gypsum and some other repairs have been completed.
- (b) Procurement of equipment like pump turbine for carbon dioxide removal system in the ammonia plant, installation of air blower dryer, absorber in the sulphuric acid plant rock grinding facilities etc. are in progress and are expected to be completed by 1974.

Neyveli

- (a) Installation of benexene absorbers and certain other modifications in the plant have already completed.
- (b) Modifications for effective improvement in the carbon dioxide removal and recovery system are also under implementation.
- (c) A phased repair and maintenance programme is under implementation in raw gas production section to be completed by 1974.
- (d) Efforts are being made to obtain the services of a German Expert for further studies to improve the production.
- (e) Studies on the possibility of using fuel oil in place of lignite have been completed and are presently under Governments consideration.

Trombay

- (a) Installation of an additional reformer for methanol production by 1974 to enable diversion of gas from the existing reformer of facilities for increased fertilizer production is in progress.
- (b) Debottlenecking of the NPK complex plant to increase capacity 210,000 tonnes to 330,000 tonnes per annum has been taken up.
- (c) Debottlenecking of the urea plant to marginally increase the production and improve the input requirements is also taken up.

Sindri

- (a) A phased programme of renovation and repairs of the refractories of the Coke Ovens, replacement of structurals, repairs to major pipelines and running machinery, generators of the semi-water gas plant etc., during the next 4 to 5 years is in progress.
- (b) Injection of naphtha in coke oven gas reformation plant to supplement the availability of synthesis gas for increased ammonia productions is already being carried out.
- (c) A rationalisation scheme, which would go into production during 1974 not only to produce phosphatics but also to replace the inadequate and poor quality gypsim from

Rajasthan with by-product gypsum from phosphoric acid plant is under implementation.

- (d) A long term programme of Modernisation of plant to be implemented by 1976 by replacement of the aged plants and process technology and switch over to the use of heavy stock as feedstock in place of coke and coke oven gas is being taken up.

Rourkela

- (a) A naphtha gasification unit to make available synthesis gas for 40 per cent production has been installed and is in operation.
- (b) Modifications for releasing coke oven gas by using naphtha as reformer fuel are expected to be completed in the next 3-4 months.
- (c) Further steps to increase the coke oven gas availability for fertilizer production by meeting the energy requirements in the steel plant with fuel oil instead of coke oven gas are in progress.
- (d) Construction of a new half coke oven battery by 1974 for gradual and effective renovation of the coke ovens is under way.
- (e) Work on installation of a new screw compressor for the coke oven gas has been taken up.
- (f) Proposals for putting up an additional naphtha reformer as a long solution to the problem is under examination.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation Sr. No. 23, Para No. 2 86

The Committee consider it is nothing short of tragic that at a time when the country requires more and more fertilizers in order to step up agricultural production to meet the requirements, the fertilizer plants in the public sector should not be able to produce as per their installed capacity. In the case of single superphosphate, the production was 39 per cent in 1970-71, and 36 per cent in 1971-72. In the case of phosphatic fertilizers, the production rose from 57 per cent in 1970-71 to 7 per cent in 1971-72, while in the case of nitrogenous fertilizers, it rose from 57 per cent to 61 per cent. During 1972-73, a slight improvement has been claimed during the first half of the year, but the final position is unlikely to be much

different particularly in view of the power cuts and industrial relations. The Committee see no reason why Government and the project authorities could not accelerate the pace of development. They would like Government to analyse, in detail, the reasons for which each of the plants in the public sector has not been able to achieve production according to its full rated capacity and to take concerted measures to achieve it by a date to be specified in this behalf. The Committee need hardly stress that in carrying out the analysis and the follow-up action, the best technical talent in the country should be utilised. The Committee would also suggest that the performance of each of these plants should be reviewed at a high level in the Government at least once in every quarter so that on-course remedial measures, as necessary can be taken to achieve maximum production at the earliest.

Reply of the Government

Government attaches the highest importance to maximising production in the fertilizer units, especially in the public sector fertilizer units. The capacity utilisation in the fertilizer plants has, therefore, been kept under constant review. Various measures have been taken and are being to improve the production performance of the units. The more important among them are the following:

- (1) Repairs and renovations of old sections and carrying out a rationalisation scheme in the Sindri factory;
- (2) Modification of certain sections of the Trombay Unit;
- (3) Arrangements for steady supply of power to the units;
- (4) Installation of supplementary naphtha gasification facilities to produce synthesis gas and initiation of steps to maximise coke oven gas supply to the fertilizer plants at Rourkela;
- (5) Modification in various sections of ammonia and urea plants at Neyveli;
- (6) Repairs and renovations in certain sections of the Alwaye unit.

2. The above measures have started yielding results but due to certain factors which are beyond the control of the units, such as power cuts and labour problems, the improvement in production has not been to the extent expected. Recently, Government have decided to set up a Team of Experts for evaluating the performance

of various public sector fertilizer units, identifying the factors inhibiting the fuller utilisation of capacity and suggesting measures needed to remove the inhibiting factors. The Team will also suggest measures to expedite commissioning of plants under construction in the public sector.

[Min. of P&C O.M. No. 20 (15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sr. No. 25, Para No. 3.20)

The Committee are extremely unhappy to note that in spite of the existence of a high level Fertilizer Purchase Committee, on which the various Departments and agencies of the Government concerned with imports of Fertilizers are represented, which is expected to coordinate imports of fertilizers to meet the domestic demand the plea advanced by the Ministry of Agriculture for the shortage of fertilizers during 1972 is that information of a likely shortfall in imports from East European countries was received by them too late. The Committee desire that the Fertilizer Purchase Committee should have a firmer grip on the import programme and with this object in view it should meet more often, preferably every month to assess the progress of the imports programme so that remedial action could be taken in time in case of a likely shortfall in the scheduled imports from any country. This also points to the need for improving the system of timely collection of market intelligence as to the international prices and production trends so as to regulate imports in the best interest of the country.

Reply of Government

The Fertilizer Purchase Committee is now meeting as often as required, sometimes several times in a month. The availability of fertilizers and the progress of supplies against the contracts placed are being reviewed by the Committee from time to time. For this purpose M.M.T.C. now furnishes a monthly report indicating the progress of deliveries etc., against the contracts concluded by them. The various Indian Embassies and Missions abroad have been requested to furnish monthly market intelligence reports in regard to the international prices and production trends in respect of fertilizers and these reports are being regularly received.

[Min. of P&C O.M. No. 20 (15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sr. No. 26, Para No. 3.21)

The Committee note that the Department of Economic Affairs have revised their procedure for allocation of foreign exchange for

import of fertilizers and that now the foreign exchange is being released on annual basis instead of on seasonal basis as hitherto. Regretting that the change in the procedure could be thought of only when a crisis developed during 1972, the Committee hope that from now the Ministry of Agriculture will have more below room to plan and negotiate imports on a long term basis and a repetition of the crisis of 1972 will not occur.

Reply of Government

Noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sr. No. 28, Para No. 3.53)

The problem of equitable distribution of fertilisers assumes great importance as it is well known that the supply is far from being regular and that the ordinary cultivator has great difficulty in getting the fertiliser of the requisite quality at the regulated price. The Committee understand that the Government have, under the circumstances, taken recourse to the Essential Commodities Act in order to regulate the distribution of fertilisers. It has, however, been represented to the Committee, particularly by the fertiliser industry in the private sector that the Government intervention has, to some extent, upset normal trade channel of distribution which they had built up over the years. The Committee would like Government to examine the difficulties being experienced by the fertiliser industry so as to resolve the genuine ones and elicit their whole-hearted co-operation and support in the matter of fair and equitable distribution of fertilisers so that these are made available in adequate quantities and in time to the peasant in the field.

Reply of Government

Orders under the Essential Commodities Act directing manufacturers to sell specified quantities in specified areas were issued for the first time in July, 1972. Recourse to the Essential Commodities Act was taken in order to ensure that avoidable cross movement of fertilisers does not take place and to ensure that the committed quantities are, in fact, sold by the manufacturers in certain areas. It is likely that in the case of certain manufacturers, their normal distribution system was slightly disturbed. Some manufacturers had brought this to the notice of the Government and in deserving cases adjustments have been made to accommodate them.

The supply plans from various manufacturers are drawn up before each crop season in the Zonal Conferences in which representatives of the State Governments and the manufacturers take part. In most cases the supply plans suggested by the manufacturers are accepted. Invariably the Essential Commodities Act compels a manufacturer to sell his products in his economic zone. It is heartening to note that the fertiliser industry has been giving complete co-operation in the implementation of the distribution plans chalked out by Government. The Government in turn have been helping the manufacturers whenever they have problems which threaten their production. In the case of a number of units Govt. have taken up their cases with the State Governments when power and water cut had been imposed and have succeeded to some extent in restoring both power and water supply ensure that production is not affected.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (S. No. 30, Para No. 3.55)

The Committee are glad at the assurance given to them by the Ministry of Railways that they have taken adequate measures to end the shortage of covered wagons for the fertiliser industry and that at present they are meeting the fertiliser traffic in full. They are also glad to note that although the movement of fertilisers not sponsored by the Central Fertiliser Pool is classified under category 'C', these are being moved on a higher priority basis and that the movement is being watched at the highest level.

Reply of Government

Noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 16-11-1973].

Recommendation (S. No. 31, Para No. 3.56)

"Since during the Fifth Plan period the movement of fertilisers would be on a much larger scale than during the Fourth Plan period, the Committee desire that the Ministry of Railways should, in consultation with the Ministries of Petroleum and Chemicals and Agriculture, work out realistically the transportation requirements for fertilizers during each year of the Fifth Plan period and from now on plan for their orderly movement so that there are no bottlenecks and the fertilizers reach the farmers as per plan."

Reply of Government

The recommendations of the Estimates Committee are accepted and all possible efforts would be made to guard against any bottlenecks for movement of fertilizers during the Fifth Five Year Plan.

2. In this context it is stated that under the aegis of the Planning Commission a Working Group on 'Freight Traffic' consisting of the representatives of the User Ministries was constituted to work out the freight traffic requirements during the Fifth Five Year Plan. This Working Group included a representative each of the Ministries of Petroleum & Chemicals and Agriculture. *The recommendations of the Working Group were considered by a Steering Group on Transport under the Chairmanship of Member in-charge of Transport in the Planning Commission.*

3. Against the actual movement of 5.22 million tonnes of fertilizers in 1971-72, the Ministry of Agriculture had forecast a movement of 16 million tonnes of fertilizers by 1978-79. Taking into account the present quantum of about 5 million tonnes of movement of fertilizers by rail, the *Steering Group* has tentatively anticipated rail transport requirements for fertilizers of about 15 million tonnes by 1978-79 (end of the Fifth Five Year Plan).

4. Based on the recommendations of the *Steering Group*, the Ministry of Railways have in their tentative draft Fifth Five Year Plan proposals provided for a movement of *about* 15 million tonnes of fertilisers by the end of the Fifth Five Year Plan. These proposals are under consideration in consultation with the Planning Commission. Necessary further action will be taken after the finalisation of the traffic targets for the Fifth Five Year Plan.

[Min. of P&C O.M. No. 20(15)/73-Ferts.-IV dated 22-10-1973].

Recommendation (Sl. No. 32, Para No. 3.57)

The Committee would also like to stress that the new fertiliser plants should be so located as to limit the transport of both raw materials and the end product to the minimum necessary. This would ensure not only development of industry on a decentralised basis but also avoid unnecessary burden being cast on the Railways for carriage of raw materials and fertilisers.

Reply of Government

Noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts.-IV dated 22-10-1973].

Recommendation (Sl. No. 35, Para No. 3.70)

The Committee attach highest importance to the fertilizer being used by the common peasant in the interest of increasing agricultural production and also improving his own lot. In this context, the Committee would like to point out that the Chief constraint at present felt by the ordinary peasant is lack of ready money to buy the fertiliser. The Committee recommend that cooperative agencies should be so developed as not only to make available the fertiliser of the requisite quality and in time to the peasant in the field but also afford him necessary financial accommodation so as to encourage him in the use of modern inputs in the larger national interest. Besides, the nationalised Banks and the State Banks Group can play a notable role in this field. The Committee desire that Government should take appropriate measures in this behalf and review the Credit System from time to time so as to realise the objective of helping the ordinary peasant to get the modern inputs in time at fair prices in the interests of larger agricultural production and strengthening of the weaker sections of society.

Reply of Government

The Group Loan System which has been adopted for provision of credit for financing current expenditure on the raising of various crops by the farmers, provides for credit being made available to farmers on the basis of requirements for the area cultivated and the crops grown or proposed to be grown by him.

Cultivators' requirements may be classified into two categories:

- (a) those for promoting certain decisions which can be primarily for cash and (b) those which can be disbursed in kind such as varieties of seeds, chemical fertilizers, pesticides etc. Scales of finance are fixed by the Central Co-operative Banks for each crop grown in the area and consist of two components, viz. "A" component representing expenses to be met primarily in cash and "B" component representing the requirements for inputs like fertilisers, pesticides etc. The crop loan rules provide that the 'B' component should be supplied only in kind to cultivators. There should not be any insistence on the lifting of component 'B' as a precondition for the drawal of component 'A'. Experience has shown that any threat of denial of credit in cash as a means of compelling a cultivator to use

fertilisers and other inputs drives the farmer away from the cooperative fold or encourages him to hold back the repayment of an earlier loan, thereby serving neither the interests of agricultural production nor of the Credit institutions. It is only through persuasion and actual demonstration by the agricultural extension agencies that the desired changes in agricultural practices can be brought about. Further, in such areas where cultivators have become increasingly fertiliser-conscious, no compulsion is needed for ensuring that the cultivators use the credit intended for modern inputs for that purpose.

2. Of late, the emphasis has been on conversion of primary agricultural credit societies into truly multi-purpose societies, undertaking, in an inter-grated way, all functions and services which a farmer wants. The establishment of Farmers' Service Societies, as suggested by the National Commission on Agriculture is also a step in this direction.

3. The problems in credit, covering also the requirements for fertilizers, are reviewed every year by the Reserve Bank of India with each State Government. These problems are also discussed at the Planning Commission at the time of annual plan discussions. Major problems are specially dealt with in the Conferences of Registrars of Cooperative Societies and State Ministers for Cooperation.

4. The performance of the nationalised banks and the State Bank of India Group in relation to agricultural advances including fertiliser credit is reviewed by the Government as also the Reserve Bank of India from time to time. The recommendations of the Committee would be further kept in view while conducting such periodical reviews in future.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-73]

Recommendation (Sl. No. 36, Para No. 3.71)

The Committee note that the production credit needs of the farmers and the credit needs of fertiliser distribution system in 1978-79 i.e., last year of the Fifth Plan, have been assessed as Rs. 1120 crores and Rs. 800 crores respectively. Since a major part of this credit would have to be met by the State Bank Group and the Nationalised Banks, the Committee hope that these Banks would build up adequate organisation in time to undertake the task envisaged for them during the Fifth Plan period.

Reply of Government

The State Bank of India Group and the nationalised banks have been endeavouring to build up adequate organisational structure to expand credit in the agricultural sector. The State Bank of India Group have already adopted the policy of area approach and have been setting up agricultural development branches which would deal exclusively with the agricultural credit. These branches are being equipped with the necessary technical and other supporting staff. In view of various measures undertaken for strengthening the organisational structure, the public sector banks would be better equipped to shoulder larger responsibilities in the field of agricultural credit during the Fifth Plan period.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 16-11-73]

Recommendation (Sl. No. 37, Para No. 3.72)

The Committee find that there has been a decline in the utilisation of indirect agricultural advances, a bulk of which is for fertiliser distribution. The Committee would like the Department of Banking to go into the causes for this decline and try to remove, as far as possible, such features of the existing system of indirect agricultural advances as have been hampering its fuller utilisation.

Reply of Government

Inadequate pick up in the flow of bank credit for fertiliser, distribution, was reviewed in a meeting convened by the Reserve Bank of India of the representatives of the Government of India, major public sector banks and leading fertiliser manufacturers/distributors on the 7th March, 1973. In the meeting it was explained that the main reasons for inadequate pick up of institutional credit for fertiliser distribution during the last few years were;

- (i) shortage of fertilisers in the country. On account of shortages, the distributors did not have to stock the fertilizers, possibly because of quick turnover of stocks.
- (ii) irregular supplies from the manufacturers of fertilizers as a result of shortages.
- (iii) high competitive business with a low margin of profit.
- (iv) availability of *Takavi* loans from Government for purchase of fertilisers from Government Depots.

- (v) business being of seasonal nature, there are built in limitations in utilisation of limits throughout the year.
- (vi) direct supply to consumers.
- (vii) preference of the farmers for energanic manure to fertiliser in view of the uncertainty of rainfall.
- (viii) manufacturers of certain fertilisers, banking with specified banks insisting upon the distributors to avail the facilities of banking from the same bank.
- (ix) higher margins in respect of fertiliser distribution credit.

Most of these reasons were also indentified in a study conducted by Bank of Baroda in this field. Some of these are more or less regular features of industry.

Regarding the margin, the Reserve Bank had already advised the commercial banks in May, 1972 to consider the reduction of margin money on their advances against fertilizers even to 10-15 per cent. against the general practice of observing 25-30 cent margin. The banks were also advised to ensure that full benefits of such relaxation should reach small dealers, especially those coming under the coverage of the Credit Guarantee Scheme.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 16-11-1973].

Recommendation (Sl. No. 38, Para No. 3.102)

The price of three of the nitrogenous fertilisers are directly controlled by Government. The issue prices fixed for fertilisers imported by the Central Fertilizer Pool, which constitute about 50 per cent of the total consumption of fertilisers in the country, influence prices of other types of domestically produced fertilisers. Thus Government is directly or indirectly controlling the prices of fertilisers in this country. Yet, the cultivators prices of fertilisers in this country are about the highest in the world. Even these prices are not considered by the fertiliser industry to be reasonable and attractive enough for new investment. Government attribute the higher prices of fertilisers in India to higher cost of production in our country due to various reasons. Remedial measures taken by them are setting up of larger sized plants with latest technology to achieve economics of scale and study of the various fiscal and other measures that can be taken to improve the economics of fertilisers plants. But even then the economics secured are stated to have been off set by a constant rise in the prices of inputs and wages etc. In this context, the Committee welcomes the assurance given to them by Government that they would continue their policy of maintaining the fertiliser prices at the minimum possible level taking into account at the same time the need to ensure a reasonable re-

turn on the capital invested so that it makes for adequate flow of capital into the industry.

Reply of Government

Noted.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-1973].

Recommendation (Sl. No. 39, Para No. 3.103)

It is the responsibility of the State Government to check black-marketing in the three nitrogenous fertilisers the prices of which have been fixed under the Fertiliser (Control) Order issued under the Essential Commodities Act. The Committee hope that State Governments are alive to the problem and have an effective machinery to check the menace and punish the guilty. In this context, the Committee would suggest that Government should consider the question of printing prominently the cultivators prices on the bags containing the fertilisers.

Reply of Government

The recommendation of the Committee is acceptable to Government in principle. The manner in which the recommendation will be implemented is under consideration.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Comments of the Committee

The implementation of the recommendation may be communicated to the Committee.

Recommendation (Sl. No. 40, Para No 3.103)

At present, the Central Government have no separate organisation of procedure to keep watch on the prices at which fertilisers are actually available to the farmers at the field level. Reliance is placed on the State Governments to report the existence of black-marketing in respect of fertilisers the prices of which are controlled. Besides, according to Government, the cooperatives through which the pool fertilisers are channalised are expected to observe the price discipline. The Committee feel that there is need for the collection of price data at regular intervals either independently or through the machinery of the State Governments so that the Government are aware as to whether the controlled prices are actually being charged from the farmers, and also of the trend in the prices of non-

controlled varieties of fertilisers. The Committee, therefore, recommend that Government should devise suitable machinery and or procedure for the purpose of collection of price data for taking such remedial action as may be necessary.

Reply of Government

The recommendation of the Committee is acceptable to Government in principle. The State Governments are being requested to give periodically the prevailing market prices of all fertilisers, whether controlled or nn-controlled. The State Government would collect this information through their Fertiliser Inspectors appointed under the Fertiliser (Control) Order, 1957 who are entrusted with the implementation of the Order at the field level.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sl. No. 41, Para No. 3.105)

It is admitted that the margin between the import price and the issue price of sulphur and rock phosphate imported by MMTC is sizeable and it is at present being absorbed by the MMTC. It is stated that the issue price of items of "speculative nature" are designed to mop up the high profits "for the exchequer" which otherwise would accrue to the manufacturers if the material was made available to them at cheaper rate without the corresponding benefit being passed on to the consumer. The Committee object to this consideration being applied in the determination of the price of imported commodities by a commercial undertaking the transactions of which are of a monopoly character. The Committee consider that if the idea is that the extra benefit should be mopped up for the public exchequer, the more appropriate course should be to levy a higher import duty on the commodity than to allow a commercial undertaking to charge a higher price quite unrelated to cost of imports.

Reply of Government

The matter regarding fixation of selling prices and consequential MMTC's margin on supply of sulphur and rock phosphate is reviewed from time to time by a pricing committee constituted by the Government. While it was true that the procedure followed on fixing the sale price of sulphur before April, 1973 was on the lines mentioned in the recommendation, rock phosphate supplies were being made even then only after adding up a fixed percentage commission to MMTC. However, since there had been an increase in the international price of sulphur, the earlier system of maintaining

a sizeable margin in fixing the selling price of sulphur was discontinued from 1st April, 1973 and a fixed percentage commission was taken into account in fixing the price of sulphur from the current financial year on the lines followed in the case of rock phosphate.

2. In fixing the price for sulphur, MMTC have envisaged to maintain the same price levels over the year even if there are fluctuations in the international prices and the freight rates for the material. In fact, since the price for sulphur was fixed from 1st April, 1973, there has been an increase in the freight rate and consequently on the basis of likely arrivals during the period October—December, 1973, MMTC's margin on the CIF cost in case of sulphur will be practically nil. In so far as rock phosphate is concerned, since this is imported from different sources involving different freight rates and the quality of the material also differs, while MMTC have not found it feasible to maintain a uniform rate throughout the year, as per a decision taken recently, they would charge a fixed margin of Rs. 3 per tonne of rock phosphate after taking into account the actual expenditure incurred by them on the imports.

The position explained above would go to meet the recommendation of the Committee.

[Min. of P&C. O.M. No. 20(15)/73-Ferts. IV dated 16-11-73].

Recommendation (Sl. No. 42, Para No. 4.9)

The Committee would like Government to evolve in consultation with the Industry and the Indian Standard Institution the detailed specifications for quality control and ensure that the plants set up are properly equipped with quality control laboratories and cells to enforce these measures.

Reply of Government

This is being done. A Committee of Experts representing Industry and the Indian Standard Institution has been constituted to prescribe the standard specifications of the fertilisers.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sl. No. 43, Para No. 4.10)

The Committee have in the Section on prices already dealt with the problem of blackmarketing in controlled varieties of fertilisers. Adulteration of fertilisers and short weighment are equally serious offences. The Committee would like Government to utilise its

powers under the Essential Commodities Act to see that all those who indulge in either dilution of quality or adulteration of fertilisers or in short weightment are proceeded against promptly so as to act as a deterrent to others.

Reply of Government

Government appreciate the concern expressed by the Committee on the adulteration and short weightment of fertilisers. Provision already exists in the Essential Commodities Act for punishing the persons guilty of adulteration of fertilisers as in the case of black-marketing. To effect speedier and effective conviction of offenders the Fertilizer (Control) Order has been declared as a "special order" under the Essential Commodities Act for the purpose of Summary-trials of offenders. For short weightment, prosecution can be launched under the Weights and Measures Act.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sr. No. 44, Para No. 4.18)

The Committee feel that the most important task is to spread correct and proper knowledge of application of fertilisers in the field to the ordinary peasant. Apart from making available facilities for soil testing which are a pre-requisite condition for determining the type and quantity of fertilisers to be applied, the Committee consider that the fertiliser plants and marketing agencies should evolve balanced fertilisers or nutrients which would be largely suited to the crops grown in that area and the type of soil in the area. The Committee would also suggest that directions for correct application of the fertiliser should be either embossed prominently on the package or enclosed therewith preferably in the regional languages so that the peasant is able to apply the fertiliser in the correct manner necessary to get the best results. The Committee would like close liaison to be maintained between the marketing organisation of the fertiliser industry and the various extension agencies functioning under government|local authority so that the peasant rendered an integrated package of service.

Reply of Government

In order to encourage the balanced use of fertilisers, Government are encouraging the production of NPK complex fertilisers in addition to straight nitrogenous fertilisers in new plants, wherever feasible. It is also ensured that the product pattern is according to

the soil and crop requirement of the region where the new fertilisers plant is expected to have its marketing zone.

Embossing of advisable dosages and other instructions on the correct use of fertilisers on the bags as suggested by the Committee may not be practicable because during handling operations these instructions may get mutilated and may not serve the purpose. This may be more difficult in the case of imported fertilisers which are mostly imported in bulk to keep the overhead costs to the minimum and also to save the Foreign Exchange. However, in order to achieve the objective that the Committee have in view, the Government have already asked the manufacturers to ensure that the dealers have appropriate literature in different regional languages for the best use of their product in the marketing regions in addition to the other publicity demonstrations done by manufacturers, Government agencies, etc. A close liaison is also kept with the fertilisers manufacturers and the market agencies to ensure that they make all efforts to render package services to the farmers on the efficient use of fertilisers.

[Min. of P&C O.M. No. 20(15)/73-Ferts-IV dated 22-10-1973].

Recommendation (Sr. No. 45, Para No. 4.21)

The Committee recommend that Government should pay greater attention to the problems of the super-phosphate industry which has now become un-economic in competition with complex fertilisers and see that the industrial capacity is put to productive use, if necessary, by diversification of production.

Reply of Government

While superphosphate is the first phosphatic fertilizer produced in the country, it has been gradually yielding place to the higher nutrient complex fertilizers. The production and sale of superphosphate had also come down since most of its small manufacturers could not organise an adequate marketing programme.

2. Measures for assisting the superphosphate industry to increase its production are being reviewed frequently by the Government. Though superphosphate contains only 16 per cent water soluble phosphate, it also makes available other secondary and trace elements like calcium, sulphur, magnesium, etc. Also it could be conveniently used in the manufacture of NPK granulated fertilisers. The setting up of quite a few granulation units by the superphosphate industry and others was expected to promote the consumption of superphosphate in the manufacture of granulated fertilisers. But

there was a set back since the granulation units do not yet get all the nitrogenous fertilisers required for granulation due to the general shortage for fertilisers experienced in the country. At meeting held under the auspices of the Ministry of Agriculture on 17th August, 1973, it was agreed that the Ministry of Agriculture would request the State Governments to accept and arrange to distribute 50 per cent of the superphosphate production through co-operatives and other institutional agencies as in the case of nitrogenous fertilisers. It was also suggested, that F.A.I. will use its good offices so that private dealers distribute not only nitrogenous fertilisers but also superphosphate. State Governments would also be urged to make available other fertilizer materials required by the granulation units which use superphosphate as one of the ingredients. Simultaneously the industry would also have to mount a very intensive publicity campaign for the promotion of its use.

3. With the steps indicated above, it is expected that there would be improvement in the production of superphosphate. The Government would keep the position under observation and adopt measures conducive to increased production of superphosphate.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 16-11-1973].

CHAPTER III

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

Recommendation (Sr. No. 1, Para No. 1.6)

The Committee regret that inspite of the acknowledged role of fertilizers in augmenting agricultural production under the Indian conditions, the annual consumption achieved during the first three years of the Fourth Plan was consistently less than the plan targets. They are further disappointed to note that for the last two years of the plan, Government have themselves revised the consumption targets. The consumption target for 1972-73 has been scaled down from 4.66 million tonnes to 3.45 million tonnes while the indications given of the estimated shortfall in imports suggest that the actual consumption during 1972-73 would be only 2.75 million tonnes and that too only if the envisaged indigenous production of 1.42 million tonnes actually materialises during that year. For the year 1973-74, the original target for consumption has been reduced from 5.50 million tonnes to 3.93 million tonnes.

Reply of Government

Many factors affect the consumption of fertilisers and hence attainment or targets set out for the purpose. While fixing the targets, fairly normal conditions are assumed regarding various factors which affect fertiliser consumption, such as availability of fertilisers in sufficient quantities from all sources, adequate availability of credit and transport facilities, normal weather conditions etc. Any set-back in these factors affects the consumption adversely.

One of the factors contributing to the short-fall in the consumption of fertilizers was unfavourable weather conditions. For example, floods in West Bengal and Assam affected the sowings in these States resulting in low consumption of fertilisers. The Andhra Pradesh was hit by cyclones during 1969-70 year and this affected the purchasing power of the farmers who had no money to invest in inputs in 1970-71.

There have been constraints in the availability of credit both for fertiliser distribution and fertiliser use. The non-availability of credit in time to farmers and distributors of fertilisers resulted in tardy increase in consumption.

The physical availability of fertilisers to the farmers who decide to use fertilisers is as important as extension and demonstrations. The liberalised distribution system has not ensured sufficient geographic dispersal of sale depots which would serve farmers in interior villages. This affected consumption in interior areas.

The domestic production of fertilisers lagged behind the targets due to factors like mechanical and electrical problems, power cuts, labour trouble, inadequate availability of certain raw materials, old age of some plants and the like. Further during 1971-72, the influx of refugees from Bangla Desh followed by Indo-Pak hostilities, involving emergency movements by rail and requisition of trucks by the Defence authorities affected the fertilizer supplies, and consequently, the consumption in some States was affected. Non-lifting of fertilizers by the States and insistence by certain States on particular varieties of fertilisers whose availability in the World Market was very difficult were also responsible for the low consumption of fertilisers in 1971-72. For these reasons fertiliser consumption in 1971-72 was below the targets.

As regards 1972-73, the actual consumption of 27.55 lakh tonnes, was achieved in spite of a shortfall in the estimated imports and low level of domestic production of 10.60 lakh tonnes of N & 3.26 lakh tonnes of P_2O_5 . The total availability of fertilisers was 31.58 lakh tonnes (of $(K+P+O)$) 1972-73, as against an availability of 32.09 lakh tonnes in 1971-72; even so, the consumption was 27.55 lakh tonnes in 1972-73 as against 26.56 lakh tonnes in 1971-72. This was due to improvement achieved in the distribution of fertilizers during 1972-73 in spite of lower availability.

As regards the revision of targets, it is submitted that fertiliser consumption targets were fixed on the basis of data available at a certain time regarding the estimated cropping pattern, area under different crops, etc., and were linked to the targets of production of agricultural commodities. The targets of fertiliser consumption were changed when changes in those related factors occurred. Thus, due to changes in the coverages and also in the production programmes, the targets of fertilisers were also changed. For instance, the target of production of foodgrains for 1973-74 was first fixed at 132 million tonnes which was revised to 129 million tonnes and again to 115 million tonnes. Consequently the target of consumption of fertilizers was also revised down-wards from 55 million tonnes to 39 million tonnes. Moreover, the targets were also revised on the basis of past

trends of consumption achieved, the availability of fertilisers and the progress of other measures taken in this direction.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 2 Para No. 1.7)

The Committee have a feeling that Government have not paid as much attention to the use of fertilisers for agricultural production as it deserves in the context of the persisting food problem in the country. They recommend that Government should make every effort to achieve at least the revised targets of consumption during 1973-74 in order to create conditions for a latter rate of growth in the field of agriculture.

Reply of Government

Every effort is being made to popularise the balanced and judicious use of fertilisers for agricultural production. For this purpose, a Centrally Sponsored Scheme, costing Rs. 2:19 crores for implementation in various States, has been put in operation during the last two years of the Fourth Plan. Under this scheme field demonstration on balanced use of fertilisers are being undertaken. Soil Testing Laboratories have been strengthened and the programme also envisages the training of farmers and publication of leaflets, literature etc. in various regional languages to promote the balanced use of fertilisers.

Concerted efforts are also being made to achieve the consumption targets. However, because of constraints in availability of fertilisers, it may not be possible to achieve the revised targets of consumption for 1973-74 inspite of the best desires of the Government.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Comments of the Committee

The Committee regret that while fixing or reviewing the targets of consumption of fertilisers, the availability of the commodity was not properly estimated and planned.

Recommendation (Sr. No. 3 Para No. 1.22)

The Committee are constrained to note that the net addition of installed capacity for the production of fertilisers in the country during the Fourth Plan period is likely to be only 13.99 lakh tonnes as against the original Plan targets of 27.55 lakh tonnes. According to revised estimates the annual production of fertilisers is likely to increase during the Plan period by 9.45 lakh tonnes only (from 7.55

lakh tonnes in 1968-69 to 17 lakh tonnes in 1973-74) as against the original Plan target of an increase by 26.45 lakh tonnes. Thus, with reference to the original plan targets, the achievements in the case of installed capacity and production are likely to be only 51 per cent and 36 per cent respectively. Sizeable shortfalls have similarly been noticed in the achievement of financial targets covering expenditure on public sector projects. The Committee also note that to cover up the sizeable shortfall in achievements, Fourth Plan target has been scaled down from time to time and the achievements are indicated against the revised targets.

Reply of Government

Noted. Presently a total capacity of about 1.94 million tonnes of nitrogen and 0.56 million tonnes of P_2O_5 has been developed. In addition, several projects, which would contribute about 2.22 million tonnes of nitrogen and 0.66 million tonnes of P_2O_5 are in different stages of implementation. With the completion of these projects, the total capacity would aggregate to about 4.16 million tonnes of nitrogen and 1.2 million tonnes of P_2O_5 .

During 1973-74 a total production of about 1.12 million tonnes of nitrogen and 0.35 million tonnes of P_2O_5 is expected to be achieved from the various units in operation. The level of performance could have been more, but for the operational and other constraints, some of which lie beyond the control of the units, like power constraints, difficulties and the labour front, etc.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 16-11-1973].

Recommendation (Sr. No. 5 Para No. 1.24)

The Committee hope that the poor achievements in the past would provide a spur to the authorities concerned to urgently rationalise the procedures for clearance of projects, streamline the implementation machinery and achieve maximum production in shortest time so that pressure on foreign exchange needed for import of fertilizers may be relieved and country attains a degree of self-sufficiency in the field.

Reply of Government

In the overall effort towards development of fertilizers industry to meet the growing demands in the country, constant attention is being paid for increasing the production in the operating units, expeditious implementation of the schemes under execution and planning of new capacities.

the Ministries of Petroleum and Chemicals and Agriculture and all others concerned to examine various matters that inhibit growth and recommend appropriate solutions therefor.

Reply of Government

Government have undertaken a high level in depth study of the various problems and difficulties confronting the fertilizer industry and the measures that would need to be taken to facilitate larger flow of funds into this area, consistent with the growing fertiliser requirements of the economy. The study has shown that several complex issues are involved and that an integrated view would have to be taken in regard to these. Further, examination of these issues is under way and in the meanwhile, as pointed out to the Committee, a decision has already been taken to exempt fuel oil or heavy stock from excise duty when used as to stock for fertiliser production. Recently, the prices of the three main nitrogenous fertilizers, viz. Urea, Ammonium Sulphate and Calcium Ammonium Nitrate, which are statutorily controlled, have been increased to order to offset the increase in the cost of production of Fertilisers consequent on the revision of prices of naphtha and furnace oil.

In the above context, the setting up of an export body, as suggested by the Committee, is not considered necessary.

[Min. of P. & C. O.M. No. 20(15)|73-Ferts. IV dated, 16-11-1973].

Recommendation (Serial No. 12. Para No. 2.47)

The Committee are distressed to note that whereas the world trend is to switch over from fuel oil to Naphtha as feedstock for the manufacture of fertilizers because the latter is a cleaner fuel creating lessar pollution problems, in India all future fertilizer plants would, as a matter of policy be based on fuel oil. They hope that Government have taken into consideration fully the pollution problem likely to be created by the use of fuel oil as feedstock for production of fertilisers and recommend that the economic feasibility of such a plant should take into account the cost of adequate anti-pollution measures and that these measures should form an integral part of the project report for each such plant.

Reply of Government

The aforesaid shift from fuel oil to naphtha relates to its use of a source of energy by various industries elsewhere and not for use as fertilizer feedstock. The fuel oil required, particularly by the small and medium scale industries for energy purposes is relatively

small compared to that needed for use as feedstock by the fertilizer industry. Consequently, the development of the requisite facilities by such industries for elimination of pollution arising from the use of fuel oil with high sulphur content would be very expensive and may not be commensurate with the additional expenditure involved in using naphtha for energy purposes instead of fuel oil.

As against this, a normal fertilizer plant with a capacity of 900 tonnes of ammonia per day would require about 250,000 tonnes of fuel oil per annum and the requirement would even be more for plants of larger capacities. Fuel oil|heavy fractions required for such large sized plants could be easily procured and their import, in the event of local availability falling short of the demand, would also be much less expensive than the import of naphtha. It is also becoming increasingly difficult to secure naphtha imports even at high prices. There is also the consideration that the process sequences adopted for fuel oil based plants enable recovery of the sulphur which, apart from eliminating pollution problems, also make available some elemental sulphur for the use of our chemical industries. To the extent the by-product sulphur is used, dependence on imports would get reduced. All these factors have been taken into account in opting for the use of fuel oil|heavy fractions as fertilizer feedstock in lieu of naphtha for the fertilizer plants to be set up hereafter.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 14, Para No. 2.49)

There is considerable untapped hydro-electric potential in the country. As electricity as feedstock for the production of fertilizer would, along with coal, involve the minimum outflow of foreign exchange, the Committee recommend that Government should examine the feasibility and economics of harnessing the river waters for preventing floods, irrigation and production of electricity for various purposes including its use as a feedstock for the production of fertilizers.

Reply of Government

The Feedstock Committee set up by Government, after studying the economic and other aspects of utilising various feedstocks for production of fertilizers including electricity, came to the conclusion that the capital outlay for an electrolytic plant was the highest as compared to that for plants based on other feedstocks, viz., natural gas or naphtha or fuel oil or even coal. The foreign exchange

the Ministries of Petroleum and Chemicals and Agriculture and all others concerned to examine various matters that inhibit growth and recommend appropriate solutions therefor.

Reply of Government

Government have undertaken a high level in depth study of the various problems and difficulties confronting the fertilizer industry and the measures that would need to be taken to facilitate larger flow of funds into this area, consistent with the growing fertiliser requirements of the economy. The study has shown that several complex issues are involved and that an integrated view would have to be taken in regard to these. Further, examination of these issues is under way and in the meanwhile, as pointed out to the Committee, a decision has already been taken to exempt fuel oil or heavy stock from excise duty when used as to stock for fertiliser production. Recently, the prices of the three main nitrogenous fertilizers, viz. Urea, Ammonium Sulphate and Calcium Ammonium Nitrate, which are statutorily controlled, have been increased to order to offset the increase in the cost of production of Fertilisers consequent on the revision of prices of naphtha and furnace oil.

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The Committee are distressed to note that whereas the world trend is to switch over from fuel oil to Naphtha as feedstock for the manufacture of fertilizers because the latter is a cleaner fuel creating lessar pollution problems, in India all future fertilizer plants would, as a matter of policy be based on fuel oil. They hope that Government have taken into consideration fully the pollution problem likely to be created by the use of fuel oil as feedstock for production of fertilisers and recommend that the economic feasibility of such a plant should take into account the cost of adequate anti-pollution measures and that these measures should form an integral part of the project report for each such plant.

Reply of Government

The aforesaid shift from fuel oil to naphtha relates to its use of a source of energy by various industries elsewhere and not for use as fertilizer feedstock. The fuel oil required, particularly by the small and medium scale industries for energy purposes is relatively

small compared to that needed for use as feedstock by the fertilizer industry. Consequently, the development of the requisite facilities by such industries for elimination of pollution arising from the use of fuel oil with high sulphur content would be very expensive and may not be commensurate with the additional expenditure involved in using naphtha for energy purposes instead of fuel oil.

As against this, a normal fertilizer plant with a capacity of 900 tonnes of ammonia per day would require about 250,000 tonnes of fuel oil per annum and the requirement would even be more for plants of larger capacities. Fuel oil|heavy fractions required for such large sized plants could be easily procured and their import, in the event of local availability falling short of the demand, would also be much less expensive than the import of naphtha. It is also becoming increasingly difficult to secure naphtha imports even at high prices. There is also the consideration that the process sequences adopted for fuel oil based plants enable recovery of the sulphur which, apart from eliminating pollution problems, also make available some elemental sulphur for the use of our chemical industries. To the extent the by-product sulphur is used, dependence on imports would get reduced. All these factors have been taken into account in opting for the use of fuel oil|heavy fractions as fertilizer feedstock in lieu of naphtha for the fertilizer plants to be set up hereafter.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 14, Para No. 2.49)

There is considerable untapped hydro-electric potential in the country. As electricity as feedstock for the production of fertilizer would, along with coal, involve the minimum outflow of foreign exchange, the Committee recommend that Government should examine the feasibility and economics of harnessing the river waters for preventing floods, irrigation and production of electricity for various purposes including its use as a feedstock for the production of fertilizers.

Reply of Government

The Feedstock Committee set up by Government, after studying the economic and other aspects of utilising various feedstocks for production of fertilizers including electricity, came to the conclusion that the capital outlay for an electrolytic plant was the highest as compared to that for plants based on other feedstocks, viz., natural gas or naphtha or fuel oil or even coal. The foreign exchange

the Ministries of Petroleum and Chemicals and Agriculture and all others concerned to examine various matters that inhibit growth and recommend appropriate solutions therefor.

Reply of Government

Government have undertaken a high level in depth study of the various problems and difficulties confronting the fertilizer industry and the measures that would need to be taken to facilitate larger flow of funds into this area, consistent with the growing fertiliser requirements of the economy. The study has shown that several complex issues are involved and that an integrated view would have to be taken in regard to these. Further, examination of these issues is under way and in the meanwhile, as pointed out to the Committee, a decision has already been taken to exempt fuel oil or heavy stock from excise duty when used as to stock for fertiliser production. Recently, the prices of the three main nitrogenous fertilizers, viz. Urea, Ammonium Sulphate and Calcium Ammonium Nitrate, which are statutorily controlled, have been increased to order to offset the increase in the cost of production of Fertilisers consequent on the revision of prices of naphtha and furnace oil.

In the above context, the setting up of an export body, as suggested by the Committee, is not considered necessary.

[Min. of P. & C. O.M. No. 20(15)|73-Ferts. IV dated, 16-11-1973].

Recommendation (Serial No. 12. Para No. 2.47)

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Reply of Government

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requirements for import of capital equipment and the operating cost of the electrolytic plant are also relatively high; the cost benefit ratio is thus found to be less than one. Expansion of fertilizer capacity based on electrolytic process is not therefore considered either economical or feasible unless new technology for low cost electrolysis is developed; this has not happened so far.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 15, Para No. 2.50)

The Committee regret that between 1969, when the exploitation of the rock phosphate mines in Rajasthan began, and 1972 not much progress has been made in developing the mines. Consequently the local production of the material has been low and sizeable imports are continuing. As it would not be possible for the State Governments to provide all the resources for the development of these mines out of its meagre funds, the Committee recommend that Government should, in consultation with the State Government, devise a suitable scheme which may facilitate the speedy development of the mines.

Reply of Government

The question of exploitation of the rock phosphate deposits and development of the mines has been considered further in the light of the Feasibility Report prepared by M/s. Parsons under the aegis of the World Bank. At a meeting held in the Planning Commission in September, 1973 it was also agreed that there should be a committee to evaluate the technical aspects involved in the development of the Jhamarkotra deposits and examining the various alternatives and recommend the most suitable corporate structure for ensuring integrated development of the project taking into account the totality of the operation. The State Government has indicated that a number of steps have in the meanwhile been taken by them for stepping up production and conducting the mining operations on scientific basis.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 16-11-1973].

Comments of the Committee

The Committee would, however, like to re-emphasise the importance of taking expeditious decisions in regard to the development of these mines in the interest of maximising indigenous production of rock phosphate and minimising import of this commodity.

Recommendation (Sr. No. 16, Para No. 2.60)

The Committee regret that considerable delays continue to occur in taking decisions on applications for the issue of industrial licences for setting up fertilizer units even under the existing procedures which are stated to have been streamlined. The Committee recommend that a selective case study should be undertaken to find out the time taken at the various stages in the consideration of applications. Thereafter, an attempt should be made to cut out all non-essential stages as also limit the time taken in processing at each stage.

Reply of Government

As recommended by the Committee, a selective case study was undertaken to find out the time taken for disposal of applications received for industrial licences for establishing fertilizer projects and whether the time taken for the disposal of the applications could have been reduced by appropriate measures. The study has shown that apart from the time taken by the concerned authorities to offer their comments on the proposal, the applicants themselves take quite some time in furnishing the information required by Government in certain cases. Further, the grant of licenses in most cases need decisions on certain policy issues such as feedstock for the plant, finalisation of financing pattern, and clearances under MRTP Act. Some of these factors which take time to settle are, inherent in fertilizers, the industry being in the core sector involving massive investment including large amount of foreign exchange. However, steps have been initiated to expedite the disposal of applications in the shortest possible time. Discussions are also arranged between the applicants and the technical experts of Government so as to facilitate expeditious processing of proposals.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 16-11-1973].

Recommendation (Sr. No. 21, Para No. 2.76)

The Committee also note that the procedure for economic appraisal of the projects and the release of the foreign exchange therefore is being streamlined. They also note that the engineering and equipment for the fertilizer projects is being standardised so as to facilitate setting up of identical plants speedily. The Committee regret that Government have thought of these measures only now when the fertilizer programme during the Fourth Five Year Plan has gone away. The Committee trust that the new measures taken by Government would lead to speedy implementation of the projects so that the targetted capacities for the Fifth Plan are achieved in time.

Reply of Government

Noted.

2. The review of the procedures for project appraisal and other measures referred to in the above recommendation, it will be appreciated, is a continuing process and such adaptations or modifications as are necessary in these procedures are effected from time to time in the light of experience gained in their working. About the plan to standardise designs equipment etc., it is submitted that earlier plants of the first generation were obtained from foreign suppliers or collaborators more or less on a turn-key basis in view of the relatively small industrial base then obtaining in the country. With the progressive strengthening and diversification of our industrial structure, this situation holds good no longer and external assistance for our fertiliser programme is restricted to supplies and services not available in the country. It is in this context that we are assiduously striving towards standardisation taking into account the fabrication facilities and expertise available or likely to be developed in the proximate future, the needs of the fertilizer programme and the developments in fertilizer technology elsewhere.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 24, Para No. 2.87)

The Committee are surprised to learn that a number of plants in the public sector need modernisation. Since there is a well laid out scheme for providing depreciation funds every year in each of the projects, the Committee cannot understand why the need for modernisation or replacement of the plants was not anticipated well in advance and timely action taken to see that the plants were modernised, rationalised or replaced in the best interest of production at economic prices.

Reply of Government

Unlike the private sector units which are of recent origin and are based on modern technologies, the public sector plants were set up at various times and some as far back as in the fifties. There is also the consideration that, while the private sector units are all operating with naphtha as the feedstock, the public sector units use a wide variety of what is more difficult—feedstocks like coke, coke oven gas, refinery gas, lignite, etc. The use of such difficult feedstocks and the connected technologies have posed several problems in the operation of the public sector units; in addition the units have had to grapple with difficulties owing to the non-availability

in requisite quantities of the right type of raw materials like coal and gypsum. As a result, either auxiliary facilities or extensive plant modifications have had to be carried out.

In addition, in regard to the old and ageing plants such as those at Sindri and Alwaye, several optimisation|renovation and modernisation programmes have either been put through or are under way. Mention may be made here of the Sindri rationalisation scheme designed to eliminate dependence on natural gypsum from Rajasthan. Another scheme known as Sindri Modernisation Scheme is also being implemented. The scheme would be based on fuel oil as the feed-stock and the use of coke|coke oven gas for production of nitrogen would be eliminated.

Government is also giving close and continuous thought to the problem of renovation|modernising the other plants such as those at Neyveli, Rourkela etc., and appropriate action in regard to them would be taken.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 27, Para No. 3.22)

The Committee need hardly point out that the present system by which tenders for the import of fertilizers are floated repeatedly after every few weeks has not led to import either on assured basis or on most economic prices. The Committee would, therefore, like Government to review the present system to see what improvements could be made in the system so as to get imports at internationally competitive prices and on assured basis for meeting the country's requirements adequately and in time.

Reply of Government

Since the last year, in view of the rising trend in the international market prices and also the world-wide shortage of fertilizers, purchases are being made by direct negotiations with the producers|suppliers without resorting to tenders, particularly in the case of Urea, which represents the bulk of our requirement. During the current year also the same procedure is being followed. Further, it has also been decided to try to enter into long term contracts with producers|suppliers for the supply of urea and DAP and for this purpose negotiations have already been initiated.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Recommendation (Sr. No. 29, Para 3.54)

The Committee trust that the body recently appointed to go into the question of routing the distribution of fertilisers through co-

operatives to a larger extent than hitherto, would take into consideration fully the existing capacity of the institutional channels to reach the consumers in the remotest parts of the country. It should also be ensured that the co-operatives do not become merely an intermediate agency distributing fertilisers through private traders who now receive their supply from the manufacturers directly. The Committee would like that the emphasis should be on rendering service to the peasant so that he is able to come by the fertiliser at the time he requires it and that financial accommodation is also shown to him so as to encourage him to produce more.

Reply of Government

The Quraishi Committee which is going into the question of fixing a percentage share of co-operatives in the distribution of fertilisers and the distribution margins had its last sitting on the 17th July, 1973 and its report is expected shortly. Meanwhile, Co-operatives and Industry have already been requested to spread the network of their distribution system so that farmers can get fertilisers within a distance of about 5 miles where the intensity of consumption is very high.

Similarly the co-operatives and State Governments have been requested from time to time to give adequate credit to the farmers. The policy of the Nationalised Banks and co-operatives is already oriented towards providing preferential treatment to small and marginal farmers. With a view to providing credit facility, two pilot schemes viz., SEDA and MFAL have been launched according to which supervised credit is being provided to the beneficiaries who are small and marginal farmers. Also, the State Bank of India Group and the nationalised banks have been endeavouring to build up adequate organisational structure to expand credit in the agricultural sector. The position is also reviewed from time to time.

[Min. of P&C O.M. No. 20(15)/73-Ferts. IV dated 22-10-1973].

Comments of the Committee

The Committee would like the Government to keep the observations of the Committee in mind while examining the report of Quraishi Committee and taking decisions on the recommendations contained therein.

Recommendation (Sr. No. 34, Para 3.59)

The Committee note that the rates of sales tax on chemical fertilizers levied by different States vary from 1 per cent to 5 per cent

with inequitable repercussions on fertilizer industry and trade. The Committee recommend that Government may reconsider the question of exemption of fertilizers from State Sales Tax and imposition of a suitable Central Excise Duty which can then be equitably distributed among the States.

Reply of Government

The question of extending the scheme of levy of additional excise duty in lieu of Sales Tax now applicable to textiles (other than silk fabrics), tobacco and sugar to other commodities has been considered several times. Since Sales Tax falls within the legislative competence of the States, any proposal for replacing sales tax by excise duty, on any commodity would, therefore, require the unanimous approval of the States.

2. Several efforts have been made since 1957, when the scheme first came into force, to extend it to other commodities. These, however, have not met with success. On the other hand, in view of the opposition of the State Governments even to the continuance of the existing arrangements, the matter was referred to the Fifth Finance Commission. Their recommendation in regard to the extension of the Scheme is as under:—

“In view of the general opposition of the States, there is obviously no scope for extending the arrangements to other items of commodities in the foreseeable future.”

(Para 5.14)

This recommendation has been accepted by Government.

3. Ministry of Agriculture made a number of attempts for the removal of sales tax on fertilizers in different States since September, 1970. That Ministry addressed State Governments in the matter and made an appeal for exempting fertilizer from Sales Tax in the interest of increased agricultural output. So far States of Maharashtra, Punjab, Haryana, Assam, Delhi, Madhya Pradesh, Himachal Pradesh, Arunachal Pradesh, Nagaland, Tripura, Goa, Daman and Nagar Haveli, Andamans and Nicobar Islands, Laccadive, Minicoy and Amindivi Islands have not levied any sales tax on fertilizers. The appeal made by the Ministry of Agriculture to all the States for exemption of sales tax on fertilizers was not accepted on the ground of financial stringency. Thereafter the question of inclusion of fertilizer in the list of “declared goods” under Section 14 of Central Sales Tax Act, 1956, was taken up with the Ministry of Finance so that a limit is fixed for those States who are not inclined to exempt sales tax on fertilizers. The effect of

this course if accepted would have been that the following restrictions and conditions which now apply to other "declared goods" would have been applicable to "fertilizers" also:—

- (i) the rate of sales tax cannot exceed 3 per cent.
- (ii) sales tax can be levied only once inside a State; and
- (iii) local sales tax, if any, levied on such goods, is refundable in case goods are subsequently sold in the inter State trade. In such a case tax on inter-State sale alone would be leviable.

4. In January, 1972, the Ministry of Finance indicated that it will not be possible to include fertilizers in the list of "declared goods" without obtaining the concurrence of the State Governments. The State Governments were addressed accordingly in April, 1972, to reconsider the question of removal of sales tax on fertilizers and, in case it was not feasible to exempt fertilizers from the levy of sales tax, the State Governments should agree to inclusion of fertilizers in the list of "declared goods" under the Central Sales Tax Act, 1956.

5. The response from most of the State Governments was not favourable. Subsequently, the matter was taken up with the Governments of Rajasthan and Orissa who were levying sales tax at a rate higher than 3 per cent. Both the State Governments, however, expressed their inability to accept the suggestion on the ground of financial stringency. Tamil Nadu Government have since increased the rate of 3½ per cent plus an additional tax and a surcharge.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH GOVERNMENT'S REPLY HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sr. No. 9, Para No. 2.12)

It is admitted by Government that the fertilizer industry is a capital intensive industry with a long gestation period and consequently it has low profitability. It is also admitted that the flow of fresh private investment in the fertilizer industry has slowed down due to various reasons, the chief among which is the disinclination on the part of the Government to consider proposals based on imported intermediates like ammonia, phosphoric acid etc., and the new policy of the Government regarding feedstock for the fertilizer industry which would, as Government have themselves admitted, make the cost of production substantially higher.

Reply of Government

As stated before the Committee, Government have decided that the new fertilizer plants will be based on fuel oil|heavy petroleum fractions as feedstock, as far as feasible. The question of giving suitable incentives to prospective entrepreneurs particularly with a view to making fuel oil based plants comparable to naphtha based plants is under consideration. A beginning has been made in this direction by exempting fuel oil from excise duty, when used as feedstock. In the context of diversification of feedstock, three coal based plants are being set up in the public sector. Studies are being set up in the public sector. Studies are under way for setting up more coal based plants at suitable locations.

In the past few months, a number of proposals have been received from the private sector for setting up plants to augment fertilizer capacity in the country.

[Min. of P&C O.M. No. 20(15)|73-Ferts. IV dated 22-10-1973].

Comments of the Committee

The Committee are surprised that the question of giving suitable incentives to prospective entrepreneurs for basing fertilizer plants

on fuel oil instead of Naphtha has been under the consideration of Government for more than one year without any decision having been taken so far. Meanwhile, the agricultural production is suffering on account of inadequate availability of fertilisers. The Committee need hardly emphasise the importance of taking immediate decision in the matter as even after a decision is taken and the private entrepreneurs do indicate interests, it would take some more time for manufacturing capacities to be actually licensed and thereafter a period of not less than 3 years would be needed for the project to go on-stream.

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLY OF THE GOVERNMENT IS STILL AWAITED

Recommendation (Sr. No. 33, Para No. 3.58)

The Committee recommend that the Ministry of Railways should, in consultation with the Ministry of Agriculture, take an early decision on the question of relaxation in the existing procedure whereby for enjoying a concessional rail freight the State authorities at the destination station have to certify that the chemical will be used as fertiliser for agricultural purposes, and extension of the concessional freight to cover also the movement of fertiliser from the storage point to the consumption point.

Reply of Government

The question of simplifying the procedure for booking of chemical manures at concessional rates, is under active consideration of the Ministry of Railways (Railway Board). A decision is expected to be taken shortly.

[Min. of P&C O.M. No. 20(15) 73-Ferts. IV dated 16-11-1973].

NEW DELHI;
December 27, 1973.

Pansa 6, 1895 (S).

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction)

*Analysis of the action taken by Government on the 40th Report of the Estimates Conclusion
(Fifth Lok Sabha)*

I.	Total number of Recommendations	
II.	Recommendations which have been accepted by Government (Vide recommendations at Sl. Nos. 4, 6, 8, 11, 13, 17, 18, 19, 20, 22, 23, 25, 26, 28, 30, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45)	
	Number	28
	Percentage to total	62
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations at Sl. Nos. 1, 2, 3, 5, 7, 10, 12, 14, 15, 16, 21, 24, 27, 29, 34)	
	Number	15
	Percentage to total	34
IV.	Recommendation in respect of which replies of Government has not been accepted by the Committee (Vide recommendations at Nos. 9)	
	Number	1
	Percentage to total	2
V.	Recommendations in respect of which replies received from Government are of interim nature (Vide recommendation at Sl. No. 33)	
	Number	1
	Percentage to total	2

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmeri Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circle, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chapraerwala Kuan, Karol Bagh, New Delhi.	66			

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