

EIGHTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1999-2000)

(THIRTEENTH LOK SABHA)

DEMANDS FOR GRANTS
(2000-2001)

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

*[Action taken by the Government on the recommendations contained in the
5th Report of Standing Committee on Petroleum & Chemicals
(1999-2000) on Demands for Grants (2000-2001) of the
Ministry of Chemicals & Fertilisers, Department of
Chemicals and Petro-Chemicals]*

Presented to Speaker 19.9.2000
Presented to Lok Sabha on 24.11.2000
Laid in Rajya Sabha on 24.11.2000



LOK SABHA SECRETARIAT
NEW DELHI

September, 2000/Bhadrapada, 1922 (Saka)

CONTENTS

COMPOSITION OF THE COMMITTEE

COMPOSITION OF THE SUB-COMMITTEE ON CHEMICALS & PETROCHEMICALS	(v)
--	-----

INTRODUCTION

CHAPTER I	Report	1
CHAPTER II	Recommendations which have been accepted by the Government.....	21
CHAPTER III	Recommendations which the Committee do not desire to pursue in view of the Government replies	29
CHAPTER IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee	31
CHAPTER V	Recommendations in respect of which final replies of the Government are still awaited	38

APPENDICES

I.	Minutes of the Seventh sitting of the Sub-Committee on Chemicals & Petro-chemicals, a Sub-Committee of Standing Committee on Petroleum & Chemicals (1999-2000) held on 7th September, 2000.	40
II.	Minutes of the Fourteenth sitting of the Standing Committee on Petroleum & Chemicals (1999-2000) held on 18th September, 2000.	42
III.	Analysis of Action Taken by the Government on the recommendations contained in the Fifth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1999-2000) on Demands for Grants 2000-2001 relating to the Ministry of Chemicals & Fertilisers, Department of Chemicals and Petrochemicals.	44

COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1999-2000)

Shri Mulayam Singh Yadav—*Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchandra Baimda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shrimati Sheela Gautam
11. Shri Pawan Singh Ghatowar
- *12. Shri B.K. Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan
17. Shri Ashok Pradhan
18. Shri Mohan Rawale
- **19. Dr. Bikram Sarkar
20. Shri Shyama Charan Shukla
21. Shrimati Kanti Singh
22. Shri Prabhunath Singh

* Nominated in lieu of Shri Vilas Muttemwar, M.P., Lok Sabha *w.e.f.* 24th January, 2000.

** Nominated to serve as Member of the Committee *w.e.f.* 26th July, 2000.

23. Shri D.C. Srikantappa
24. Dr. Ramesh Chand Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

Rajya Sabha

31. Shri Ram Nath Kovind
32. Shri Anil Kumar
- **33. Shri Mool Chand Meena
34. Dr. (Smt.) Joyasree Goswami Mahanta
- ***35. Shri Dipankar Mukherjee
36. Shri Ahmed Patel
37. Shri Mukesh R. Patel
- ****38. Shri Suresh Pachouri
- *39. Shri Ravi Shankar Prasad
40. Shri K. Kalavenkata Rao
41. Shrimati Basanti Sarma
- **42. Shri Rajiv Ranjan Singh
43. Shri Gaya Singh
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

- | | |
|-----------------------|-----------------------------------|
| 1. Dr. A.K. Pandey | <i>Additional Secretary</i> |
| 2. Shri John Joseph | <i>Joint Secretary</i> |
| 3. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 4. Shri J.N. Oberoi | <i>Under Secretary</i> |
| 5. Smt. Madhu Bhutani | <i>Senior Executive Assistant</i> |

-
- * Nominated to serve as Member of the Committee *w.e.f.* 16th May, 2000.
 ** Nominated to serve as Member of the Committee *w.e.f.* 5th May, 2000.
 *** Nominated to serve as Member of the Committee *w.e.f.* 24th April, 2000.
 **** Nominated to serve as Member of the Committee from Committee on Defence
w.e.f. 5th May, 2000.

COMPOSITION OF THE SUB-COMMITTEE ON CHEMICALS AND
PETRO-CHEMICALS, A SUB-COMMITTEE OF STANDING
COMMITTEE ON PETROLEUM & CHEMICALS

Shri Mulayam Singh Yadav — *Chairman*

2. Shri Ram Nath Kovind *Convenor*
3. Shri T.T.V. Dhinakaran
4. Shri Shriprakash Jaiswal
5. Shri Anil Kumar
6. Smt. Nivedita Mane
7. Shri P. Mohan
8. Dr. (Smt.) Joyasree Goswami Mahanta
9. Shri Mool Chand Meena
10. Shri Ashok Pradhan
11. Shri Mukesh R. Patel
12. Smt. Basanti Sarma
13. Shri Gaya Singh
14. Dr. (Smt.) C. Suguna Kumari
15. Dr. Ramesh Chand Tomar
16. Shri B. Venkateshwarlu

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1999-2000) having been authorised by the Committee to submit the Report on their behalf present this Eighth Report on Action Taken by Government on the recommendations contained in Fifth Report of the Standing Committee on Petroleum and Chemicals (1999-2000) (Thirteenth Lok Sabha) on Demands for Grants of the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals for the year 2000-2001.

2. The Fifth Report of the Committee was presented to Lok Sabha on 25th April, 2000. Replies of Government to all the recommendations contained in the Fifth Report were received on 8th August, 2000. The Report contained a recommendation on Revival of Indian Drugs & Pharmaceuticals Ltd. (IDPL). In pursuance of this recommendation, the Sub-Committee on Chemicals & Petrochemicals took oral evidence of the representatives of various recognised Unions and Associations of IDPL at their sittings held on 10th July, 8th, 9th and 10th August, 2000. The Sub-Committee also took evidence of the representatives of IDPL on 10th July, 2000 and those of the Ministry of Health & Family Welfare and the Ministry of Chemicals & Fertilisers, Department of Chemicals and Petrochemicals at their sittings held on 16th and 17th August, 2000 respectively.

3. The Sub-Committee on Chemicals and Petrochemicals considered the Action Taken Replies received from the Government and considered and adopted the Report at their sitting held on 7th September, 2000.

4. The Standing Committee on Petroleum and Chemicals (1999-2000) considered and adopted this Report at their sitting held on 18th September, 2000. The Committee place on record their appreciation of the work done by the Sub-Committee on Chemicals and Petrochemicals.

5. The Committee wish to express their thanks to representatives of Unions and Associations of IDPL and also to the Officers of IDPL, the Ministry of Health & Family Welfare and the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals who appeared before the Committee.

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

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

NEW DELHI;
September 18, 2000
Bhadrapada 27, 1922 (Saka)

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

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fifth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (1999-2000) on 'Demands for Grants (2000-2001) of the Ministry of Chemicals and Fertilisers, Deptt. of Chemicals and Petrochemicals' which was presented to Lok Sabha on 25th April, 2000.

2. Action Taken notes have been received from the Government in respect of all the 19 recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/Observations that have been accepted by the Government.
Sl. Nos. 1, 2, 3, 9, 10, 11, 13 and 14
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government replies.
Sl. Nos. 6 and 8
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.
Sl. Nos. 4, 5, 12, 15, 17, 18 and 19
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited.
Sl. Nos. 7 and 16

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

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

**A. Central Institute of Plastics Engineering and Technology (CIPET)
Extension Centre at Guwahati in Assam**

Recommendation (Sl. No. 2, Para No. 15)

5. The Committee while expressing satisfaction over the progress made in regard to establishment of CIPET Extension Centre at Patna and Haldia had expressed concern over the slow progress made in regard to CIPET Extension Centre at Guwahati in Assam. The Committee had desired that the work of this Centre should commence immediately and completed by March, 2002.

6. In their reply, the Ministry have *inter-alia* stated:

“As regards the Guwahati Extension Centre in Assam, the possession of land has been taken over on 26.4.2000. The delay in possession was caused because M/s. Assam Industrial Development Corporation (AIDC) had provisionally allocated 32 bighas of land at Village Sila, Sangasari for establishment of the Centre and communicated the offer at Rs. 3.5 lakhs per bigha. On physical measurement, it was found that the land was only 24 bighas. This fact was brought to the notice of the Assam Industrial Development Corporation (AIDC) and Secretary (Industries) of the State Government. Accordingly, the Government of Assam has issued a revised order for 24 bighas and demanded Rs. 36 lakhs provided in the project document. Action has been taken to release the amount in two instalments. After inviting bids, an Architect has been appointed and has been asked to prepare a concept plan and carry out soil investigation. It is expected that CIPET will be in a position to invite tenders by September, 2000. An amount of Rs. 2.70 crores has been released by the Government of India and Rs. 50.00 lakhs by the Government of Assam for the setting up of this Centre. All possible steps would be taken to ensure completion of the project within the time schedule.”

7. The Committee are happy to note that CIPET has taken over the possession of land but subsequent follow up action does not indicate that the project is progressing as per schedule. As against Government of India's contribution of Rs. 2.70 crore, the State Government's contribution is merely Rs. 50.00 lakh whereas it should be on 50:50 basis. The Committee would like to be assured that financial contributions between the Central and State Governments are made as per the agreement.

B. Generation of Internal Resources and Earnings by CIPET Centres

Recommendation (Sl. No. 3, Para No. 16)

8. The Committee were glad to note that CIPET Centres have done well in regard to generation of internal resources and earnings and three Centres *viz.* Ahmedabad, Bhubaneswar and Bhopal have become self-sufficient. The Committee had recommended that the Government should pay more attention to the Centres to enable them to achieve complete self-sufficiency by the end of 9th Plan.

9. Replying to the above recommendations of the Committee, the Ministry have stated:

"The overall achievement of self-sufficiency by CIPET during 1999-2000 reached a level of 94% and CIPET has achieved this before the targeted time. It is expected that the existing six old non-Plan Centres will become fully self-sufficient by the end of March, 2002. Centres like Ahmedabad, Bhopal and Bhubaneswar have already crossed the cent percent mark of self-sufficiency. Action is also being taken to ensure that all the non-Plan Centres are self-sufficient by undertaking new projects, consultancy activities and new training programmes."

10. The Committee would like to place their appreciation for CIPET on record for achieving 94% self-sufficiency before the targeted time and share the optimism of CIPET that the existing six old non-Plan Centres would become fully self-sufficient by March, 2002. The Committee expect CIPET to maintain this tradition of good work and recommend to the Government to enable them financially to open more Centres throughout India.

C. Assam Gas Cracker Project

Recommendation (Sl. Nos. 4 & 5, Para Nos. 22 and 23)

11. The Assam Gas Cracker Project was proposed in 1984. Letter of intent was issued in 1991. It took long time to finalise the details/ partners of the Project. Subsequently, it took long time in finalisation of Gas Supply Agreement between the Reliance Assam petrochemicals Ltd. (RAPL) and Oil India Ltd. (OIL). After repeated persuasions and

interventions by the Standing Committee on Petroleum and Chemicals, the Gas Supply Agreement was reached on March 14, 2000. Thereafter, the Committee had believed that the work on the project would be expedited and Department of Chemicals and Petrochemicals as facilitator would monitor the progress periodically.

12. Regarding the acquisition of land for the project, the Committee were informed that the land has been identified and out of 1262 acres of land, 128 acres was Government land and that has been handed over to the Company. The Committee had cautioned that after the finalisation of Gas Agreement, any delay in acquisition of land was not desirable.

13. In response, the Government have replied:—

“With a view to expediting its implementation, the Department of Chemicals & Petrochemicals has been reviewing the progress of the Gas Cracker Project and coordinating with the Government of Assam, the Ministry of Petroleum and Natural Gas, Oil India Ltd., Oil and Natural Gas Corporation Ltd. and Reliance Assam Petrochemicals Ltd. The initiative taken by the Department of Chemicals & Petrochemicals has enabled Oil India Limited (OIL) and Reliance Assam Petrochemicals Ltd. (RAPL) to initiate the agreed clauses of the draft Gas Supply Agreement on March 14, 2000. However, some technical issues such as composition of gas, flow rates etc. are under negotiation between RAPL and OIL. The Department is pursuing with the Ministry of Petroleum & Natural Gas for resolution of the outstanding issues.”

“The project is expected to be commissioned within 44 months from the date of signing of the Gas Supply Agreement and handing over of land, whichever is later”.

14. Regarding acquisition of land, the Government have stated:—

“Government of Assam had identified 1262 acres of land at Tengakhat of Dibrugarh District of which 128 acres of land was handed over to Reliance Assam Petrochemicals Ltd. (RAPL). The remaining part of the land was under acquisition when the acquisition process was put on hold due to the objections raised by the Chabua Air Force Authorities. In view of this, the Project

is required to be relocated, for which an alternate site has already been identified at Lapetkata in Dibrugarh District. Environment Impact Assessment Study has commenced. The Government of Assam, in consultation with the District Administration and RAPL, has fixed a time schedule for expediting the acquisition and handing over of the new site for the Project to RAPL."

15. The Committee feel dismayed that the Government have not shown promptness the way the Committee had expected. It may be recalled that the Committee were given to believe that the Gas Supply Agreement was the major irritant and remaining issues were of minor nature which could be resolved quickly and easily. But even after five months, the status of the project is the same where it was in March, 2000. The Committee are constrained to point out that the Department of Chemicals & Petrochemicals has not come upto their expectation. The Committee would urge upon the Government to resolve all outstanding technical issues urgently and apprise the Committee of its outcome.

16. Regarding acquisition of land, Committee's view is that the Government of Assam has not reciprocated the way which was expected. The case regarding acquisition of land was pending since long and the sort of objections raised by Chabua Air Force Authorities are not of abrupt nature. These could have been solved earlier or alternative land should have been located. The Committee express their unhappiness over the delay in acquisition of land and hope that before the year end, this issue would be resolved and land handed over to the Company.

D National Institute of Pharmaceuticals Education & Research (NIPER)

Recommendation (Sl. No. 10, Para No. 47)

17. NIPER has been conceived as an Institute of Excellence and Learning in Pharmaceutical Science and Technology. The Committee had noted that available funds could not be utilised fully as there was delay in procuring some machines/equipments etc. The Committee had liked the institute to complete all pending work/procurement process/recruitment so that the institute could start working at its full potential.

22. The Committee are afraid that the Government and IPFT have not taken the recommendation in the appropriate context. What the Committee wanted to emphasise was that the existing formulations appear to have become immune and there was need to have researches and new formulations to combat the diseases. The Committee had hoped that IPFT with its expertise and potential would come upto the expectations of the public and for the achievement of the objectives, if it was felt that resources are the constraints, the Committee recommend to the Government to release funds to enable IPFT to do more extensive researches and develop new formulations.

F. Revival of Indian Drugs & Pharmaceuticals Limited (IDPL)

Recommendation (Sl. No. 15, Para No. 66)

23. Indian Drugs and Pharmaceuticals Limited (IDPL) is a drug and pharmaceuticals manufacturing PSU which was established in 1961 with the primary objective of creating self-sufficiency in essential life-saving drugs and medicines. The establishment of this PSU was result of the vision of Pandit Jawahar Lal Nehru who wanted that the drug industry must be in the Public Sector. This Undertaking was conceived as model to serve the needs of health but could not sustain its economic viability and consequently was referred to BIFR on 25th May, 1992 which in turn declared it sick industry company on 12th August, 1992. As per directive of BIFR, Government formulated an agreed revival package which was approved by BIFR on 10th February, 1994 for implementation from 1st April, 1994.

24. The revival period was for 10 years beginning from 1994-95 but IDPL failed to achieve the targetted levels of production, sales and profitability in the first year itself as the Company was able to achieve the production of Rs. 199 crore only against the target of Rs. 328 crore, sale of Rs. 183 crore against the target of Rs. 306 crore and made a loss of Rs. 77 crore as against the projected profit of 0.08 crore. On 26th May, 1995, the BIFR reviewed package and observed that performance of the Company during 1994-95 though improved over previous year had fallen short of targets perhaps because the targets had been fixed at very ambitious levels, BIFR directed that the Government may refer back whether they would like the modified

package to be considered by BIFR or they would like BIFR to consider formulation of a rehabilitation scheme with the assistance of an Operating Agency (OA). Consequently, IDPL management on 14th June, 1995 suggested modification in the package which *inter-alia* envisaged additional financial assistance of Rs. 98 crore from the Government. After a gap of 7 months (on 17.1.1996), the Ministry informed BIFR that they were not agreeable to the modified package and the viability of the Company should be examined by an Operating Agency (OA). Accordingly, BIFR appointed IDBI as OA on 23rd January, 1996. Since then, various Committees and Sub-Committees have been appointed for revival of IDPL but net result of all these have been that no agreeable formula emerged with the result that production has almost come to stand still being 4% only.

25. The Standing Committee on Petroleum & Chemicals in their various Reports beginning from May, 1995 (19th Report, 10th Lok Sabha) to till April, 2000 (5th Report 13th Lok Sabha) numbering about 11 have been urging Government to finalise the revival plan quickly but apparently the Government acted more by constituting one Committee after another without any tangible outcome. Between October, 1996 to December, 1999 the Government spent Rs. 230 crore on payment of salaries to employees.

26. The Sub-Committee on Chemicals and Petrochemicals, a Sub-Committee of Standing Committee on Petroleum and Chemicals invited office bearers of various recognised Unions and Associations to ascertain their views on revival of IDPL and representatives of about 25 Unions and Associations appeared before the Committee during July and August of 2000. They submitted broadly that:—

- (i) The revival package of 1994 was not given fair trial.
- (ii) Government lacked sincerity in reviving IDPL and delayed submissions before BIFR.
- (iii) Group of Ministers formulated a plan which was to cost about Rs. 246 crore but was not implemented.
- (iv) The administrative control of IDPL should be transferred to Ministry of Health & Family Welfare which consumes medicines in bulk and IDPL with vast infrastructure and expertise can switch over to cater to the needs of Health Ministry quickly as it happened when Plague broke out in Surat.

- (v) Workers have already sacrificed their pecuniary benefits in the interest of IDPL and are prepared to opt for Voluntary Retirement Scheme (VRS) if it is made attractive so that workers strength in the organisation is reduced.
- (vi) IDPL needs assured market at least for a few years and for this purpose Government of India should direct various consumer Ministries such as Railways, Defence, ESI to buy their medicine requirements from IDPL on purchase preference basis.
- (vii) Muzaffarpur plant of IDPL can be revived with a meagre financial assistance of Rs. 25 crore whereas in case of Chennai, only Rs. 10 crore are required. Resources amounting to Rs. 4 crore can be generated locally and there is need of extra Rs. 6 crore to revive this unit.
- (viii) Government should consider revival of IDPL on plant to plant basis and accord functional autonomy with strict accountability.
- (ix) Recurring financial resources can be generated by local plants by letting Government agencies and private companies using infrastructure available with them.

27. Some of these points were posed to Department of Chemicals & Petrochemicals and Ministry of Health & Family Welfare to elicit their view point. Department of Chemicals & Petrochemicals submitted in written replies as under:—

On reasons for failure of revival package of 1994:

“.....the projected levels of production and sales envisaged levels of efficiency in working capital management, marketing which were found to be beyond the capacity of the company. The company could not make any progress in the matter of sale of surplus land and thus, generate funds. The pace of reduction in manpower through VRS was also slower. Absence of aggressive marketing, inability to introduce new products were also additional reasons for performance below the targets.”

28. Regarding reviving IDPL on plant to plant basis, the Department explained:

"The BIFR through its order dated 23.1.1996 laid down detailed guidelines requiring the OA to examine the techno-economic and commercial viability by treating each unit as a single profit centre, with cut-off date as 30.6.96. Owing to certain reasons it was decided that the OA (IDBI) would modify its report. Thereafter the BIFR in the hearing in July 1996, directed OA to prepare revised proposals and also to take services of an expert for diagnostic study of IDPL. Based on the report of the consultant, OA came to the conclusion that it is not possible to suggest a viable and acceptable revival scheme for IDPL.

Separately, on 8.8.97, GOM, *inter-alia*, recommended that unit wise rehabilitation plan be prepared and the Management and the Union would have to undertake responsibility, unit-wise and also for IDPL as a whole to execute a rehabilitation plan and jointly manage and run the units of IDPL on self-sustained basis. Although the concept of jointly managing and running the Company as per decision of the GOM was not agreed to by the workers of IDPL, IDPL management in consultation with the workers submitted a rehabilitation plan based on the parameters laid down by the GOM in October, '97. This was subsequently got updated two times, one with the cut-off dates as 30.9.98, 31.12.98 and 31.3.99 and another with cut-off dates as 31.3.2000 and 30.6.2000. All these packages submitted by IDPL management as per the directions of the Government contained proposals of reviving IDPL as a whole and also on unit-wise basis."

29. Regarding shifting of administrative control of IDPL from Department of Chemicals & Petro-chemicals to Ministry of Health & Family Welfare, the Department stated:

"The action plan for the revival of IDPL, suggested by Dr. L.K. Behl, had *inter-alia*, made such a suggestion. The Ministry of Health and Family Welfare did not favour the proposal for shifting of administrative control of IDPL to that Ministry."

30. The Ministry of Health and Family Welfare explained their stand as follows:

"This Ministry has got no experience or expertise to run a large manufacturing company such as IDPL, particularly one in the stage of rehabilitation.

In all the rehabilitation packages, it has been asked that the Ministry of Health & Family Welfare must procure 50% of the IDPL's produce. It has been stated by us on all past occasions that this is not feasible, mainly because of price differential, and also because of the fact that in externally funded National Programmes we have to go for international competitive bidding."

31. When the Ministry of Health & Family Welfare were asked about the contribution of IDPL in controlling Plague, Malaria, Kal-Azar and other epidemics, the Ministry acknowledged the contribution but justified their stand of not according purchase preference:

"For most diseases, Tetracycline is considered an outdated antibiotic. As a result of this, at the time of the Plague out-break in Gujarat, no manufacturers were producing this drug as a part of their production programme. IDPL then undertook the manufacture of Tetracycline at its Rishikesh Plant and supplied to the affected areas. The IDPL has also been producing and supplying Chloroquine for control of Malaria. However, in the last three years no supply has been obtained from IDPL for National Anti-Malaria Programme on price consideration. It has been further stated by the Department of Chemicals & Petrochemicals that IDPL had developed and produced Sodium Antimony Gluconate at Hyderabad and supplied this medicine in areas affected by Kalazar. However, in the last 3 years no supply has been obtained from IDPL under the National Programme again on price consideration."

32. The Ministry appreciated the quality aspect of Drugs produced by IDPL and stated:

"IDPL manufactures medicines of good quality and no complaint with regard to quality of IDPL's medicines has come to notice."

However, the Ministry were not ready to treat IDPL as State run agency which can be depended upon in case of Health Security. The Ministry justified their stand:

"For its requirements under different disease control programmes, Department of Health purchases drugs from a large number of Public and Private Sector Units. The sourcing of drugs from a large number of manufacturing units ensures that the requirements of the Central Government are not dependent on the voluntary cooperation of any manufacturer. IDPL has not supplied significant quantum of drugs to the public health system, and it is, therefore, not contributing significantly to the 'health security' of the country. There is no doubt that IDPL can manufacture medicines of good quality; but IDPL's products have to be price-competitive. Then only it can be procured by the Government. Besides, many National Health Programmes such as in cases of TB, Malaria, are run with the assistance from the World Bank, in which case there are strict stipulations about procurement. We have to follow the norms of international competitive bidding."

33. Regarding purchase preference in favour of IDPL, the Ministry replied:

"The Ministry of Health & Family Welfare follows the guidelines issued by the Department of Public Enterprises under its order No. DPE/13/(19)/91-Fin. dated 31.10.1997, permitting purchase preference in favour of PSUs to the extent of 10 per cent over the lowest quoted price." This order of Department of Public Enterprises was extended up to 31.3.2000. It is understood that the matter of further extension of this purchase preference guidelines is under consideration of the Department of Public Enterprises."

34. During the evidence, the Sub-Committee enquired from the Secretary, Ministry of Health & Family Welfare, as to why the Ministry could not purchase 30% of their requirements from PSUs as is being done by Railways, Tele-Communications and other Government Departments. The Secretary admitted that he was not aware of any such practice but assured the Committee that he would ascertain the position from other Ministries and Departments and adopt these guidelines in case of his Ministry also. He promised to apprise the Committee regarding this by 25th August, 2000 but the Committee have not received any response in this regard.

35. In reply to another question, the Ministry of Health & Family Welfare furnished the following data about purchases made by them from IDPL during the last three years:

(Rs. in crores)

Year	Total Expenditure for medicines in other than Externally aided projects	Purchase from IDPL
1997-98	173.1352	0.6169
1998-99	132.6385	4.4020
1999-2000	159.4376	3.9735

However, in case of externally aided projects, purchases in the year 1999-2000 were to the tune of Rs. 423.44 crore, but the Ministry did not make purchases from IDPL because it did not meet the norms of international competitive bidding which are compulsory for making a preferential purchase from it.

36. IDPL was conceived as an organisation of social commitment to fulfil the health needs of the masses and was symbolic of Nation's thinking of mixed economy. It was thought that the drug industry should not be in the private sector as there is too much exploitation of the Public in this Industry. For about two decades, IDPL did well and served the needs of the health sector. However, during eighties decline started in this PSU and due to poor monitoring by the Government and inept handling of the management, this decline could not be arrested. That is the past history now and the Committee would not like to go into it. But the Committee would certainly analyse the events after it was declared sick and the role played by the Government to revive it. BIFR declared it sick on 12th August, 1992 and it is heartening to note that within a period of one and a half year an agreed revival package was put in operation and was implemented *w.e.f.* 1st April, 1994. Unfortunately, the revival package did not work well and IDPL's performance fell short of targets perhaps because these had been fixed at very ambitious level although reportedly "Government had more than played its part in terms of the sanctioned scheme". BIFR reviewed the package on 26th May, 1995 and directed that the Government may refer back whether they would like the modified package to be considered by

BIFR or they would like BIFR to consider formulation of a rehabilitation scheme with the assistance of an Operating Agency (OA). IDPL on its part prepared a modified revival package and submitted to the Ministry on 14th June, 1995. The Ministry took seven months to submit to BIFR (on 17th January, 1996) that the modified package was not acceptable. The Committee do not see any reason for this delay except the laxity and indifferent approach towards the cause. Since then, the Ministry have been constituting one Committee after another without addressing the root problem. Even in constituting these Committees, there has been gap of not less than six months between one Committee and the other which shows that the Ministry lacked promptitude and adopted dilly delaying approach which led BIFR to observe in its hearing on 5th July, 2000 as under:

"The Bench also noted that no worthwhile progress could be made for the revival of the Company on account of Government of India not firming up its views.....The Bench noted the Company had been before the Board for more than 8 years and the promoters had not been taking a serious view to rehabilitate it despite ample opportunities having been given to them in that regard that it appeared that the promoters were taking undue advantage of the protection available to them to the detriment of other concerned. Promoters had been allowing the Company to drift and to continue incurring further losses.....Government of India, as promoter of the Company could not make up its mind with regard to rehabilitation of IDPL even after due consideration for a long time.....the Bench concluded that the promoters had failed to come up with an acceptable and viable revival proposal and they were continuing to delay the matter without any concern to ensure that the Company is rehabilitated after due consideration and sanction of the scheme by the Board."

37. Another instance of laxity of the Government is proved by the fact that two-member Committee comprising of Dr. M.B. Nair and Dr. P. Das Gupta appointed by the Government was to submit its Report in March, 2000 and an assurance in this regard was tendered before the Parliament but it could have a meeting only in

May, 2000. What more can be surprising than the fact that BIFR held 4 hearings only during the last three years whereas the Government on the other hand had spent more than Rs. 200 crore on salaries as non-Plan expenditure. The Government showed little concern to make the Company viable unit as a Corporate body.

38. The Committee view these developments and observations of BIFR very seriously and recommend that the Cabinet Secretary should constitute an inquiry Committee preferably from outside the civil services, drawn from IIMs to measure the role of officers of the Ministry who were associated with this case from the middle of 1995 onwards i.e. when the revival package failed and BIFR directed the Government to either prepare the modified package or consider rehabilitation scheme. The inquiry Committee should be asked to analyse the reasons which made BIFR to pass critical comments on the role of the Government. This Standing Committee are of the opinion that the Ministry's officers lacked the vision and commitment to address the problem and due to their lackadaisical approach delayed the process of finalisation of revival package which resulted in avoidable accumulation of losses. The Committee feel that accountability, responsibility, sensitivity and commitment for the public cause are the basic needs of responsible and positive administration and any one found lacking in any of these traits should be punished severely to prove warning for others.

39. The Committee believe that IDPL has been playing balancing role in containing drug prices as the private sector's intent is to make profit without any social obligation. IDPL has vast infrastructure to produce both bulk and formulations. The Committee, therefore, strongly recommend that the Government should still strive for reviving IDPL and make sincere efforts in this regard. As a first step, the Government should revise wages of workers and employees and simultaneously offer attractive Voluntary Retirement Scheme (VRS) so that the present work force of the Company is reduced to less than half. Representatives of Unions and Associations have themselves volunteered to avail of VRS if it is made attractive. They have even desired that let the Government impart them some technical training which could enable them to seek jobs elsewhere. The Committee trust that with the reduced manpower and available infrastructure the Company can turn around. The Company has vast physical assets of R&D at Hyderabad and Rishikesh which can be utilised for Pharma Parks and other research activities as being

pursued by Central agencies like NIPER. The Government must prepare their revival proposal accordingly and submit in response to the advertisement issued by the OA (IDBI) in pursuance of the directions issued by BIFR on 5th July, 2000.

40. The Committee regret that the Government could not succeed in their scheme to revive IDPL on plant to plant basis. Perhaps this scheme was not given fair trial. The Committee learn that not much capital is required for reviving Chennai and Muzaffarpur plants of IDPL. The Committee recommend that the Government should examine the feasibility of treating all plants as independent and autonomous units and then plan their revival accordingly. The Government in this regard should seek State Government's assistance also where these plants are located.

41. It has been acknowledged by the Ministry of Health and Family Welfare that IDPL manufactures medicines of good quality and no complaint with regard to quality of IDPL's medicines has come to the notice. Further, with the infrastructure available with IDPL, it can switch over quickly to meet with the needs of emergent situations as it happened when Plague broke out in Gujarat, IDPL produced and supplied Tetracycline when no other manufacturer was producing this medicine. But inspite of all this, Ministry of Health & Family Welfare do not consider appropriate to treat IDPL as State run agency for health security. Ironically, the Ministry's purchases from IDPL were not even 2% of total expenditure for medicines during the last three years. As against total expenditure of the order of Rs. 465.21 crore, the purchases from IDPL were only Rs. 8.99 crore. The Ministry have stated that the rates quoted by IDPL for medicines are generally on the higher side as compared to that of others even after providing for a 10% price preference. In case of externally aided projects, the Ministry of Health & Family Welfare did not make any purchase from IDPL during the last three years because it did not meet the norms of International Competitive bidding which are, in the opinion of the Ministry, compulsory for making a preferential purchase. The Committee visualize this situation and recommend that IDPL should endeavour to be competitive. The Committee recommend to the Ministry of Health and Family Welfare to examine the possibility of placing bulk order on IDPL on the basis of previous year's minimum rates of drugs

plus marginal increase, if the later can supply these at the rates pre-determined by the Ministry. The Committee do not fully agree with the contention of the Ministry of Health & Family Welfare that they cannot make preferential purchases in case of externally aided projects because of bidding norms. The Committee would draw the attention of Ministry towards World Bank's Guidelines [Para 1.12 (Reserved Procurement) and Para 2.54 (Domestic References)] reproduced below which allow the Borrower certain relaxations in purchases.

"Reserved Procurement

1.12 When open competition would be the appropriate method of procurement for particular goods or works of the project, but the Borrower wishes to reserve this procurement for one or more specific firms or enterprises, the Bank may accept such reserved procurement only on condition that:

- (a) It is not eligible for financing out of the Bank loan; and
- (b) It will not significantly affect the satisfactory project implementation in terms of costs, quality and completion time.

Domestic Preferences

2.54 At the request of the Borrower, and under conditions to be agreed under the Loan Agreement and set forth in the bidding documents, a margin of preference may be provided in the evaluation of bids for:

- (a) goods manufactured in the country of the Borrower when comparing bids offering such goods with those offering goods manufactured abroad; and
- (b) works in member countries below a specified threshold of GNP per capita, when comparing bids from eligible domestic Contractors with those from foreign firms."

The Committee urge the Ministry of Health & Family Welfare to explore the possibility of extending purchase preferential treatment for IDPL and other PSUs.

42. The Ministry of Health and Family Welfare are the bulk buyer of medicines under its own budget and also externally aided projects. It has expertise in the field. There has been the proposal by various Unions & Associations of IDPL and also of experts like Dr. L.K. Behl that administrative control of IDPL should be shifted to Ministry of Health & Family Welfare. The Committee agree with this proposal and recommend to the Government to implement this recommendation.

43. Central Government agencies like Railways, Defence, ESI and also State agencies make bulk medicine purchases. However, their share of expenditure on IDPL products is not even one per cent. The Committee recommend that a cell be constituted in the Department of Chemicals and Petrochemicals which should be charged with coordinating with Central and State agencies for making purchases from IDPL. The Government should direct these agencies that statutory requirements like Performance Guarantee and Earnest Money Deposit etc. be not insisted upon in the case of IDPL. The Committee also recommend that these agencies should be instructed to buy their 30% requirements from IDPL and other PSUs as is being done by Railways, Tele-Communications in case of their purchases.

G. Revival of Hindustan Antibiotics Limited (HAL)

&

Smith Stanistreet Pharmaceuticals Ltd. (SSPL)

Recommendation (Sl. Nos. 17 and 18, Para Nos. 72 and 74)

44. HAL was referred to BIFR in January, 1997 and was declared sick on 31st March, 1997. The Committee had noted that HAL had taken a number of remedial measures for improving the financial position which have resulted in reducing losses. The Committee had expected that revival package submitted by HAL would be cleared urgently.

Similarly, in the case of SSPL, the Committee had urged the Government to take all possible steps including financial relief to enable the Company to move on the path of recovery.

45. In reply, the Government have stated:

“The case of HAL, being under the purview of BIFR, the future of the Company, including revival, would be determined by the proceedings and final decision of the BIFR. In the hearing held on the 22nd June, 2000, the BIFR directed, *inter-alia*, that the Operating Agency would formulate a proper rehabilitation scheme with the means of finance fully tied up and submit the same to the Board.”

With regard to SSPL, the Government stated:

"The case of SSPL being under the purview of BIFR, the future of the Company, including revival, would be determined by the proceedings and the final decision of the BIFR. However, non-Plan assistance is being provided to the Company by the Government for payment of salary and wages."

46. The Committee wish that the Government present these Companies case before BIFR with an aim that these are revived and all possible financial assistance be given to make them economically viable.

H. Disinvestment Proposal of PSUs

Recommendation (Sl. No. 19, Para No. 78)

47. While examining the issue of disinvestment in the Undertakings under the Department of Chemicals & Petrochemicals, the Committee had expressed concern over the decision of disinvestment of IPCL, HOCL and HIL without revaluation of assets and assessment of replacement cost of these Companies. The Committee had held the view that the revaluation of assets was an on going process and did not require any clearance from any quarter. The Committee had strongly recommended that before initiating any exercise for disinvestment, revaluation of assets etc. should be made essential. The Committee had desired that Department of Chemicals & Petrochemicals should initiate *suo moto* exercise of revaluation of assets of the Undertakings which were being considered for disinvestment.

48. The Government in their reply have stated:

"The determination of the replacement cost and revaluation of the assets of IPCL, HOCL and HIL is likely to have direct bearing on the on going exercise of disinvestment in these public sector undertakings. Therefore, the Department of Chemicals & Petrochemicals has sought comments of the Department of Disinvestment, the nodal Department entrusted with all matters related to disinvestment of Government equity in Central Public Sector Enterprises. The question of valuation of assets is to be decided on a case-to-case basis. In the case of IPCL, HOCL and HIL, the decision of the appropriate authority has yet to be taken."

49. The Committee are not convinced with the reply of the Government and find no logic in the contention that revaluation of the assets is likely to have a direct bearing on the on going exercise of disinvestment. In Committee's view, revaluation of assets is a continuous regular exercise and has no link up with disinvestment process. The Committee, therefore, reiterate their recommendation that the Department of Chemicals & Petrochemicals should initiate exercise of revaluation of assets of the Undertakings falling under its administrative control.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 8)

The Committee note that as against the actual expenditure of Rs. 413 lakh during 1997-98 and Rs. 448.12 lakh in 1998-99, the Revised Estimates for the year 1999-2000 have been kept at Rs. 479 lakh. The Budget Estimates for 2000-2001 have been placed at Rs. 542 lakh. Although the Department has justified the increase occurring due to filling up of the vacant posts by 31.05.2000 as per the direction of CAT and provision for retirement benefits, the Committee feel that some check should be applied on continuous increase over the last two years. The Committee urge the Department to make all necessary efforts to adopt cost control measures so that the expenditure under this head is minimized.

Reply of the Government

The Department has noted the direction of the Committee for compliance. All possible efforts will be made to keep the expenditure to the minimum level possible by adopting cost control measures.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendation (Sl. No. 2, Para No. 15)

The Committee feel satisfied over the progress made in regard to establishment of CIPET Extension Centres at Patna in Bihar and at Haldia in West Bengal. The construction work is expected to be completed by March 2002. But regarding the CIPET Extension Centre at Guwahati in Assam the progress is very slow. The Committee feel sorry that the Government have taken more time in getting possession of land. The process of construction should start after taking an early possession of land. The Committee would like the Government to coordinate with the Government of Assam so that work could commence immediately and complete by March, 2002 along with other two Extension Centres.

Reply of the Government

Possession of land both at Hajipur for the Patna Centre in Bihar and at Haldia in West Bengal has been taken. Contract has been finalised and the construction work has been entrusted. It is expected that both the Centres will be completed before the end of March, 2002.

As regards the Guwahati Extension Centre in Assam, the possession of land has been taken over on 26.4.2000. The delay in possession was caused because M/s. Assam Industrial Development Corporation (AIDC) had provisionally allocated 32 bighas of land at Village Sila, Sangasari for establishment of the Centre and communicated the offer at Rs. 3.5 lakhs per bigha. On physical measurement, it was found that land was only 24 bighas. This fact was brought to the notice of the Assam Industrial Development Corporation (AIDC) and Secretary (Industries) of the State Government. Accordingly, the Government of Assam has issued a revised order for 24 bighas and demanded Rs. 36 lakhs provided in the project document. Action has been taken to release the amount in two instalments. After inviting bids, an Architect has been appointed and has been asked to prepare a concept plan and carry out soil investigation. It is expected that CIPET will be in a position to invite tenders by September, 2000. An amount of Rs. 2.70 crores has been released by the Government of India and Rs. 50.00 lakhs by the Government of Assam for the setting up of this Centre. All possible steps would be taken to ensure completion of the project within the time schedule.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please see Para No. 7 of Chapter I of the Report)

Recommendation (Sl. No. 3, Para No. 16)

The Committee are happy to note that almost all CIPET Centres have shown encouraging results in regard to generation of internal resources and earnings. The overall Achievement towards self-sufficiency has increased from 64% in 1997-98 to 85% in 1999-2000. Three Centres *viz.* Ahmedabad, Bhubaneshwar and Bhopal have already achieved self-sufficiency. The Committee recommend that the

government should pay more attention to the Centres with the objective of achieving complete self-sufficiency by the end of 9th Plan. For this purpose they should undertake more projects and expand the base for consultancy/advisory and industrial training services.

Reply of the Government

The Overall achievement of self-sufficiency by CIPET during 1999-2000 reached a level of 94% and CIPET has achieved this before the targeted time. It is expected that the existing six old non-Plan Centres will become fully self-sufficient by the end of March, 2002. Centres like Ahmedabad, Bhopal and Bhubaneswar have already crossed the cent percent mark of self-sufficiency. Action is also being taken to ensure that all the non-Plan Centres are self-sufficient by undertaking new projects, consultancy activities and new training programmes.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

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

Recommendation (Sl. No. 9, Para No. 41)

The Committee feel that the so-called poor quality of Indian medicines could be a hurdle in getting more export orders. The Committee desire that the Government should take some prompt initiatives to ensure supply of the better quality medicines because reputation means a lot, particularly in the export market. For this purpose they may provide better data to domestic companies through Seminars and workshops so that they may improve quality of their products. Government should also take steps, which encourage the Indian companies.

Reply of the Government

The issues relating to the quality of pharmaceuticals and drugs fall under the purview of DCGI, Ministry of Health & Family Welfare and/or the State Licencing Authorities. The Pharmaceuticals Exports Promotion Scheme (PEPS) has, in the past, taken up the issue of quality complaints emanating from Indian Missions abroad with DCGI for feedback and, in a few cases, the Embassies have been suitably

informed. In the Indo-Russian Working Group on pharmaceuticals the quality issue has been addressed through the exemption of WHO GMP Indian companies from batch-by-batch inspection and also accreditation of some independent and private testing laboratories for certifying pharmaceuticals being exported to Russia.

There has been impressive growth in the export of pharmaceuticals and drugs in the last few years as is evident from the figures given below:

	(Rs. Crores)
1994-95	2512.34
1995-96	3408.69
1996-97	4341.18
1997-98	5419.31
1998-99	6152.22

(Source : DCGI & S)

To further accelerate this growth trend, the Department of Chemicals and Petrochemicals will coordinate with DCGI and the Industry Associations and take appropriate measures.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendation (Sl. No. 10, Para No. 47)

The Committee note that on procurement/installation of equipments, provision of various facilities and recruitment of required personnel and other related activities are being taken up by NIPER so that the full potential can be realised. Due to delay in procuring some machines/equipments, available funds to the Institute could not utilised fully. In the meantime the Institute has started its activities. The Committee would like the Institute to complete all pending work/procurement process/recruitment so that the Institute can start working at its full potential. Needless to point out it should strive hard to achieve excellence which is one of the prime objectives of the Institute.

Reply of the Government

The Institute has started the academic activities in seven departments out of the ten departments to be set up. Interaction with the Indian Pharmaceutical Industry has also been initiated and a number of projects have been completed. To further enhance the participation of the industry some centres have been set up in NIPER. The Institute is taking steps to recruit suitable manpower and so far 88 positions have been filled. The process of further recruitment is on. So far as procurement of equipment is concerned, the Institute has already procured equipment (both imported and indigenous) worth Rs. 1316.58 lacs upto 31.03.2000 and it is in the process of acquiring the rest of the planned equipments. On the whole, efforts are on to achieve the objectives of the Institute.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

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

Recommendation (Sl. No. 11, Para No. 48)

The Committee have been taken note of the sponsored projects undertaken by the Institute and appreciate the work of the Institute and defined objectives of these projects. The Committee would be happy if the objectives of different projects are achieved fully. The Committee desire that the Institute should pay special attention towards development of herbal medicines.

Reply of the Government

NIPER has a well-established Department of Natural Products that is actively pursuing research on herbal medicines with the following aims and objectives:

To lay down standards and effective quality controls on the herbal medicinal products of our country.

- to create database for identification and authentication of materials with well-defined botanical and phytochemical characteristics.

To create libraries of marker/characterizing constituents for positive chemical identification of materials through chemoprofiling.

To create quantitative standards for extracts and their formulations through chemo and bioprofilings.

To create standard protocols for establishing purity of materials, identification of adulterants, substitutes, pathogenic bacteria and fungi, heavy metals and pesticide residues.

To develop dosage forms of the herbal products and their stability studies.

To develop bioactivity protocols for herbal medicinal products with the help of biomarkers.

The Department of Natural Products has undertaken the following sponsored projects with a view to creating opportunity of economic and professional advantages to the nation:

- Central scheme for development and cultivation of medicinal plants, sponsored by Department of ISM & H, Ministry of Health & Family Welfare.
2. Pharmaceutical standards of ISM drugs, sponsored by Department of ISM & H, Ministry of Health & Family Welfare.
3. Cultivation of *Artemisia annua*, a Chinese herbal drug for treatment of malaria, sponsored by Unichem Laboratories Ltd., Mumbai.
4. Central scheme for development of Agro-techniques and cultivation of medicinal plants used in Indian Systems of Medicines sponsored by Department of ISM & H, Ministry of Health & Family Welfare.
5. Immunostimulants and adaptogens from selected few medicinal plants sponsored by DST, Ministry of Science & Technology.
6. Evaluation of potential Ayurvedic drugs for gynaecological disorders, sponsored by Department of FW, Ministry of Health & Family Welfare.

7. ICMR Unit on standardisation and quality control and formulation of traditional medicines, sponsored by ICMR.
8. Development of standards of medicinal plant-based drugs, sponsored by ICMR.
9. Development of monographs on herbal medicines, NIPER in house Project.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendations (Sl. No. 13, Para No. 58)

The Committee are happy to note that in pursuance to the recommendations made by the Committee. NPPA has finalised the rented accommodation at a reasonable rent. The Committee trust that with the passage of time office expenses would come down considerably. Now NPPA should start establishing a better working environment with appropriate infrastructure for effective monitoring. Since computers will play a major role in the data collection process, better facilities should be developed for their proper maintenance.

Reply of the Government

The Office of NPPA has been shifted to the new premises in New Delhi with effect from 15.05.2000. The office has started functioning from the new premises.

As regards infrastructure facility like computers, purchase orders have been placed. Networking and related works are in progress and are expected to be completed soon. The recommendation of the Committee has been noted for guidance.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendation (Sl. No. 14, Para No. 59)

The Committee recognise that after the establishment of NPPA, process of price fixation has become more efficient. However, the Committee desire that while fixing prices, the Authority should take into consideration the per capita income in the country, *i.e.* paying

capacity, quality and availability of medicines to all sectors of the society. The Committee are of the view that there is greater need for having effective monitoring/control over supply/market forces in the country which affect the common man. the most common menace in the drug sector is the presence of spurious drugs/medicines. The Committee, therefore, desires that the Government should strengthen its monitoring system to ensure that consumers get genuine quality medicines at a reasonable price. This is all the more necessary in case of the life saving drugs and medicines meant for curing tropical diseases.

Reply of the Government

The National Pharmaceutical Pricing Authority (NPPA) fixes the prices of scheduled drugs as per the provisions of the Drugs (Prices Control) Order, 1995. In fixing the prices, NPPA is also guided by the objectives of the Drug Policy, 1986 as modified in September, 1994.

In order to ensure and maintain the availability of medicines, price fixation system has to take into account the input costs. To ensure that prices of medicines under price control remain at reasonable level, necessary norms have been developed under the Drugs (Prices Control) Order and prices are fixed accordingly.

The aspects of quality and standard with regard to medicines are enforced through the provisions of the Drugs and Cosmetics Act by the Drugs Controller General of India, who operates also through the State Drugs Organisations. The Drugs and Cosmetic Act is administered by the Ministry of Health and Family Welfare, DCGI is under the administrative control of that Ministry.

On its part, NPPA interacts periodically with the State Drug Administrations and the subject of quality and standard is also discussed during such interaction. The last such interaction was organized by NPPA on April 26, 2000. Besides, since the quality of medicines has implications on pricing and availability, NPPA also endeavours to advance the cause of quality of medicines.

NPPA is monitoring drug prices on a monthly basis by compiling and scrutinising data published in "Retail Store Audit" Reports of ORG-MARG and also by collecting market information. Monitoring is a continuous process.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

CHAPTER III

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

Recommendation (Sl. No. 6, Para No. 34)

The Committee note that out of total outlay of Rs. 258 crore for Action Plan, the Central Government has given its fully share of 75%. The hospital has been entrusted to a Trust appointed by the Supreme Court. However, the Committee find that progress of work has not been satisfactory. Due to this, victims of the Bhopal Gas Tragedy are not getting proper treatment and other facilities in the hospital in time. The Committee strongly reiterate that the Ministry should take up with the Trust through its representatives that it needs to be completed expeditiously.

Reply of the Government

The recommendation of the Committee has been brought to the notice of the representative of the Government of India on the Bhopal Memorial Hospital Trust.

[Ministry of Chemicals and Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendation (Sl. No. 8, Para No. 40)

The Committee are happy to note that the Government has initiated steps to promote export through Pharmaceutical Export Promotion Schemes. The Committee expect some better results in the near future. Most of the drug producing companies tries to produce drugs, which have a better demand in Indian market, and naturally they have developed an expertise in production of such medicines. In the Committee's view, while collecting data from various countries by the Government it would be more beneficial to concentrate mainly on the countries where there is a similar climate and demographic pattern and diseases so that possibilities for higher export become a reality.

Reply of the Government

As per DGCI's statistics, India Exports Drugs, Pharmaceuticals and fine chemicals to nearly 200 countries either directly or through third countries. Indian companies have capabilities not only to produce old bulk drugs through competitive process technology but also the newer drugs which can be exported to countries where these are not patented. Indian exports of bulk drugs and dosage forms cover all therapeutic segments. The fact that our exports are going to several countries and that the major percentage is going to the western and advanced countries, shows that Indian products are not only cost-competitive but are also of international quality. In view of the stringent drug regulations, there is tremendous pressure on pharma exports and, therefore, it becomes imperative to cover a large number of countries with a bigger basket of drugs. However, the choice of destinations for exports and the products to be offered are commercial decisions of the individual companies.

[Ministry of Chemicals and Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

CHAPTER IV

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

Recommendation (Sl. No. 4, Para No. 22)

The Committee are glad to note that in pursuance of the recommendations of the Committee the long/pending issues of Gas Supply Agreement between the Reliance Assam Petrochemicals Ltd. (RAPL) and Oil India Ltd. (OIL) has been resolved and the Draft for Agreement has been signed. The Committee express satisfaction over the role played by the Department of Chemicals & Petrochemicals in bringing all the parties together with a view to resolving the contentious issue of Gas Supply Agreement. The Committee believe that as facilitator of the project, the Department will continue to monitor the progress periodically and for this a time schedule of each activity involved before zero date would be worked out and adhered to.

Reply of the Government

With a view to expediting its implementation, the Department of Chemicals & Petrochemicals has been reviewing the progress of the Gas Cracker Project and coordinating with the Government of Assam, the Ministry of Petroleum & Natural Gas, Oil India Ltd., Oil and Natural Gas Corporation Ltd. and Reliance Assam Petrochemicals Ltd. The initiative taken by the Department of Chemicals & Petrochemicals has enabled Oil India Ltd. (OIL) and Reliance Assam Petrochemicals Ltd. (RAPL) to initiate the agreed clauses of the draft Gas Supply Agreement on March 14, 2000. However, some technical issues such as composition of gas, flow rates etc. are under negotiation between RAPL and OIL. The Department is pursuing with the Ministry of Petroleum & Natural Gas for resolution of the outstanding issues.

The Project is expected to be commissioned within 44 months from the date of signing of the Gas Supply Agreement and handling over of land, whichever is later.

[Ministry of Chemicals and Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please *see* Para No. 15 of Chapter I of the Report)

Recommendation (Sl. No. 5, Para No. 23)

The Committee feel that another time consuming issue is land acquisition. As informed by the Chief Secretary, Assam Government the land has been identified. Out of 1262 acres of land, 128 acres was Government land and that has been handed over to the company. Acquisition of the remaining land is pending since RAPL has to deposit compensation amount to the State Government. The Committee desire that now after the finalisation of gas agreement, RAPL should be asked to deposit money so that the acquisition process may start soon. Any further delay in this regard is not desired at this stage.

Reply of the Government

Government of Assam had identified 1262 acres of land at Tengakhat of Dibrugarh District of which 128 acres of land was handed over to Reliance Assam Petrochemicals Ltd. (RAPL). The remaining part of the land was under acquisition when the acquisition process was put on hold due to the objections raised by the Chabua Air Force Authorities. In view of this, the project is required to be relocated, for which an alternate site has already been identified at Lapatkata in Dibrugarh district. Environment Impact Assessment Study has commenced. The Government of Assam, in consultation with the District Administration and RAPL, has fixed a time schedule for expediting the acquisition and handing over of the new site for the Project to RAPL.

[Ministry of Chemicals and Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please *see* Para No. 16 of Chapter I of the Report)

Recommendation (Sl. No. 12, Para No. 54)

The Committee feel that the Institute has not been able to keep pace with the changing atmospheric and climatic conditions in the country. The Committee's impression is based on the increasing number of diseases in agriculture, horticulture and forestry and inability of the prevalent pesticides to cure those diseases. A serious study has to be made to assess as to what has gone wrong that pesticides did not show results when cotton crop was infected with fungus and farmers were driven to commit suicide. There are complaints that pesticides are either diluted or are adulterated. The Committee recommended that an integrated mechanism has to be established to see the changing needs of the farmers, role of the Institute such as IPFT to cater to these needs, involvement of State Governments and the Ministry of Agriculture. If needed the existing laws relating to spurious pesticides which do not protect the interest of the farmers should be amended to make them effective. IPFT should define its role in providing qualitative pesticides and guide the Government as to how to ensure this.

Reply of the Government

In its recommendation, the Committee has observed that IPFT has not been able to keep pace with the changing atmosphere and climatic conditions in the country and there are increasing number of diseases in agriculture, horticulture and that diluted and adulterated pesticides in the market are not able to cure these diseases. In this connection, attention is drawn to the fact that the use of pesticides in the country and its quality control are being regulated through the Insecticides Act, 1968 and the Insecticides Rules, 1971 which are implemented and enforced by the Ministry of Agriculture. Besides, State Governments are legally empowered to inspect, seize and send for examination samples of pesticides to check their quality. IPFT has no role at all with regard to enforcement of the provisions of the aforesaid Act and Rules. However, IPFT has been pursuing the objective as laid down under the Memorandum of Association *viz.* to encourage, in the broadest and most liberal manner, the advancement of pesticide formulation research and development, promotion and transfer of pesticide formulation technology to the industrial sector, to foster improvement of qualification and usefulness to formulation scientists, etc.

It may also be mentioned that despite having meagre resources, IPFT has made serious efforts to publicise the advantage of using the formulations developed by it through organizing training programmes of the concerned Deputy Directors of Agriculture of some selected States and that it would be very willing to play its role in an integrated mechanism to be established to meet the changing needs of the farmers and to cater to these needs in tandem with the State Governments and the Ministry of Agriculture.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

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

Recommendation (Sl. No. 15, Para No. 66)

The Committee reiterate their earlier position that making IDPL, a viable organization is the social responsibility of the Government. It is really distressing to note that even after repeated recommendations of the Committee, nothing has moved the Government to show concrete results. There is criminal wastage of public funds in conducting one study after another since 1992. The handling of IDPL case is a typical one which reflects the 'non-working culture' in Government, passing the buck from one organization to another. The Committee once again recommend that the Government should in all fairness act in an effective manner to make IDPL functional and viable. In the Committee's opinion, this action will have multi-pronged positive effects on workers and pharmaceuticals sector as a whole. It will also help in removing sickness in public enterprises and most importantly improve the Government's image that it is interested in protecting and maintaining social security.

Reply of the Government

Government has been making all possible efforts to finalise the rehabilitation scheme in respect of IDPL. The failure of the first package has sanctioned by BIFR made it necessary to ensure that any alternate package(s) framed hereafter should be viable.

Dr. L.K. Behl, a former C&MD of IDPL submitted in April, 1999 an Action Plan for the revival of IDPL. The same was examined by the Government and it was found that the Plan was not practicable and would not result in the revival of the company. However, with a view to making another attempt for preparing a package with means of finance fully tied up, proposals were obtained by the Ministry from IDPL, with cut off dates as 31.03.2000 and 30.06.2000. These are under examination in the Department in consultation with various Central Ministries/Departments, State Governments/PSUs, Banks and Central PSUs from whom concessions/reliefs are envisaged.

The case of IDPL being under the purview of BIFR, the future of the company including revival, would be determined by the proceedings and the final decision of the BIFR.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please see Para Nos. 36 to 43 of Chapter I of the Report)

Recommendation (Sl. No. 17, Para No. 72)

The Committee are happy to note that HAL has taken a number of remedial measures for improving the financial position which has shown consistently positive results in reducing losses. The revival package submitted by HAL is still lying with the Government though at an advanced stage. The Committee expect that revival package will be cleared without any further delay.

Reply of the Government

The case of HAL being under the purview of BIFR, the future of the Company, including revival, would be determined by the proceedings and final decision of the BIFR. In the hearing held on the 22nd June, 2000 the BIFR directed, *inter-alia*, that the Operating Agency would formulate a proper rehabilitation scheme with the means of finance fully tied up and submit the same to the Board.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please see Para No. 46 of Chapter I of the Report)

Recommendation (Sl. No. 18, Para No. 74)

The Committee are happy to note that SSPL has shown an improvement in production and sales during 1999-2000 after the appointment of the new CMD. This shows that there is still a potential and a scope of improvement. In view of the changed situation the Government should take all possible initiatives to enable the company to move on the path of recovery. As recommended in the previous Reports of the Committee, the Government should try to provide all possible reliefs/concessions from Government of India/Public Sector institutions.

Reply of the Government

The case of SSPL being under the purview of BIFR, the future of the company, including revival, would be determined by the proceedings and the final decision of the BIFR. However, non-Plan assistance is being provided to the company by the Government for payment of salary and wages.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please see Para No. 46 of Chapter I of the Report)

Recommendation (Sl. No. 19, Para No. 78)

The Committee take a serious view over the decision of disinvestment of IPCL, HOCL and HIL without revaluation of assets and assessment of replacement cost of these companies. The matter could be discussed during the process of consultations to decide the matter. Revaluation of assets is an ongoing process and it does not require any clearance from any quarter. The Committee do not approve of the position taken by the Department that they would revalue the assets of IPCL only when some reference comes to them. The Committee are of the strong opinion that before initiating any exercise for disinvestment, revaluation of assets, etc. should be made essential. Accordingly, the Committee recommend that the Department of Chemicals and Petrochemicals should initiate *suo-moto* exercise of revaluation of assets of the undertakings which are being considered for disinvestment and position so emanating from the revaluation exercise should be placed before the concerned Ministries/Departments. This may help in arriving at prudent decisions in the disinvestment process.

Reply of the Government

The determination of the replacement cost and revaluation of the assets of IPCL, HOCL and HIL is likely to have a direct bearing on the ongoing exercise of disinvestment in these public sector undertakings. Therefore, the Department of Chemicals & Petrochemicals has sought comments of the Department of Disinvestment, the nodal Department entrusted with all matters related to disinvestment of Government equity in Central Public Sector Enterprises. The question of valuation of assets is to be decided on a case-to-case basis. In the case of IPCL, HOC and HIL, the decision of the appropriate authority has yet to be taken.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Comments of the Committee

(Please see Para No. 49 of Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 7, Para No. 35)

The Committee regret to note that apart from the hospital some schemes of the Action Plan for rehabilitation of Bhopal Gas victims have not been completed as yet, even after taking several extensions including the last one which expired on 30.9.99. This has not only increased the expenditure but the main purpose of the schemes has also been defeated. After such long period the Kamla Nehru Hospital has started functioning, it is not fully equipped yet. The same position exists in respect of Indira Gandhi Mahila Avam Bal Chikitsalaya. The Committee once again urge the Government to persuade the State Government or the representatives of the Trust to complete the work of all rehabilitation schemes in all respects without any further delay. The compliance report in regard to each incomplete scheme should be obtained and the Committee may be apprised accordingly.

Reply of the Government

The recommendation of Committee has been brought to the notice of the State Government of Madhya Pradesh. The State Government has been requested to complete all the schemes under Action Plan at the earliest and to inform this Ministry about the progress made in the implementation of the schemes.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

Recommendation (Sl. No. 16, Para No. 69)

The Committee take a serious view over the approach shown by Government in regard to petrofiles Cooperative Limited. The Cooperative had already submitted a revised rehabilitation proposal in February, 1999 as per the guidelines of the Department. In between PCL showed better financial performance also and in view of this the Committee had recommended an early approval of the revival package. That time

also it was noticed that PCL was facing a difficult situation in regard to payment of electricity bills, etc. The Committee are sorry to say that the Government did not try to find any way to help PCL to avoid disconnection of electricity followed by shut down of the unit. In the Committee's view, this could be avoided. Since Government have already taken too much time in the finalisation of revival package, the Committee desire that Government should take a final decision without any further delay.

Reply of the Government

The rehabilitation proposal submitted by the management of Petrofils Cooperative Limited in February, 1999 had been examined. The process of inter-ministerial consultation has also been completed. The decision of the appropriate authority in the Government in regard to the future of the society is being obtained.

[Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/2000-Fin. Dated 01.08.2000]

NEW DELHI;
September 18, 2000
Bhadrpada 27, 1922 (Saka)

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

APPENDIX I

MINUTES

SUB-COMMITTEE ON CHEMICALS & PETRO-CHEMICALS, A SUB-COMMITTEE OF STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1999-2000)

Seventh Sitting

07.09.2000

The Sub-Committee sat from 1100 hrs. to 1130 hrs.

PRESENT

Shri Ram Nath Kovind *Convenor*

MEMBERS

Lok Sabha

2. Shri Shriprakash Jaiswal
3. Shri P. Mohan
4. Dr. (Smt.) C. Suguna Kumari
5. Shri B. Venkateswarlu

Rajya Sabha

6. Shri Gaya Singh

SECRETARIAT

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

At the outset, Convenor, Sub-Committee on Chemicals & Petrochemicals welcomed the Members to the sitting of the Sub-Committee.

2. Thereafter, the Sub-Committee considered and adopted the Draft Action Taken Report on action taken by the Government on the recommendations contained in the Fifth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals (1999-2000) on Demands for Grants of Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petrochemicals for 2000-2001, with some verbal changes.

3. The Sub-Committee authorised the Convenor to finalise the Report and submit this to the Chairman for consideration by the Standing Committee on Petroleum & Chemicals.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1999-2000)

Fourteenth Sitting

18.09.2000

The Committee sat from 1100 hrs. to 1200 hrs.

PRESENT

Shri Mulayam Singh Yadav *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Baidia
4. Shri Ananda Mohan Biswas
5. Shri Dilipkumar Mansukhlal Gandhi
6. Smt. Sheela Gautam
7. Shri B.K. Handique
8. Shri Shriprakash Jaiswal
9. Shri P. Mohan
10. Dr. Bikram Sarkar
11. Shri Shyama Charan Shukla
12. Smt. Kanti Singh
13. Shri Prabhunath Singh
14. Shri D.C. Srikantappa
15. Shri Tarlochan Singh Tur
16. Shri B. Venkateshwarlu
17. Shri Rajesh Verma

Rajya Sabha

18. Shri Ram Nath Kovind
19. Shri Anil Kumar
20. Shri Mool Chand Meena
21. Shri Dipankar Mukherjee
22. Shri Suresh Pachouri
23. Shri Ravi Shankar Prasad
24. Shri Rajiv Ranjan singh
25. Shri Gaya Singh
26. Shri P. Soundararajan

SECRETARIAT

- | | |
|---------------------|-------------------------|
| 1. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 2. Shri J.N. Oberoi | <i>Under Secretary</i> |

At the outset, Chairman welcomed the Members to the sitting. Convenor, Sub-Committee on Chemicals & Petrochemicals apprised the Committee about the broad recommendations contained in the Action Taken Report.

2. The Committee then took up for consideration the Draft Action Taken Report on action taken by the Government on the recommendations contained in the Fifth Report (Thirteenth Lok Sabha) of Standing Committee of Petroleum & Chemicals (1999-2000) on Demands for Grants of the Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals for 2000-2001.

3. After some consideration, the Committee adopted the Report, without any amendments.

4. The Committee thereafter authorised the Chairman to finalise the Report after getting it factually verified from the concerned Ministries and present the same to the Speaker under Rule 280 of Rules of Procedure and Conduct of Business in Lok Sabha and Direction 71A of Directions by the Speaker.

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

- | | | |
|----|----|----|
| 6. | ** | ** |
| | ** | ** |

The Committee then adjourned.

**Not related to this Report.

APPENDIX III

[Vide Para 4 of the Introduction]

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE FIFTH REPORT
(THIRTEENTH LOK SABHA) OF THE STANDING COMMITTEE
ON PETROLEUM & CHEMICALS (1999-2000) ON 'DEMANDS
FOR GRANTS—2000-2001 RELATING TO DEPARTMENT OF
CHEMICALS & PETROCHEMICALS'

I. Total number of recommendations	19
II. Recommendations that have been accepted by the Government [<i>vide</i> Recommendation at Sl. Nos. 1, 2, 3, 9, 10, 11, 13 & 14)	8
Percentage to total	
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> Recommendation at Sl. Nos. 6 & 8)	2
Percentage to total	
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> Recommendation at Sl. Nos. 4, 5, 12, 15, 17, 18 & 19)	7
Percentage to total	
V. Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> Recommendation at Sl. Nos. 7 & 16)	2
Percentage to total	