

that the Ganga pollution is being taken care of The Ganga Action Plan Phase-I is almost in the final stage now The Ganga Action Plan Phase-II is in the process of taking off. It is an on going project. Because of the diversion of effluents from the cities in Bihar, UP. and other places, the Ganga gets polluted. At the same time, we are very much conscious of the Ganga pollution. We are taking up many projects and it will be carried out shortly.

Drawal of Excess subsidy by Fertilizer Manufacturers

563. SHRI DIPANKAR MUKHERJEE † :

SHRI NILOTPAL BASU :

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Ministry of Finance has its representatives in the Fertilizer Industry Coordination Committee (FICC) which fixes up the retention price of Urea;

(b) if, so, whether Government are aware of gold-plating of nameplate capacities by some fertilizer manufacturers, leading to drawal of excess subsidy by these companies;

(c) whether such cases were discussed and the excess subsidy drawn was quantified in the FICC meeting held on the 16th March, 1998;

(d) if so, the estimated amount of excess subsidy drawn by these companies through manipulation of capacities since 1993; and

(e) the steps taken by the Ministry of Finance to recover the amount with retrospective effect ?

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SURESH PRABHU); (a) to (e) A statement is laid on the Table of the House.

STATEMENT

(a) Fertilizer Industry Co-ordination Committee (FICC) administers and operates the Retention Price-cum-Subsidy Scheme. It is headed by the Secretary (Fertilizers), Secretary, Department of Expenditure, Ministry of Finance is also one of the members.

(b) Government is seized of the matter relating to excess drawal of subsidy by under statement of capacities by some of the urea manufacturing units.

† The question was actually asked on the floor of the House by Shri Dipankar Mukherjee.

(c) to (e) FICC in its 75th meeting held on 16-3-1998 discussed only the specific issue pertaining to fixation of final retention price of urea produced by Kakinada unit of Nagarjuana Fertilizers and Chemicals Ltd. It was noted that the actual operating data of this unit with regard to capacity utilisation showed that the annual capacity utilisation of ammonia and urea plants since 1993-94, that is, from the second year of operation of the unit have been quite high. FICC, however, deferred the fixation of final retention price till the issue of reassessment of capacity of fertilizer units referred to the High Powered Fertilizer Pricing Policy Review Committee (HPC) had been examined and finalised by the Government. FICC, meanwhile, decided to refix the provisional retention price of NFCL.

The Government is still seized of the matter relating to reassessment of capacity of urea manufacturing units and the quantum of excess subsidy drawn by these units and recovery thereof will depend on that decision.

SHRI DIPANKAR MUKHERJEE : Sir, it is a wrong number—in telephone dialling, wrong number is a wrong number—in the sense that this question was put to the Ministry of Finance.

MR. CHAIRMAN : It was transferred and accepted. Put the questions now.

SHRI DIPANKAR MUKHERJEE : Sir, the answer has been given to us and it is fair enough. It was transferred, but if you see the questions, right from part (a) to part (e), all questions relate to the Ministry- of Finance only. The basic point is regarding the urea subsidy. It is the Ministry of Finance which had decided the matter. In the Budget Speech, the Finance Minister had increased the selling price of urea. My question relates to the overdrawal of subsidy by different fertiliser companies, and it is associated with that, Sir, before I put my first supplementary, I would invite your attention to the Standing Committee's report which was placed in this House on 25th April, 2000. On this issue of excess drawal of subsidy by certain fertilizer companies, of which the Government says that it is seized of the matter for the last two years, it is very specifically mentioned at page 23 of the Standing Committee Report where the Department of Fertilizers, in a written note, has informed the Standing Committee—I quote—"The FICC has decided in the above mentioned meeting to obtain the orders of the Government on this issue. Now, the Department of Fertilizers is in the process of obtaining the orders of the competent authority in the Government on this issue." I myself am a Member of the Standing

Committee, and I am also a Member of the Consultative Committee. I have this before me where the Department of Fertilizers says that regarding the drawal of excessive subsidy by certain companies, which goes up to the tune of Rs. 2,000 crores, they are in the process of obtaining the orders from the competent authority. Sir, I seek your protection to put my first supplementary.

MR. CHAIRMAN : To whom?

SHRI DIPANKAR MUKHERJEE : Because this is what the Department of Fertilizers says. They say that they are in the process of obtaining the orders from the competent authority in the Government. I thought the competent authority is the Ministry of Finance which has increased the selling price of Urea. If you say that it is under the Ministry of Chemicals and Fertilizers, I can put my first supplementary, but I need the protection of reply because if he says the same thing that has been written here that it has been sent to the competent authority of the Government for orders, then there is no point in putting my supplementary. I thought, this question should have gone to the Prime Minister.

MR. CHAIRMAN : You have a point. But, you had addressed the question to the Finance Minister and the Finance Ministry had sent it to the Ministry of Fertilizers and it had accepted it.

SHRI DIPANKAR MUKHERJEE : Sir, this is my second experience. I again need your protection. Same thing had happened on 21st July, and you had been kind enough to inform the Finance Minister who was sitting here and the Finance Minister replied to that question.

SHRI S.S. AHLUWALIA: Sir, I have a point of order.. *..(Interruptions)...*

SHRI DIPANKAR MUKHERJEE : Sir, in the Question Hour, there is no point of order... *..(Interruptions)...*

MR. CHAIRMAN : There can be no point of order in the Question Hour.. *..(Interruptions)...* No point of order in the Question Hour... *..(Interruptions)...*

SHRI DIPANKAR MUKHERJEE : In the Question Hour, there is no point of order... *..(Interruptions)...* I need your protection... *..(Interruptions)...* .Sir, I am not yielding... *..(Interruptions)...*

MR. CHAIRMAN : No, no... *..(Interruptions)...* No point of order... *..(Interruptions)...* You can speak afterwards.. *..(Interruptions)...*

[05 MAY, 2000]

RAJYA SABHA

SHRI DIPANKAR MUKHERJEE : Sir, I am not yielding
... *(Interruptions)*...

MR. CHAIRMAN : He is not yielding...*(Interruptions)*...He is not yielding... *(Interruptions)*...

SHRI DIPANKAR MUKHERJEE : Sir, I am not yielding
... *(Interruptions)*...

SHRI S. S. AHLUWALIA : Sir, the point is...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE : Sir, there is no question of a point of order...*(Interruptions)*...There is no point of order during the Question Hour.. *(Interruptions)*...

MR. CHAIRMAN : You please go ahead... *(Interruptions)*.. You sit down ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE . Please protect me...*(Interruptions)*...! need your protection...*(Interruptions)*...The Minister is not replying ... *(Interruptions)*... Somebody is blocking me... *(Interruptions)*.. This is too much ...*(Interruptions)*...The Minister is not replying and some one is saying something else... *(Interruptions)*...

SHRI S. S. AHLUWALIA . Sir, he cannot seek clarification on ...*(Interruptions)*.. He cannot speak like that... *(Interruptions)*...

MR. CHAIRMAN : No, no... *(Interruptions)*... Nothing will go on record ...*(Interruptions)*...Nothing will go on record...*(Interruptions)*...

SHRI S.S. AHLUWALIA . *

SHRI DIPANKAR MUKHERJEE : I need your protection, Sir. My question is simple. The Government is seized of the matter of drawal of excess subsidy by the companies, which, as per my estimates, comes to Rs. 2,000 crores. By increasing the selling price of Urea, they made another Rs. 1,400 crores. When the Government is seized of the matter and when the matter is under the consideration of the Government, what is the hurry in increasing the price of Urea? There are two sides. The first one is, the industry may be having some problem. On the one hand you can get money from the industry, and on the other you have increased the cost. My first and the foremost question is, till date you have taken two years of time to take a decision on the drawal of excess subsidy by the companies. Why don't you wait for some time and take some decision? You can recover even Rs. 500 crores. That much of relief can be given to our farmers. Could you not wait for a month or two till sort out this

* Not recorded.

issue? It hardly matters whether it is Rs. 100 crores or Rs. 200 crores. Why don't you give relief? Why do you give a signal to the people as if this Government, this House, is for the corporate, of the corporate, and by the corporate? Why don't you give a signal that it is for the farmers, of the farmers, and by the farmers? Why don't you roll back? We have an analogy to the word 'roll back'. Why don't you put a hold on the increase of the selling price of urea, till you take a decision on the recovery of excess subsidy from these factories? Can this be answered? Mr. Minister, you can pass it on to the Leader of the House, or someone else here. Mr. Venkaiah Naidu, why don't you reply?

श्री संघ प्रिय गौतम : आपने इतना बड़ा भाषण दे दिया।

श्री दीपांकर मुखर्जी : एक ही चीज है, हम भाषण नहीं देना चाहते। एक क्वश्चन बोल दीजिए। इसको बढ़ाना है ... (व्यवधान)... सब्सिडी ड्रॉ कर दीजिए।

श्री संघ प्रिय गौतम : इतना बड़ा भाषण दे दिया, प्वाइंटिड क्वश्चन पूछो।

श्री दीपांकर मुखर्जी : क्या यह प्वाइंटिड क्वश्चन नहीं है ?

श्री राजू परमार : बैक ग्राउंड बनाना पड़ता है।

SHRI SURESH PRABHU : Sir, the hon. Member has raised some fundamental issues, as well as some other issues, seeking clarification on the question. If you permit me, I will pass on the fundamental questions of higher magnitude to the person who can, probably, answer them in a more effective way. But, I would rather deal with the body of the question. I would like to clarify the position of the Government on that issue. Sir, this issue has not come for the first time. It has been pending with the Government for the last two years. One can really go back to the period when the Retention Price Scheme was started in 1977. There are certain stated objectives of the Retention Price Policy. However, over a period of time, a lot of aberrations have crept into the system. When the Joint Parliamentary Committee was appointed for the first time in 1992 under the chairmanship of hon. Member, Shri Prataprao Bhonsle, it went into larger ambit of issues, including over-statement of capacity by certain fertilizer companies. Those fertilizer companies who have come under the HBJ pipeline, those who manufacture nitrogenous fertilizers and more urea, it was thought, have over-stated capacity - more than their actual capacity. So, there was an over-statement element which was already inherent there. So, this was the issue which, in 1992, was pointed out to the public in a much larger

way. The hon. Member is absolutely right in saying that Standing Committee of Parliament has reported on it from time to time; it is not for the first time. On some other occasions also, it has drawn the attention of the Government to this issue. Therefore, it is a fact that there is a possibility of over-statement of capacity by some fertilizer companies for the simple reason that they have consistently been showing a level of production, and if a company consistently shows a level of production; obviously, that is the normal capacity of the company. So, we have really gone into this issue. We have really to take up a concrete, positive, decision on this issue to bring it to a logical end. What is the quantum of money which has really been over-paid to the fertilizer companies, as a result of this? This is the first issue. So, we have really to find out how much is the over payment; the methodology of deciding as to what has been the over-payment has to be spelt out; and, how that money could be recovered? Therefore, if you allow me, Sir, I intend to constitute a Committee of Experts to take a decision on the quantum of the amount, and I am clearly with you on this issue. In fact, the Standing Committee has not really been able to take a decision on the subject of the quantum of amount. The Fertilizer-Industry Coordination Committee (FICC) which has been constituted to administer the Retention Price Scheme, has also deliberated over the issue; but unfortunately, it has not yet come to any conclusion. Therefore, I intend to constitute a committee immediately, and I want it to submit its report within the next two months. In fact, Dr. Y.P. Alagh, who, unfortunately, is no longer a Member of this House, can head that committee. He has knowledge and expertise in this field. Since FICC has never worked on this, no decision has conclusively been taken, this Committee could go into this. Of course, the hon. Member is absolutely right in saying that one of the ways to reduce the subsidy is too good. One is to reduce the amount, payable to the industry, the other way is to increase the bonded price because, for urea, the Government has decided on a uniform bonded price throughout the country. That is the price at which the fertilizers are sold throughout the country. So, if you increase the price, the level of subsidy goes down. There are other things also; recovery from the fertiliser companies; how much is the amount that has to be recovered, from which companies, what are the methodologies; all these issues have, unfortunately, not yet been settled. If you permit me, Sir, this is the action I propose to take and I want to take the House into confidence about this.

SHRI DIPANKAR MUKHERJEE: Sir, my second supplementary is with regard to part (c) of my question. On the 16th March, 1998, I had asked,

" Whether such cases were discussed." Actually, two internal committees were formed within FICC. Then, an expert committee was formed in April, 1999. That expert committee had given a report in November, 1999 for 7 gas-based fertiliser units. Now, another committee is going to be formed. In this particular meeting which I have referred to in this question it is as per my information; and if I am wrong, the Minister may correct me—for one particular company—I am not going to name that company because that is not my target; my target is farmers, and for them, the selling price of Urea should be reduced—up to June 1997, a recovery to the tune of Rs. 444 crores was recommended by that committee. It was not accepted. I just want to know : Am I correct, or, am I wrong?

SHRI SURESH PRABHU : Sir, the hon. Member is, probably, referring to an expert committee which was constituted, under the Chairmanship of Dr. Purohit. He was an erstwhile Adviser to the Department of Fertilisers. Then, he was Consultant in the same Department. He was the person under whose chairmanship the Committee was appointed. It has five members; three members of the committee came to one conclusion and the other two members came to another conclusion. So, the report, unfortunately, is not unanimous. ...*{Interruptions}*... You are depriving your colleague the benefit of getting an answer. Sir, the Committee which has been referred to by the hon. Member has given five options, five different methodologies. It said, "if you adopt the first option, this is the quantum of money that should be recovered; and if you adopt the second option, this is the amount that has to be recovered." There are three other options. In total, there are five options which have been spelt out by the committee. Now, Mr. Chairman, why I am proposing this is just to be sure, before arriving at a conclusion, because there are five issues involved. Now, it all depends on, which company will be required to pay 'x' amount, 'y' amount or 'z' amount, depending upon which methodology they are applying. That is one part. That is only about the methodology. There is another issue. Therefore, unless we take a proper decision, apply a proper methodology, decide a proper cut-off date, the quantification of amount itself will vary at one single time, for each company. Five different figures will be available. So, which figure I should quote ?

SHRI NILOTPAL BASU : Mr. Chairman, Sir, I would like to quote from the intervention made by the Leader of the House on 27th April, 2000 while replying to the debate on the President's Address, he says, "But, when, in the 1978-79, the fertiliser subsidy was started—I will just refer to the figures—the

Budgetary liability that the Centre had to bear on that account was Rs. 300 crores. Today, Sir, 20 years later, it has gone up to Rs. 12,651 crores. The figures speak for themselves. What the figures speak has a logic and the logic is irrefutable. The Logic, indeed is strengthened when you examine it in the context of the reality, that, of this Rs. 12561 crores, 60% virtually goes to the fertiliser factories." Now, I would like to ask, through you, the Minister as to what is this amount, whether it is 60% or 100%.

SHRI SURESH PRABHU: Sir, this is a question of concept. The retention price scheme itself was devised in 1977. The payment is being made to fertilizer companies for the last 23 years based on their actually claiming whatever expenditure is incurred by them on two accounts. One is the capital related charges which are fixed charges. The related charges include depreciation, return on the capital employed, network and other issues that are capital-related charges. The other is the actual operating charges, charges on account of feed stock, conversion charges and selling and administrative expenses. Besides that, the Government also pays the transport subsidy because, as I said earlier, fertilizers are sold at a uniform price throughout the country because a single farm-gate price has been determined. Therefore, the transport amount is paid. All these components vary from one company to another, depending upon the technology used and various other issues, including how efficiently the company operates. Therefore, when I said that the system suffers from several aberrations and infirmities, that includes this, that one company's charge which is the retention price, varies from one plant to another. Therefore, the high-powered committee which was appointed under the chairmanship of Dr. Hanumantha Rao, has also recommended this. In fact, very soon, I am going to announce a new policy, a comprehensive policy, which would definitely deal with these infirmities, remove these and bring us a very positive, concrete, transparent system of operation. Sir, unfortunately, this system which is in vogue today, itself suffers from a real infirmity. I agree with this. Therefore, I Cannot even answer this question—whom it is going-for the simple reason that it is very difficult to decide how much it is going to the fertilizer companies and how much it is going to the farmer.

Probably, one of the ways in which one can look at it, and this is one of the formulae, about which some of the economists are trying to draw conclusions, is that there is the import parity price. There is an opportunity possible for the Government of India. Rather than asking the fertilizer companies to manufacture fertilizers within the country, the Government can import fertilizers. The landed

cost of the fertilizer could be compared with the normative price of each fertilizer company. Probably, then we can decide how much could have been otherwise saved.

But, Sir, this again, as I said, is part of the larger issue which we really need to deliberate on, discuss and decide at a much higher level. In India, we should actually attempt at self-sufficiency of nitrogenous and other fertilizers and try to attain it to the extent that only 5 or 10 per cent of fertilizer should be imported. Whenever India has entered the fertilizer market internationally, the prices of fertilizers, particularly the price of urea, really shot only because the normal demand and supply theory will apply. So, whenever we enter the market with a bulk order, the prices really shoot-up.

There is the other aspect of comparing it and deciding how much of this fertilizer is really going to farmers or fertilizer companies. One of the formulae, one of the criteria, we can apply for it, is comparing with the import price. The import price, from time to time, will vary, depending upon whether we are buying it or not buying it.

SHRI NILOTPAL BASU : Therefore, I seek your protection. Now, it is very clear that the basic question is whether the fertilizer subsidy question and the selling price of urea could have been kept in hold till this question was settled. This question was actually intended to the Finance Ministry. The Finance Ministry should be in a position to reply to this question. I think that there is no system in our parliamentary work. A particular ministry of the Government unilaterally decides that it is not going to accept a question. This has now been proved on the floor of the House, that Ministry unilaterally sent it to his Ministry, and his Ministry has accepted it. So, what is the protection of the right of the Members ?

MR. CHAIRMAN: The Government is a joint responsibility. It can decide about it.

SHRI NILOTPAL BASU : This is a question of the privileges of the Members of the house. I understand what question I ask. I give notice. If my question is rejected by the Secretariat on the basis of the rules, I understand it. If it is rejected by the Ministry on the basis of rules, I understand it, But, here, one particular Ministry unilaterally decides that it will not answer a particular question and refers it to another Ministry. This is a breach of privilege, Mr. Chairman, Sir.

MR. CHAIRMAN : No, no.

SHRI NILOTPAL BASU : This is a privilege issue....(*Interruptions*)...

MR. CHAIRMAN . This is a ruling of the year 1968. It is from "Rajya Sabha at Work". "It is not for the Chair or the Secretariat to take responsibility in the matter of transfer of questions. The transfer of questions in the name of the appropriate Minister is effected by the Parliament Secretariat only on receipt of intimation of acceptance from the Minister to whom the question has been so transferred." So, this is the situation. This is a permanent thing. I know the problem. Yesterday, the question was on small-scale industry or medium scale industry. Somehow, the Ministers have to work together and give answer, Sometimes, three, Ministers have to be present to reply the same question. Or, the question should be so drafted that it relates to only one Minister.

SHRI PRANAB MUKHERJEE : Sir, as per the allocation of business, fertiliser retention price is being administered by the Fertiliser Secretary. He heads the Committee and the Secretary (Expenditure) is just a member of the Committee. Therefore, it is an arrangement between the two Ministries. The Fertiliser Ministry could have refused to admit the question saying the Minister would not be in a position to answer. But, once it has been admitted, I do not think we can raise this issue. As per the allocation of business, administration of the retention price of fertiliser is entrusted to the Fertiliser Department, not to the Department of Expenditure, Ministry of Finance.

SHRI KRISHNA KUMAR BIRLA : Sir, the Government had decided that, in the case of each fertiliser factory prices should be so fixed that they get at least 12 per cent post tax return on its net worth. In actual practice, however, these factories are not getting their returns because of the arbitrary allowances that are fixed, while suppressing the price of fertilisers. This is reflected in the stock exchanges where the share of even well-established fertiliser factories or companies are being quoted at a very low price. What is causing worry to people is that owing to the non-remunerative price, no new investment is coming into this industry. My question is : (a) is it a fact that the fertiliser industry is not getting adequate returns as is reflected by the arbitrary fixation of allowances, while suppressing the price of fertilisers, (b) How many projects are in the pipeline either for expansion or for new units ?

SHRI SURESH PRABHU : Of course, unfortunately, the Government has no control over the prices in the stockmarket. In any case, it is not a mandate given to the Government. Therefore, I cannot exercise any control over the share prices of fertiliser companies or, for that matter share prices of any other company in stock market. But, nonetheless, it is true that the investment in the

fertiliser sector is really dwindling. In fact, we do not have many proposals on the drawing board. We really need investments to come into the sector, particularly when we are expecting to increase our target of food production from 200 million tonnes to 400 million tonnes in the very foreseeable future. I have already mentioned that the Government of India is contemplating a comprehensive fertiliser policy which will deal with all these issues. However, the possibility of not claiming the full 12 per cent post-tax return on net worth as is expected by the industry, does not allow that company to claim an over stated capacity and claim some amounts which are not intended to the company. These are two separate issues which will be dealt with separately. Just because there is a possibility of net recovery—I am not saying, it is, but it is a possibility.— does not allow *ipso facto* a right to a company to overstate its capacity.

SHRI KRISHNA KUMAR BIRLA : That was not part of my question. This might have been a question put by an earlier speaker.

SHRI SURESH PRABHU : I have already answered the question about the investments that are coming in, but what I am trying to say is that your supplementary does not arise from the main question. Kindly try to relate it to the main question.

SHRI PRANAB MUKHERJEE : Sir, I would like to put a very simple question to the Hon. Minister. I refer to his reply given from part (c) to part (e). "On 16-3-1998, FICC met to determine the retention price of the Kakinada Fertiliser Company".

And thereafter, the Minister has stated that the decision was deferred. Two years have passed now. Can he enlighten us by saying by what time that deferred decision will be taken ? I think there is no time. There is hardly one minute.

SHRI SURESH PRABHU: As far as the companies that you have referred to (Interruption)... the company in question as well as the group of companies, the block of companies, whose case stands almost equal to each other, there is no final retention price which has been fixed. If fact, it is already directed that the FICC would take retrospective steps from 1-4-2000 and deduct such amounts which, otherwise, are, apparently, not payable to the company.

MR. CHAIRMAN : Question hour is over.