

ment in the mining districts? If so, in what respects?

SHRI Z. R. ANSARI: Sir, we are very much conscious about the hazards and degradation in the environment which is being caused by the mining projects. Therefore Sir, we take special care while granting mining leases and we put many conditions before clearing the mining projects. Sir it is true that open cast mining is more hazardous as far as the degradation of environment is concerned and we are discouraging open cast mining. But there are certain circumstance where it is possible to have any other system except open cast mining. Otherwise we insist and ask them to take many steps for the rehabilitation and afforestation of the mining areas, such as taking certain soil conservation measures. All these steps are being taken and are being insisted upon before mining leases are granted. (*Interruptions*)

SHRI SUNIL BASU RAY: Sir, my question has not been answered.

MR. CHAIRMAN: He has already answered your question.

He has said, he is taking precautions.

SHRI SUNIL BASU RAY: Sir, he has said that the Ministry is pressed for giving leases for open cast mining and as a result of open cast mines in high density population areas like the Raniganj Coal Field area, the problem is that the top soil will go away and the villages will suffer.

MR. CHAIRMAN: He has agreed with you.

SHRI SUNIL BASU RAY: But they have not taken any steps. An open-cast mine lasts for sixty years. My question is, in a tropical country like ours, how the top-soil will be protected for sixty years? (*Interruptions*)

*483. [*The questioner (Shri M. A. Baby) was absent. For answer, vide col. 27-28...infra.*]

WELCOME TO PARLIAMENTARY DELEGATION FROM GERMAN DEMOCRATIC REPUBLIC

MR. CHAIRMAN: Hon. Members, I have an announcement to make.

We have with us, this morning, seated in the Special Box, Members of a Parliamentary Delegation from German Democratic Republic which is currently on a visit to our country under the distinguished leadership of His Excellency, Mr. Horst Sindermann, President of the People's Chamber of German Democratic Republic. The other members of the delegation are:

1. Mr. Herbert Ziegenhann, MP
2. Mr. Manfred Scheler, MP
3. Dr. (Mrs.) Baerbel Schindler, Saefkow, MP
4. Mr. Lutz Ahnfeld, MP
5. Mr. Gerhard Holtz-Baumert, MP

On behalf of the Members of the House and on my own behalf, I take pleasure in extending a very hearty welcome to the Leader and other Members of the delegation and wish our distinguished guests a very enjoyable and fruitful stay in our country. We hope that during their stay here, they would be able to see and learn more about our Parliamentary system our country and our people and their visit to this country will further strengthen the friendly bonds that exist between us. Through them, we convey our greetings and best wishes to the Members of the People's Chamber and the friendly people of German Democratic Republic.

ORAL ANSWERS TO QUESTIONS— contd.

Exploitation of MODVAT by big business houses

*484. **SHRI DHARAM CHANDER PRASHANT†**
SHRI KAPIL VERMA:

Will the Minister of FINANCE be pleased to state:

(a) what steps Government have taken to contain the exploitation of MODVAT by big business houses;

(b) whether some cases have come to the notice of Government in this regard; if so, what are the details thereof; and

†The question was actually asked on the floor of the House by Shri Dharam Chander Prashant.

(c) what is the *modus-operandi* by such houses?

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI AJIT PANJA): (a) to (c) A statement is laid on the Table of the House.

Statement

MODVAT was introduced with the clear objective of reducing cascading effect of excise duty or countervailing duty on inputs on the ultimate finished products. However, in respect of inputs manufactured in the small scale sector, credit of duty is allowed to the user manufacturer at full effective rates even though the duty is realised at concessional rates from the small scale units on a national basis under the MODVAT scheme. Some instances of misuse of this facility by user units have come to the notice of the Government. The *modus-operandi* adopted include fragmentation of manufacturing operations by splitting the small scale units, setting up of dummy small scale units, incorrect disclosure of input-output ratio etc. The Government had decided to withdraw the above facility with effect from 1st September, 1987 but on receipt of various representations, the scheme has been allowed to continue upto 31st March, 1988.

श्री धर्म चन्द्र प्रशान्त : सभापति महोदय, उत्तर में यह कहा गया है कि प्रति-संतुलनकारी शुल्क के सोपानी प्रभाव घटाने के लिये माडवैट योजना लागू की गई है। इस सुविधा के दुरुपयोग के जो मामले आए हैं उनकी जानकारी उत्तर में नहीं दी गई है। मैं सत्री जी से यह जानना चाहता हूँ कि वे कौन से मामले हैं जिनकी उनकी जानकारी है ?

SHRI GHULAM RASOOL MATTO: Instances of misuse.

SHRI AJIT PANJA: Sir, in regard to the cases of misuse, the broad heads are: Deliberate bifurcation of SSI units so that the benefit of higher notional credit at ten percentage points can be reaped many times over; secondly, over-invoicing of intermediate goods bought from the SSI sector with a view to availing higher amount of credit.

SHRI KAPIL VERMA: This is there in the answer already.

SHRI AJIT PANJA: I am giving the general heads. Then, incorrect disclosure of input and output. The duty rates which were generally fixed taking into consideration availment of MODVAT credit at normal rate. These are the general heads. Some specific instances have been reported. One is from the Collector of Central Excise, Nagpur. This is in respect of the copperware industry. The splitting up of the small units—the first item I mentioned—were identified, so that higher notional credit is obtained at every stage. Then, from the Collector of Central Excise, Jaipur, it has been reported that big units, particularly, in the metal sector, and those manufacturing motor vehicles, have encouraged the setting up of new small units so that these units get the benefit of concessional rate of duty and the bigger units avail of MODVAT credit at a higher stage. From Ahmedabad, a similar case has been reported. The job works which were given were also tried to be put in as small units so that the advantage of this concession and the benefit of the MODVAT scheme is taken.

श्री धर्म चन्द्र प्रशान्त : यह जो योजना है यह दो दिन के बाद समाप्त हो रही है। क्या इसके बदले में कोई और कार्यक्रम है या फिर पुराना सिलमिला आरम्भ हो।

SHRI AJIT PANJA: Sir, it was first decided to discontinue it from the month of September last year but on receiving representation from small scale units that they were getting benefits out of it, this was not stopped and this was due to expire on 31st March, 1988. The hon. Finance Minister, after considering all aspects, has decided that we will continue the higher notional credit scheme from 1st April 1988 onwards but the extent of higher notional credit would be 5 percentage point. Necessary notification would be issued shortly.

SHRI KAPIL VERMA: I want to know, what is the loss due to the MODVAT scheme to the State revenues, how much

has been the magnitude of availing of MODVAT credit this year as against the previous year, what are the rough estimates? Secondly, is it not correct that the big houses have not been passing on the benefit of this scheme, that they collect from the small sector, to the customers, thus making double profit? They take the credit but do not pass on the benefit to the customer. Thirdly, has the MODVAT scheme actually resulted in increasing exports and reducing imports?

SHRI AJIT PANJA: Taking the last point first, no report has yet obtained to see that actual impact of increase in export or import. That study has not yet been made.

Regarding the total amount of MODVAT availed of during the previous year 1986-87, it was Rs. 1855 crores out of a revenue amounting to Rs. 7129 crores that was payable on items covered under MODVAT applicable to 37 Chapter of the Tariff. Percentage of duty payable thus worked out to be 25.85 per cent.

Compared to that, the hon. Member wanted to know about the other year. We have got the figure from April 1987 to January 1988, that is for ten months. During this period the total amount of MODVAT availed was Rs. 2259 crores, out of a revenue payable of Rs. 8589 crores, representing 26.31 per cent. Therefore, it is estimated that in the whole year the total MODVAT availed of would be in the order of around Rs. 2700 crores provisionally.

SHRI KAPIL VERMA: Is this benefit being passed on to the consumer? My complaint is that it is not being passed on to the consumer.

SHRI AJIT PANJA: It is not easy to find out immediately whether the MODVAT benefit has been passed on to the consumer because the price factor depends on various other factors of controlling price. No study has yet been made to find this out. It will take some time.

SHRI NIRMAL CHATTERJEE: I will follow up the question. It has been mentioned about the cascading effect. I do not blame the new Minister. The point is, in this year's budget it has said that whatever

relief in the excise duty is there would be passed on to consumer and Tiwariji is likely to see to it that this is done. Exactly, in the same way when MODVAT was introduced the cascading effect was obviously eliminated to the extent of a coverage which was 27 per cent, which could be 35 per cent. In any of those cases have the prices come down as compared to the past prices when MODVAT was not introduced, as it should be reflected when excise duty is reduced? The second question which is not answered by the Minister is that there are 20 big houses or you can stretch the number to 50. Who are the big houses who have indulged in this kind of malpractice?

SHRI AJIT PANJA: As I said, so far as the first point is concerned, in 1986 Budget, the whole idea was revenue neutrality. To obtain that this scheme was introduced, to balance off, to set off at the stage of manufacture, whatever benefit it off at the end. In 1987 Budget, except a few items...

SHRI NIRMAL CHATTERJEE: That was not so. In 1987 the neutralising effect was not taken into account.

SHRI AJIT PANJA: That is what I am saying. In 1986, it was; in 1987, it was not. The question whether MODVAT benefit is fully passed on to the consumer, would depend on the nature of the commodity and in 1987 whether the benefit was passed on cannot be determined unless a specific detailed study is made, because in the meantime various other factors have come into operation to control the prices—like the hike in transport and other rates coming into operation. Therefore it is necessary for us to study and we are contemplating to do that. But we cannot say that right now how much benefit has been passed on.

SHRI NIRMAL CHATTERJEE: Is there any example of reduction in price during 1987? Otherwise the same argument will hold good for this year also that many factors are operative and despite the reduction in excise duties, the prices will go up. Am I right?

SHRI AJIT PANJA: The hon. Member knows very well that this fiscal thing cannot be answered...

MR. CHAIRMAN: He is himself an economist.

SHRI AJIT PANJA: He himself knows it. If he is in my position.

SHRI NIRMAL CHATTERJEE: The point is whether he also knows.

SHRI AJIT PANJA: Sir, the point is that I know that he knows it that it cannot be done, but still he is asking.

SHRI NIRMAL CHATTERJEE: What about big houses? The question was specific if it is true that the big houses are doing this. He has not answered that. Which are the big houses which are doing this?

SHRI AJIT PANJA: Sir, the question has been put in such a manner. It has not been asked which are the big houses. If the question would have been there, I would have given the answer.

SHRI NIRMAL CHATTERJEE: I am asking that supplementary.

SHRI AJIT PANJA: That supplementary, Sir, does not arise out of this question.

SHRI NIRMAL CHATTERJEE: The question asked is whether the big houses are indulging in this, and he says that this supplementary does not arise out of this.

MR. CHAIRMAN: He has not made any study of that.

SHRI DIPEN GHOSH: Then he should mention that he has not studied that.

SHRI K. MOHAN: The question itself states whether big houses are indulging in this and he is saying that this does not arise out of the main question. How can that be?

SHRIMATI VEENA VERMA: May I know from the hon. Minister how far the objective of MODVAT scheme of eliminating the cascading effect of excise duties has been achieved? Has it made any difference? The industry complaints that it has not made any difference.

SHRI AJIT PANJA: I do not know whether industry has said anything, but the reports which we have collected about the MODVAT scheme indicate that at least it gives three main advantages. The first is elimination of cascading effect of taxation which in turn helps in reducing the cost of production. The second is transference which disperses the full impact of taxation on the product.

And the third most important is the built-in safeguard that we are getting, because to avail of MODVAT advantage they have to keep accounts of the entire production to get the advantage at the end. So this built-in safeguard is also helping the Government in tracing out how the revenues are being paid or whether they are not paying their revenues, so far as duties are concerned.

SHRI CHIMANBHAI MEHTA: Sir, at one stage Government decided to withdraw the scheme because there was misuse of the scheme, although the scheme is good. Therefore my point is, without losing revenue, how to remove the cascading effect. This is the basic and crucial point. Have you considered the suggestion that at one point on the raw material if you impose a tax and then at the secondary stage the taxes are not imposed, then the cascading effect will not be there and they would be able to collect it at one point. I would like to know whether they have considered this suggestion at all.

SHRI AJIT PANJA: Yes, Sir, this suggestion was considered. If at the input stage, that is the raw material stage, the entire tax is given, then the question will be of investment by the small scale sector and other sectors which will have to put even at the input stage a large amount of money. That may not be good for the SSI units because at the raw material...

SHRI NIRMAL CHATTERJEE: Why? If the excise duty is collected from the buyer, why should he be in difficulty? I want to help him.

MR. CHAIRMAN: You are an old Member. Don't do that.

SHRI AJIT PANJA: Therefore, this was considered about paying the whole duty at the raw material stage and nothing being paid at the end. The hon. Member must appreciate that when I purchase raw material, if the entire excise duty is to be collected then and there, then, the money that is available in the hand of the small scale unit for the purpose of doing other works will be limited. That is why it is being taken out in phases at the raw material stage, giving that notional credit at the end.

Threat to pre-historic sites due to the construction of dams across the Narmada river

*485. **SHRI KALPNATH RAI†**
SHRIMATI SUDHA VIJAY
JOSHI:

Will the Minister of WATER RESOURCES be pleased to state:

(a) whether there are some schemes under execution for constructing dam across the Narmada river;

(b) if so, what are the details in this regard;

(c) whether it is a fact that some experts have observed that those dams are posing a threat some pre-historic sites, and

(d) if so, what is Government's reaction to these observations?

THE MINISTER OF STATE IN THE MINISTRY OF WATER RESOURCES (SHRIMATI KRISHNA SAHI): (a) Yes, Sir.

(b) Narmada Sagar (Indira Sagar) Project in Madhya Pradesh envisaging annual irrigation of 1.69 lakh hectares with installed power capacity of 1000 MW and Sardar Sarovar Project in Gujarat envisaging annual irrigation of 17.92 lakh hectares with installed power capacity of 1450

†The question was actually asked on the floor of the House by Shri Kalpnath Rai.

MW, Sardar Sarovar Project also provides for conveying water to irrigate 0.73 lakh hectares in Rajasthan.

(c) and (d) The project already provides for removal and re-installation of ancient or historical monuments and archaeological remains likely to be affected by submergence.

श्री कल्पनाथ राय : आदरणीय सभापति महोदय, परियोजना में जलमग्नता द्वारा प्रभावित होने की सम्भावना वाले प्राचीन अथवा ऐतिहासिक स्मारक कौन-कौन से हैं, क्या सरकार यह बताने की कृपा करेगी?

श्रीमती कृष्णा साही : सभापति महोदय, भारतीय पुरातत्व सर्वेक्षण विभाग ने यह सूचित किया है कि भारतीय पुरातत्व सर्वेक्षण और राज्य पुरातत्व विज्ञान विभाग के विशेषज्ञों द्वारा समय-समय पर जांच होती रही है और मध्यप्रदेश के देवास, खडवा तथा होशंगाबाद जिलों में स्थित जलमग्न क्षेत्र में अन्वेषणात्मक सर्वेक्षण एवं दस्तावेज कार्यक्रम पहले भी प्रारम्भ किए कार्य प्रगति पर है। परन्तु मैं माननीय सदस्य को यह बताना चाहती हूँ कि 30 साइट्स एंड मोन्यूमेंट्स जो हैं वे नर्मदा वैली में मध्य प्रदेश में पुरातत्व सर्वेक्षण विभाग के अंतर्गत आते हैं। उसमें दो ऐसे महत्वपूर्ण हैं जो मध्य प्रदेश में मंडलेश्वर मंदिर और शहर हैं जो कि बच जायेंगे, रिजर्वियर का जो जल-मग्न स्तर है उसके नीचे उसको रखा गया है। लेकिन गुजरात में सूर्यनश्वर मंदिर है जो 6 किलो मीटर अपस्ट्रीम में पड़ता है उसको खतरा है और वह डूब जायेगा। हम्फेश्वर मंदिर जो 46 किलो मीटर अपस्ट्रीम में है वह भी डूब के अन्तर्गत पड़ता है उसको भी खतरा है। लेकिन साथ ही साथ मैं यह बताना चाहूंगी कि इंदिरा सागर परियोजना के अन्तर्गत जो जंगल है वहाँ पर मुगल ओल्ड फोर्ट है वह पानी से थोड़ा घिर जायेगा अवश्य और एक द्वीप के रूप में बन जायेगा। वह बहुत डबाव के क्षेत्र में नहीं पड़ेगा नदी के किनारे-किनारे है, यह योजना ऐसी है जो लिमिटेड है और इसमें कोई खतरा नहीं पड़ेगा। कहने का मतलब यह है कि 30 ऐसे हैं साइट्स और पुरातत्व विभाग वाले