

multinational companies on import of raw materials, bulk drugs and intermediates is quite high, if so, in spite of the provisions in the New Drugs Policy, what steps have been taken so far to compel the multinational companies to produce from basic stages? (Interruptions)

MR. CHAIRMAN: You are going very much beyond the question. Once you were inside the Companies Act, now you are outside the Companies Act. Now Question No. 403.

### High profits by foreign companies

\*403. SHRI K. V. R. S. BALA SUBBA RAO: Will the Minister of PETROLEUM, CHEMICALS AND FERTILIZERS be pleased to refer to the answer to Unstarred Question 782 given in the Rajya Sabha on the 30th November, 1981 and state:

(a) whether it is a fact that his Ministry has implemented some of the recommendations made by the Committee set up by the Central Government to carrying investigation of frequent allegations of unduly high profits by foreign companies;

(b) what are the full details of implementation of all the recommendations of the Committee and what action has been taken thereon;

(c) by when the details of import of bulk drugs and intermediates by foreign companies will be published by Government; and

(d) whether any serious anomalies have come to the notice of Government regarding unauthorised importation of intermediates, penultimates, etc., by the foreign companies, if so what are the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM CHEMICALS AND FERTILIZERS (SHRI DALBIR SINGH): (a) Yes. Sir.

(b) to (d). A Statement is laid on the Table of the Sabha.

### Statement

Briefly the recommendations of the Committee were as follows: —

(i) The effect of the implementation of the Drugs (Prices Control) Order, 1979 on the drug industry which must necessarily include the effect on its profitability should be assessed periodically;

(ii) The prices adopted for imports must be subjected to scrutiny both by the Government and by the companies;

(iii) Government should continuously study import prices, identify serious anomalies and seek clarifications from importing drug companies and attempt to determine the most cost effective method of arranging such imports;

(iv) Arrangements may be made so that drug companies publish annually details of imports of each raw material (including intermediates and bulk drugs) that together account for the major proportion of total imports;

(v) Government may consider an increase in the activities of the public sector trading organisations and possibly public sector drug manufacturing and formulating companies in importing the requirements of raw materials for the domestic drug industry through canalisation of gradually increasing number of raw materials or through submitting competitive offers for importing supplies to drug companies;

(vi) Measures to increase competition in items where the import content is substantial and the element of transfer pricing is feared to be high can also be taken;

(vii) The statutory regulations to maintain cost accounting record which presently cover only bulk drugs could also be extended to drug formulations.

The Committees also pointed out that regulating profitability is too restricted an objective and must be combined with exercising a check on the cost effectiveness of technology and size permitted for adoption and the domestic price levels which results from these.

Some of the recommendations have already been implemented. For example, the Government continuously keeps a watch over import and import prices and after identifying serious anomalies seeks clarifications from importing drug companies. The prices paid for imports are being scrutinised by the Government. The profitability of the drug companies is also being kept under watch but the total effect of the Drugs (Prices Control) Order, 1979 cannot be assessed for some time till all price controlled products of a company, have been brought under revised prices. The Government would shortly publish the details of imports of raw materials such as bulk drugs and intermediates although not company-wise. The list of canalised items is also watched constantly and is modified to suit the domestic conditions.

Certain instances of unauthorised imports of bulk drugs and intermediates etc., have come to the notice of Government for example, the import of the bulk drug "Ibuprofen" by M/s. Boots (India) and the import of an intermediate—"Triene" by M/s. Glaxo.

SHRI K. V. R. S. BALA SUBBA RAO : Sir, is it a fact that a number of irregularities have come to light in Parliament about some multinational drug companies such as imports of intermediates, which they are not authorised to do and produce the same, thus making high profits? Though an assurance has been given in the House to probe into these unauthorised imports, resulting in huge profits, I would like to know what steps the Ministry is proposing to take in order to check and stop them immediately so that

such activities are not repeated. I would like to suggest an appointment of a Committee of Members of Parliament to look into the foreign sector drug companies with more than 26 per cent equity. Till the Committee's decision is given foreign firms should not be given any industrial licence and price increase for their operation in the country.

SHRI P. C. SETHI: Sir, as I have answered in the main body of the answer, instances of unauthorised imports by two companies, namely, M/s. Boots (India) and M/s. Glaxo, who have imported Ibuprofen and Triene, respectively, have come to the notice of the Government. As I said the other day, as far as Triene is concerned, it comes under the Open General Licence.

MR. CHAIRMAN: Mrs. Imam asked the question.

SHRI P. C. SETHI: But, at the same time, I would like to clarify that although Triene is under the Open General Licence, under the conditions of the licence' of this company, they were not entitled to import even Triene. Therefore, notices have been issued to both these companies, show cause notices, as to why action should not be taken against them. As far as the question of appointing a Committee of Parliament is concerned, I would like to point out that the drug industry has undergone a thorough scrutiny under the Hathi Committee, and the Hathi Committee consisted of Members of Parliament and later the Hathi Committee's report was adopted by the Government. Then, there was another committee known as the Chawla Committee. The Chawla Committee has also gone into it. So, at present we do not feel that there is any necessity for any further Committee of Parliament.

MR. CHAIRMAN: Yes, Mr. Patel.

SHRI ARVIND GANESH KULKARNI : Sir..

SHRI NARASINGHA PRASAD NANDA: Sir...

MR. CHAIRMAN: Mr. Patel first and then one of you two. Please settle between yourselves. Yes, Mr. Patel.

SHRI MANUBHAI PATEL: Over and above irregularities by certain multinationals with regard to imports, they are defying the agreement entered into with the Government of India as regards increase in Indian participation, and they are stalling the process of dilution. For example, Pfizer entered into an agreement with the Government of India in 1960 to increase Indian participation by 40 per cent by June, 1980; till today, they have not done so. Not only that, they have applied to the Government of India to increase the price of their shares and they are not trying to increase the process of dilution as per their agreement with the Government of India....

MR. CHAIRMAN : Increase the price of shares?

SHRI MANUBHAI PATEL: I said 'process'. Sir, may I know from the hon. Minister whether Pfizer applied for increasing the price of their shares which goes against the agreement with the Government and whether Pfizer are trying to pressurise and induce the Government officials in order to increase the price of the shares?

SHRI P. C. SETHI: As far as reduction of equity is concerned, Pfizer were required to dilute their equity from 70.2 per cent to 51 per cent and the FERA Committee has taken a decision to reduce their equity from 70.2 per cent to 51 per cent. Reserve Bank is taking steps to see that this foreign equity is reduced to this level and whatever inducement or pressure they may bring, we shall implement this decision.

श्री भोला प्रसाद : सभापति महोदय, क्या सरकार ने इस बारे में जांच की है या करने के लिए कोई कदम उठाया है कि मल्टी नेशनल कंपनियां जो दवाइयां विदेशों से लाकर हिन्दुस्तान में बेचती हैं, सप्लाई करती हैं, उन में ऐसी भी दवाइयां जिनके ऊपर विकसित देशों में

रोक लगाई गई है क्योंकि वह नुकसान देह साबित हुई हैं, लेकिन वह नुकसान-देह दवाइयां हमारे देश में बेची जा रही हैं? क्या उस पर भारत सरकार ने कोई जांच की है, उस के संबंध में कोई कार्यवाही की है ? और अगर उसके संबंध में कोई कार्यवाही नहीं की है तो क्यों नहीं की है ?

श्री सभापति : एक-आध का नाम तो तो लीजिए, कौन-सी दवा है ?

श्री भोला प्रसाद : उस में कई दवाएं हैं।

श्री सभापति : कई तो हैं। एक लाख दवाएं हैं, कौन-सी दवा ऐसी आ रही है ?

श्री भोला प्रसाद : इसलिए तो मैंने पूछा है कि सरकार ने इस बात की जांच की है ?

SHRI P. C. SETHI: Sir, as far as the import of drugs is concerned or the quality is concerned, Drug Controller in the Health Ministry come into this question and if the Health Ministry comes to the conclusion that a particular drug has not to be imported, then they are to take this decision with regard to imports. We have no say in this particular matter; but if there is any specific instance before the hon. Member, we would certainly go into it.

MR. CHAIRMAN : He would have mentioned if he had it.

SHRI ARVIND GANESH KULKARNI: May I know from the hon. Minister on one point? Sir, in this very session, I collected information from Parliament library; nine times the question of Glaxo and Boots was raised in this House, and out of that, 70 per cent of the questions was raised by hon. lady Member. I want to draw his attention to the fact that here is an affidavit with me submitted by the Government before the High Court and that affidavit itself says that the company made out Rs. 4-1/2 crores on only one medicine, Betamethasone 17-Valrate.

And you have now fixed a new rate. The company has again gone to the High Court and got a stay order. In this connection, another aspect of it is, Chawla Committee was a very superfluous committee; Hathi Committee has really gone into it. The Glaxo company has the habit, which the Minister himself admitted during the other 9 questions which I mentioned, of purchasing on high-seas by over-invoicing. This is another aspect of this problem.

The third item is, one of the intermediates involved is Triene which you have yourself admitted.

Therefore, after looking to these three points, which I have mentioned it seems, Glaxo is in a defiant mood. And you have had' to fix the price at Rs. 105, as against Rs. 220, which was the price before this price was fixed. Sir, this company has made so many crores of rupees. With a capital of Rs. 1.5 lakhs, it has gone to Rs. 50 crores. Therefore, the question is to what extent, the Government is going to allow this thing to go on? The Government should not merely give an answer that they will take proper steps and so on. I think, Mr. Minister, a very drastic operation is required, particularly in regard to Glaxo and Boots which are defying the Government. When a Minister like you is in-charge, you should take proper steps. Hence, I would like to know, what steps you propose to take in this connection, looking to the feelings of the Members of the House and the fact that nine times this question had been raised in this House?

SHRIMATI HAMIDA HABIBULLAH: It is a very good question you have asked.

SHRI P. C. SETHI: Sir, as far as Glaxo is concerned, I would like to place before the hon. House that they had taken 13 licences for bulk drugs. Now, after scrutiny, we have found that about nine or ten items have not been implemented, although they have

said that they are in the process of implementation. However, on this account, we have given a notice of revocation of the licences recently.

MR. CHAIRMAN: That is a different thing. That is a different story.

SHRI P. C. SETHI: I am coming to the steps which we have taken in regard to the import of Triene. I have just now stated that we have given them notice as to why action should not be taken against them for having imported Triene, which they were not authorised to import. Although it is under the open general licence, under the conditions of the licence, they were not authorised to import. Then, Sir, so far as. . . . .

SHRI ARVIND GANESH KULKARNI: In your own affidavit, you have admitted. You have agreed. Why don't you take action now?

SHRI P. C. SETHI: Sir, as far as price fixation is concerned, I admit, the BICP had fixed the price. It came down from Rs. 220 to Rs. 100 odd. But unfortunately, there is a stay order from the court and unless that is vacated, we would not be in a position to take any action. But in the meanwhile, during the period in which the stay order is in operation, if they are selling at Rs. 220, and if the stay is vacated, then, they will be required to deposit the profits in the fund. drug equalisation fund.

SHRI ARVIND GANESH KULKARNI: Why don't you stop the import licence? This is the drastic step which is required'. Sir, the point is, Rs. 4 crores in one medicine per year; in one medicine. That is why, I would like to request the hon. Minister. You should look to the feelings of the hon. Members of this House, and the fact that we raised nine questions here. You say that the stay order is there. I agree. But why don't you impound all these licences and tell them 'you stay where you are; no medicine should be produced by you'? These are the drastic steps

which you should take because this company is defying; this company is defying the orders of the Government itself. What has the hon. Minister to say?

MR. CHAIRMAN: I think, it is only a suggestion.

SHRI ARVIND GANESH KULKARNI: Sir, it is not a question of suggestion. Action should be taken. Why don't you come to the help of the poor people who are being defrauded? It is for you to decide. The point is, Government's affidavit is there. He himself has agreed. I would request him to stop all these import licences to Glaxo. That is all.

MR CHAIRMAN: What about the poor people who will be dying because the medicine will not be there?

SHRI ARVIND GANESH KULKARNI: Other companies are there. The public sector companies manufacture this. It is not BO that only these companies which can manufacture this. There are many small-scale formulators.

SHRI P. C. SETHI: As far as the question of impounding the licence is concerned, any valid licence has to be impounded or cancelled according to the procedure and proper notice has to be given to the company. I have just now stated that wherever they have defaulted, we have given them notice for the revocation of the licence as well as for the unauthorised import which they have done. I can assure the hon. Member that it is not only the feelings of the Members which we would like to respect, but any violation of the legal conditions by any company, whether it is Boots or Glaxo, will be thoroughly looked into and proper action taken.

MR. CHAIRMAN: I think we will be stuck with this question at this rate.

SHRI MANUBHAI PATEL; We are going on very peacefully.

MR. CHAIRMAN: Only one or two questions more.

श्री लाल्लू मोहन निषम : सभापति महोदय, मैं मंत्री महोदय का ध्यान इकानामिक टाइम्स 8 दिसम्बर की तरफ ले जाना चाहता हूँ जिसमें उन्होंने कुछ कहा है—'ग्लैक्सो इम्पोर्ट शुट बी प्रोब्ल'। मैं इस सिलसिले में यह जानना चाहता हूँ कि जो जाँच हुई उसके बाद सरकार ने क्या कदम उठाये ? क्या मंत्री जी को मालूम है ये कि बहु-राष्ट्रीय कम्पनियाँ जों माल बाहर से मंगाती है चाहे वह मुख्य कंपनियों से हों या इंटरमीडिएट से, चाहे बीच का हो या मुख्य चीज हो जो ये मंगाती हैं उस में बहुत बड़ी बदमाशी चल रही है। आज दुनिया के बाजार में उन चीजों के जो दाम होते हैं उनकी एक किताब है जिसमें दाम छपे रहते हैं। लेकिन यहां के एक्सपोर्ट हाउसेज यहां के संस्थान हैं उनके जरिये साठ-गांठ करके ये कंपनियाँ उनको कहती हैं कि उनके मुख्य कार्यालय से या मुख्य कम्पनी से वह माल मंगाये और जो उसका बीजक होता है उसमें ओवर-इनवाइसिंग कराते हैं। यहां तक होता है कि जब सामान वहां से चल पड़ता है, जिस दम का भी सौदा करना हो वह समुद्र में ही सौदा हो जाता है। तो सभापति महोदय, मैं जानना चाहता हूँ कि ऐसी विदेशी कंपनियाँ जो एक्सपोर्ट हाउसेज के तहत हिन्दुस्तान से करोड़ों रुपया बाहर ले जाती हैं और देश को नुकसान पहुंचा रही हैं, क्या मंत्री जी इस बात का आश्वासन देंगे कि जो अन्तर्राष्ट्रीय तालिका है ड्रग्स की उससे ज्यादा दाम पर अगर किसी ने माल मंगाया है तो ऐसी कंपनियों के लाइसेंस खत्म कर देंगे, और इसमें भी वही बदनाम-शुदा कंपनियाँ हैं, ग्लैक्सो, हेक्स, फाइजर पता नहीं कौन कौन सी कंपनियाँ है जो इसमें संलग्न हैं और करोड़ों रुपये का घोटाला हिन्दुस्तान में हो रहा है विदेशों से आयात के नाम पर। इसका जवाब मंत्री जी देने की कृपा करें।

श्री सभापति : क्या इरादा है, इसको बन्द करने का ?

SHRI P. C. SETHI: As far as the companies are concerned, if they import the material from their associates, it has been found on scrutiny that in some cases—not in all cases—the price charged by the associate company for the material, which is ranging at a lower price in some other countries or by some other manufacturers, is higher. But it is not a uniform position. For example, I would like to point out that when we compare Abbot Labs import from Switzerland and Glaxo in regard to the import of Ethyl Vani-lin, the price charged by Glaxo is higher. As far as Lactose is concerned, between Glaxo and Sandoz, Glaxo is lower by 50—60 per cent. So this is being looked into. However, sometimes when we have raised this question that the price charged by their associate is higher, then they take this plea that the formulation or the product of their associate is much superior to that of other producers. Unfortunately, we have no legal authority to compel them to import from a particular firm or a particular producer.

MR. CHAIRMAN: Two more questions. One by Mr. Mitra and one by Mr Yadav. All late-comers will not be allowed.

SHRI NARASINGHA PRASAD NANDA; Sir, I am not a late-comer.

MR. CHAIRMAN: I have already given chance to one.

SHRI NARASINGHA PRASAD NANDA; So what?

SHRI SANKAR PRASAD MITRA: A short while ago, the hon. Minister has referred to a stay order granted by a court. I want to know which court has granted the stay order, when the stay order was granted and what steps have been taken so far by the Central Government to have that stay order vacated.

MR. CHAIRMAN: I do not know whether you have got the information.

SHRI P. C. SETHI: Sir, I do not have the information at present.

SHRI NARASINGHA PRASAD NANDA; Why not?

SHRI P. C. SETHI: When it was granted, the name of the court—all those details are not available with me.

श्री दुष्मन्त नारायण यादव : सभापति महोदय, मैं सरकार से यह जानना चाहता हूँ कि अभी श्री लाडली मोहन निगम के प्रश्न के उत्तर में सरकार ने स्वीकार किया सभी मामलों में नहीं, कुछ मामलों में ये कंपनियाँ विदेशी मूल्य तालिका या अन्तर्राष्ट्रीय मूल्य तालिका को नजर अन्दाज कर हिन्दुस्तान में महंगी दरों पर दवाईयाँ बेचने का काम करती हैं। कुछ मामलों में ही सही, जब वह यहाँ महंगी बेची जा रही हैं और इसकी सरकार को जानकारी है तो जानकारी रहते हुए इसके खिलाफ सरकार ने किसी तरह की कार्रवाई क्यों नहीं की? इन कंपनियों के खिलाफ जब इतने आरोप लगाये जा रहे हैं और इन कंपनियों पर नियंत्रण रखने के लिये जब सरकार अक्षम साबित हो रही है तो इन साथी कंपनियों को क्या सरकार अपने हाथ में लेने को तैयार है, इनको राष्ट्रीयकृत करने के लिये तैयार है? क्या इन सब-मजबूरियों के पीछे यह नहीं है कि इन विदेशी कंपनियों से इनका चुनाव के लिये पैसा मिलता है इसलिये यह सब कुछ नहीं कर पा रहे हैं?

श्री सभापति : आखिरी बात जो आपने कही है यह इल्जाम है।

SHRI P. C. SETHI; Sir, with regard to the previous question I would like to point out that the stay order has been given by the Delhi High Court.

As far as this question is concerned, with regard to the import of the 3e drugs from their associates, I have admitted that the position is this: In such cases where these medicines can

be produced indigenously by going basic, we are pressing these companies to have the production from the basic stage so that no intermediates are imported at the penultimate stage. However, in the case of certain new drugs—which are absolutely new—some imports are allowed to be made but, as I have pointed out, with regard to guidance for importing a particular drug from a particular company we have no legal authority at present. However, we will examine as to how best we can check this practice. I would like to assure the hon. Member that as far as these foreign drug companies are concerned, never in the history of the Congress, any opportunity of taking any money from them has arisen.

MR. CHAIRMAN: I will allow one more question because he had raised his hand.

SHRI KALPNATH RAI: You are allowing him?

MR. CHAIRMAN - He has been complaining because I have accepted one of the two.

SHRI NARASINGHA PRASAD NANDA: Sir, in paragraph 16 of the new drug policy announced by the Government in 1978, it has been clearly laid down that as there are frequent allegations of unduly large profits by foreign companies Government have decided to set up a Committee to carry out an investigation in this regard and suggest measures, where appropriate, to regulate the profits of these foreign companies. In pursuance of this policy, Sir, a Committee was set up. My question is limited. The Committee has made certain recommendations. My question is, this Committee did not properly investigate into the profits made by these companies, the imports made by these companies and the high margin of profit which these companies got as a result of the present transaction. I am not on the Hathi Committee but the Committee which went into that question. The second Committee which was consti-

tuted in pursuance of paragraph 16 which I mentioned did not investigate into the matter as contemplated in paragraph 16. Therefore, my question; is, because this investigation by this Committee was defective, incomplete and did not go into the question in depth, whether the hon. Minister would be prepared to set up another committee, may not necessarily be a parliamentary committee but a committee of his own department, to go into this question to satisfy the requirements of paragraph 16 of the policy statement.

MR. CHAIRMAN: Whether another new committee is contemplated.

SHRI P. C. SETHI: Sir, as far as the second Committee—which is known as the Lavaraj Kumar Committee—is concerned, it did go into this question. Actually there are two stages in the profitability of the companies. One is before the 1970 Drug Price Control Order. Then the profitability was different; it was higher. Then, after the 1970 Drug Price Control Order was promulgated, it came down to certain reasonable limits. Then this Committee went into the period from 1970 to 1979. This committee was appointed sometime in 1978 and it was found that the profit of a few companies was about 14 per cent. But in the case of many of the companies in the later years, for example, Burroughs Wellcome it was 4.88 per cent, Abbot Laboratories it was 1.75 per cent, Fulford it was 0.77 per cent, May and Baker it was 7.41 per cent. So, Sir, I have got a comprehensive list about the report which this Committee have given in regard to the companies which it examined. It went into the question in the case of 47 companies, out of which it examined only 42 because the remaining five were non-FERA companies and, therefore, they were not examined. Therefore, it is not correct to say that the Committee did not go into it. However, this Committee has given a recommendation that after the 1979 Drugs Price Control Order, which has been promulgated, BIPC should fix the prices of the basic drugs and the formulations and BIPC has done it in the case of most of the basic

drugs and formulations. After they complete this exercise, we shall go into the profit-factor of these companies.

\*404. [The questioners (Shri N. K. P. Salve and Shri Murlidhar Chandrakant Bhandare) were absent for answer vide col. 43-44 infra].

#### Foreign consultancy for exploration of Oil

\*405. SHRI KALPNATH RAI; Will the Minister of PETROLEUM, CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether Government had decided to go in for foreign consultancy with regard to the exploration of oil in different regions in the country, and

(b) if so, what are the details thereof and in what regions such consultancy is being utilized at present?

THE MINISTER OF PETROLEUM, CHEMICALS AND FERTILIZERS (SHRI P. C. SETHI): (a) and (b). A statement is laid on the Table of the Sabha.

#### Statement

(a) Foreign consultancy has been aken and continues to be taken in elected areas where considered neces-ary by the ONGC and OIL with the pproval of the Government for the exploration and production of oil.

(b) Some of the areas in which oreign consultancy is being utilised t present by the ONGC and OIL are s follows:—

#### *il India Limited*

(i) M/s. Dr. Mc Cord of USA **for** re-interpretation of seismic and well data in the Mahanadi offshore basin.

#### *t & Natural Gas Commission*

(i) M/s. CFP of France for the development and 'exploitation of hydrocarbons reserves of Bombay High and satellite fields.

(ii) M/s. Snam Progetti of Italy for design, appraisal supervision etc. for the construction of gas pipe-line from South Bassein to Hazira.

(iii) M/s. Randal Corporation of USA for utilisation of gas from marginal offshore fields.

(iv) M/s. Dr. McCord and Earl ! & Wright for the development of the South Bassein and North Bassein oil and gas fields.

(v) M/s. Davy Mckee UK for setting up of Water Injection facilities in Bombay High.

(vi) M/s. King Wilkinson, USA for Project Management for engineering and construction activities in Bambay High.

(vii) M/s. Nowso Well Services for Well Stimulation Services in onshore Western Region.

(viii) V/o. Technoexport, USSR for preparation of a 10-year programme for exploration and production of oil in the onshore areas.

(ix) M/s. Geo-Consultants International USA for Delta Model Studies for further exploration in West-Bengal.

SHRI KALPNATH RAI; Sir, foreign consultancy for oil exploration also includes exploration with the help of the research vessels. Is the Government of India deciding to have its own permanent fleet for off-shore oil exploration?

SHRI P. C. SETHI; Sir, as far as our own fleet is concerned, in many cases, we have gone into acquiring the ships themselves; and in certain cases, we are also hiring them on contract basis. But progressively it is the policy of the Government to acquire all the vessels which **are** needed for oil exploration in the high seas.

SHRI KALPNATH RAI: Sir, I would like to know whether they are a one-time consultancy arrangement or an on-going arrangement. If it is the latter, I would also like **to** know what arrangements have