

RAJYA SABHA

Monday, the 3rd March, 1975/the
12th Phalguna, 1896 (Saka)

The House met at eleven of the clock.
Mr. Chairman in the Chair.

ORAL ANSWERS TO QUESTIONS

† Monopolistic hold of multi-national Corporation in Drug Industry

*179. SHRI SYED NIZAM-UD-DIN:

SHRI N. S. TALIB:

SF MATTI MARGARET

THE A:

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

(a) what steps Government propose to take to end the monopolistic hold of multi-national corporation in drug Industry; and

(b) whether Government have a proposal for encouraging cooperative units in drug industry?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS (SHRI K. R. GANESH): (a) and (b). A statement is laid on the Table of the House.

Statement

Government have taken the following measures to regulate the expansion of foreign companies and to encourage the growth of Indian Sector of the industry:—

(i) The Indian sector of the industry is given preference in approval of manufacturing schemes;

†Transferred from the 26th February, 1975.

‡The question was actually asked on the floor of the House by Shri-mati Margaret Alva.

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(ii) Manufacture of increasing number of bulk drugs through public sector undertakings;

(iii) Industrial licences are usually not issued to foreign firms for producing formulations unless linked with the production of bulk drugs;

(iv) They are asked to take up production of bulk drugs from more basic stages and to make available a suitable portion of their bulk drugs production to non-associated formulators in the country as a condition for being permitted expansion in capacity or for taking up new activity. Appropriate export obligations are also imposed.

(v) Progressive reduction of foreign equity participation with corresponding increase in the Indian shareholding is imposed when they are allowed expansion of their manufacturing activities.

In addition all companies having a foreign equity exceeding 40 per cent are required to obtain approval of the Government under FERA, 1973.

With a view to ensuring the regulated and rapid growth of drug manufacture and further with a view to ensuring that all essential drugs are made available to the consumers at reasonable prices, Government have appointed a Committee under the Chairmanship of Shri Jaisukhlal Hathi, whose terms of reference *inter alia* include:—

“To recommend measures necessary for ensuring that Public Sector attains a leadership role in the manufacture of basic drugs and formulations, and in research and development.”

“To make recommendations for promoting rapid growth of the drug industry and, particularly, of Indian and small scale industries' sectors. In making its recommendations the Committee will keep in view the

need for a balanced regional dispersal of the industry."

The Committee submitted an interim report on "Quality Control of drugs and related matters" in May, 1974. The Committee's report on "Measures for providing essential drugs and common household remedies to the general public, especially in rural areas" which also covers the aspect of substitution of brand names of drugs by generic names has been received recently. Both these reports are under consideration.

The Committee is expected to submit its report in April, 1975.

SHRIMATI MARGARET ALVA: Sir, in spite of the assurances that have been given from time to time that the foreign firms operating in this country as far as the drug industry is concerned would be controlled, some of these promises have not been kept. The fact seems to point out in a different direction. There have recently been reports in the Economic Times that the Industries Ministry has recently granted an industrial licence to a hundred per cent foreign-owned drug company, i.e., C.L. Fulford, for setting up an eight crore plant for the production of Gentamycin while the proposals by Indian firms for the manufacture of similar products have been rejected by the Ministry. I would like to know whether this is a fact. Further, it has also been stated that there has been a specific request from the Minister, Mr. Ganesh, himself that this question should be kept in abeyance until he was discharged from the hospital. In spite of that, the licence was granted while he was still in hospital at the initiative of the Secretary of the Ministry of Industry. I would like to know whether this is a fact and what was the reason for this hurry.

SHRI K. R. GANESH: As far as the specific question that the hon. Member has raised is concerned, no

licence has been granted to Fulford for the production of Gentamycin.

SHRIMATI MARGARET ALVA: In that case, I would like to know whether any proposal is pending with the Ministry. The papers have clearly stated that the licence has been granted in spite of the request of Mr. Ganesh.

SHRI K. R. GANESH: The Fulford Company has applied for a licence for the production of Gentamycin and various other things which is under consideration.

SHRIMATI MARGARET ALVA: My question as to whether the request by the Indian firms has been rejected earlier has not been answered.

SHRI K. R. GANESH: I will find out the facts about this particular query. The fact remains that Gentamycin is a high spectrum product and its technology is not available in this country. I will give the specific answer afterwards.

SHRIMATI MARGARET ALVA: I would like to know whether Mr. Ganesh had requested that the decision should be postponed until he was discharged from the hospital and present here.

SHRI K. R. GANESH: The licence has not been given.

SHRI NIREN GHOSH: The fact is that the value of formulations produced in India is about 360 crores and the share of public sector is only 8 per cent. Also, the U.S. Congressional Committee has stated that the U.S. drugs firms have been over charging for their products in India. The multi-nationals are controlling the entire drug market. Sometimes, they do not produce the drugs themselves. They buy them from the public sector and small firms and sell them to big Indian business after adding 40 per cent profit. For example, the Tatas are closely linked with them. In view of all this, I would like to

know whether the Government has decided to hand over the country to the U.S. multi-nationals and foreign subversive agencies as a matter of policy, thus bringing about perhaps the subversion of democracy in this country. In view of this fact, I want to know whether the Government would take over all the foreign multinational firms immediately. Further I want to know whether any court case has been filed against the Pfizer and several other U.S. firms for over charging over a spectrum of anti-biotic drugs imported into India. If so, what are the details thereof, how much they over-charging and whether you want to hand over the Indian economy to the multi-national corporations?

SHRI K. R. GANESH: Sir, it is a very long question that the hon. Member has asked and I would like to give certain facts that although the share of the public sector is 8 per cent in the formulation, the share of the public sector in bulk production which is basic to the development of indigenous industry and self-sufficiency is 33 per cent, and the share of the Indian sector as well as the public sector is more than 66 per cent. As far as bulk production is concerned, while the share of the public sector in formulation may be only 8 to 10 per cent, the share of the Indian sector is more than 45 per cent. If you take the total turnover, the share of the Indian sector including the public sector is about Rs. 181 crores out of a total turnover of about 300-350 crores, the share of the multi-nationals or the foreign majority concerns is about Rs. 161 crores. Now, this itself indicates that the share of the Indian sector and the public sector in bulk production is much larger than the multi-nationals and the foreign majority concerns. As far as the turnover is concerned, there also the share of the Indian sector is quite appreciable, and it is intention of the Government to improve the share of the Indian sector as well as the share of the public sector.

Sir, the hon. Member has said about the multi-national corporations. The Government is aware of the activities of the multi-national corporations and will take this into consideration in formulating any policies. It is a fact that a case has been filed against the PFIZER, for rigging the prices, both by our Government and also the U.S. Government. The difference is quite large and I do not know the exact figure. There is, at the moment, no proposal for the takeover of foreign concerns. The Hathi Committee is going into the entire question; the Report is expected in April and the Government will take a view on all these various matters.

SHRI NIREN GHOSH: There should be a discussion over this subject because the Minister's replies are not satisfactory and they are partial and half-truths.

SHRI A. G. KULKARNI: Sir, in the reply of the hon. Minister to a question of my colleague there about the licence to that foreign firm, one can read between the lines, and what happened during the illness of Mr. Ganesh. But that apart, Sir, in reply to another question, the Hathi Committee is mentioned. And the Minister has also confirmed just now that all the steps are taken by the Government in the matter. Sir, will the hon. Minister, in the interest of the Indian drug manufacturing industry and the public sector, very specifically decide on the following two issues? Sir, in the name of technology and transfer of technology, etc., the foreign firms are utilizing indiscriminately their patent rights. Because of these patent rights, large funds are being arrogated by the foreign firms and taken abroad. Will the Government take to the public sector all the patents vested with the foreign firms working in India either independently or in collaboration with Indian firms? Secondly, Sir, will the Government, without waiting for the Hathi Committee report in regard to these patents, insist on all foreign

firms to use generic names instead of brand names? Sir, if the Government can have the political courage to accept these two suggestions, I think, majority of the problems of the drug manufacturing industry will be solved.

SHRI K. R. GANESH: Sir, as far as patent rights are concerned, I am not in a position to answer this question because it falls within the purview of the Ministry of Industry and Civil Supplies and I do not have the facts with me at this moment which would enable me to answer this specific question.

As far as technology is concerned, Sir, the Hathi Committee is going into this question. The Task Force of the Planning Commission which has worked out the drug policy has also gone into this question and the general recommendation of the Task Force has been that we need technology because drug is a highly research oriented industry and everyday newer and newer drugs are coming into the market and that we should get technology from wherever it is available at our own price and have its outright purchase. When the Hathi Committee's Report is received by the Government, the Government will take a decision on this matter.

Sir, the hon. Member has also mentioned about the change of brand names of drugs by their generic names. The Hathi Committee has already submitted a report on this subject which has been given to the Government recently. It covers the question of supply of essential drugs at cheaper prices particularly to rural masses and identification of essential drugs. They have suggested the change of brand names by their generic names in a phased manner and they have also given a list of such drugs. The Government will take a quick view on this matter.

SHRI A. G. KULKARNI: Sir, the hon. Minister has suggested that the

Ministry will take care of this patent question. But, I did not mention only the patent question. Why I want to know the answer to this question from you is because it is your Ministry's view that those patents only will be allowed where R & D is done in this country. You are transferring funds for R & D abroad. I am only asking a specific question, namely, whether patents involving R & D in this country only will be accepted by the Government? That will solve the problem.

SHRI K. R. GANESH: This question will require looking into. We will examine what the implications would be.

MR. CHAIRMAN: You will require notice.

SHRI MONORANJAN ROY: The Minister recently visited Calcutta to attend one of the conventions in connection with the drug industry. There a representation was given to him with regard to the Gulconate Company, which has stopped production and payment of wages to workers. This company is producing one of the life-saving drugs and unique of its kind in India. Pethidine powder is produced there but at the moment the production has been stopped and the company has almost been closed down. Now, I want to know whether the Government is contemplating to take over this company or hand it over to a multi-national corporation. It is apprehended that the Government of West Bengal may do so.

Secondly, Sir, it is not clear from the reply of the Minister given in answer to the question of Shri Niren Ghosh, whether the share of Tata in Walters Projects Capital, Roche and Merck, Anglo-French drug companies is 11 per cent, 4.2 per cent and 19.5 per cent only. Is it a fact that all these are multi-national companies and, if so, what steps are the Government taking? I want to have a positive reply from the Government as

to what steps they are taking about Gulconide Company and whether they want to take it over?

SHRI K. R. GANESH: Sir, it is a fact that the Gluconate drug company in Calcutta is a very old company and it is producing a very vital drug called pethidine. Unfortunately, Sir, due to management problems and due to various other constraints, the company has stopped production. The hon. Members are also aware that Martin Harris in Calcutta which is producing aspirin which is a very important drug has also stopped production due to various factors. Sir, in general, the drug industry in West Bengal which arose as a challenge to foreign drug concerns, is stagnating. All these problems are being looked into. We are deputing officers to West Bengal to see and find out how this industry can be rehabilitated. These are old industries with expertise and technical personnel available there and they are producing very vital drugs. So far as the other question is concerned, I am not aware of the various linkages.

SHRI MONORANJAN ROY: What about the question whether you are contemplating to take it over.

SHRI K. R. GANESH: We are examining the whole matter.

SHRI NABIN CHANDRA BURAGOHAIN: Retail chemists and druggists whose number in the country, I think, is about 1 lakh, have been insisting for justifiable reallocation of margin of profit among manufacturers, wholesalers and retailers. Is any step taken in this regard?

SHRI K. R. GANESH: I do not think this concerns us because it is a matter among the manufacturers, retailers and dealers. The point that we have to consider is that the cost of medicines is already high and it has to be kept as low as possible. The Government intends to keep the cost as low as possible.

श्री रबी राय : सभापति महोदय माननीय मंत्री महोदय ने श्रीमती म ग्रेट आल्वा के सवाल के जवाब में सदन में यह बताया है कि फूलवर्ड कम्पनी को लाइसेंस नहीं दिया गया है। लेकिन मैं यह जानना चाहता हूँ कि इस कम्पनी ने 13-9-1974 का एक लाइसेंस के लिए श्री कुछ आइटम्स का मेनुफेक्चर करने के लिए लाइसेंस जार करने के सम्बन्ध में जो दरखास्त दे थी उसमें कौन-कौन से आइटम्स को मेनुफेक्चर करने की बात कही गई थी ? इसके साथ साथ मैं यह भी चाहता हूँ कि लायसेंसिंग ऑथोरिटी पर किसी प्रकार का दबाव डालकर यह कम्पनी दिनांक 13-9-74 को जो दरखास्त दे चुकी है और जिन आइटम्स को यह मेनुफेक्चर करना चाहती है, उसका इस तरह की परमिशन न मिले, क्या मंत्री महोदय इसमें कोई कार्यवाही करेंगे ?

SHRI K. R. GANESH: Sir, I have already indicated that the Fulford Company have applied for production of gentamycline and other items.

श्री रबी राय : मैं यह जानना चाहता हूँ कि वे आइटम्स क्या हैं ?

SHRI K. R. GANESH: I do not have the list of items now, but in reply to another Unstarred Question I have given details of the various items.

Their application was received and licences have not been granted.

MR. CHAIRMAN: Yes, Mr. Singh.

श्री बनारसी दास : सभापति जी, हमने आपको सबसे पहले ज्ञात दिया है। हमारी तरफ भी ध्यान देने की कृपा कीजिए।

MR. CHAIRMAN: I am coming to both the sides turn by turn.

SHRI KAMESHWAR SINGH: Mr. Chairman, Sir, 50 to 60 types of basic

drugs are sold by various companies, especially the multi-national corporations. They have links here in hundreds and thousands of trade names. Therefore, I would like to know from the hon. Minister whether those basic drugs will be banned items for the multi-national corporations and only the Government will be producing and distributing the same. I want a specific reply.

SHRI K. R. GANESH: Sir, I have indicated that the share of multi-national corporations in the production of basic drugs, i.e., the production of bulk drugs is about 33 per cent.

If the hon. Member is asking for essential drugs that is a separate orientation. But so far as the bulk drugs are concerned, the multi-national corporations are not concentrating on production of bulk drugs which is very vital for the development of drug industry and for having self-reliance. It has been the policy of the Government for some years to ask them to produce bulk drugs and that has been considered necessary when there is a programme of production of bulk drugs. As far as banning of brand names is concerned, the Hathi Committee has given a report. National priorities will have to be laid down and each will have to be considered on the basis of the national priorities, whether it is a private sector or a public sector.

श्री बनारसी दास : माननीय मंत्री महोदय को इस बात की जानकारी होगी कि हमारे देश में ऐसी बहुत-सी फ़ारम कंपनियाँ हैं जिनका केपिटल 40 परसेंट से भी ज्यादा है और प्राइवेट फ़ारमेशन में वे अपनी केपिसिटी को एक्सपेंड करती जा रही हैं और आप इस बात को भी जानते होंगे कि जिन कंपनियों का केपिटल पाँच लाख था वह पाँच साल में बढ़ कर 50 लाख हो गया है। इनवॉसिंग और ओवर-इंवॉसिंग के द्वारा ये कंपनियों करोड़ों रुपये का

फ़ारम एक्सचेज विदेशों को भेजती हैं। प्राइजर जहाँ आक्सिटेरासाइक्लिन 10 टन प्रोड्यूस करती थी अब 40 टन प्रोड्यूस कर रही है जिससे कि इस कंपनी को 2 रुपया ग्राम के स्थापित पर 60 रु० ग्राम का प्रॉफिट होता है सेन्डोस की 2 लाख लीटर की केपिसिटी थी लेकिन अब 10 लाख लीटर की बढ़ा दी गई है और इन कंपनियों का गवर्नमेंट पर इतना दबाव और प्रभाव है कि इनको 360 पर-मिशन लेटर इश्यू किये गये हैं।

मैं माननीय मंत्री जी से प्रश्न करना चाहता हूँ कि क्या आप इन कंसर्न्स को टेक्नॉलॉजी करोगे और यह फ़ाइवर्स का मसला इसमें जो फ़ाइल्स के अंदर फ़ॉर्जरी की गई है, क्या आप सी० बी० आई० के सुपुर्द करोगे ?

SHRI K. R. GANESH: Sir, it is a fact that the foreign majority concerns are concentrating on formulations which are high-profit yielding areas of drug production and are not concentrating on bulk drug production. I have already replied to that and it is the intention of the Government to compel the foreign majority concerns to go in for bulk drug production. It is also a fact that the foreign concerns' narrow equity has been due to very historical reasons. They came first in this; they were trading concerns and they have built up a very large capital asset now and are involved in a large turn-over. Hathi Committee is looking into this problem and they will indicate the guidelines for each sector.

As far as the capacity is concerned, the hon. Member knows it; he is asking any number of questions; he is highly knowledgeable as far as this part is concerned. It is a fact that certain capacity has existed and there is a specific reference to the Hathi Committee which will recommend what we are going to do as far as excess capacity is concerned.

SHRI BANARSI DAS: Will you please refer to C.B.I.?

SHRI SANAT KUMAR RAHA: Sir, there is a similar question with No. 281 in my name also. Please give me a chance of putting two questions.

MR. CHAIRMAN: No, it is late.

SHRI SANAT KUMAR RAHA: I want to know from the Minister how many foreign companies were there under the Foreign Exchange Regulation Act, 1973, who had more than 50 per cent equity shares and how many have brought down their equity shares from above 50 per cent to below 50 per cent since the implementation of this Act. If some conditions have been imposed on the foreign companies for their expansion, in that case, Sir, I want to know from the Minister how many substantial expansions of these companies in production have diluted the foreign equity in connection with the formulated 40 per cent of the estimated cost of expansion for companies existing equity share of 75 per cent. Out of those who have got 75 per cent and more than 75 per cent of foreign equity shares, how many have brought down their equity share to 40 per cent after the implementation of this Act, and for expansion of their production? I want to ask these two questions.

SHRI K. R. GANESH: There are 36 foreign majority concerns who have got equity shares of more than 50 per cent....

SHRI SANAT KUMAR RAHA: I want to know how many companies were there before the implementation of the Act.

SHRI K. R. GANESH: The Act has not yet been fully implemented. The other question that was asked about how many of these companies have diluted under FERA, the time for applying and the Reserve Bank taking a decision, is still there. Therefore, these companies will have to go to Reserve Bank to reduce their equity.

**Survey for Kuttipuram to Ernakulam
Via Guruvayoor and Cannanore
Railway Line**

*265. DR. V. A. SEYID
MUHAMMAD;
DR. K. MATHEW
KURIAN:†

SHRI S. S. MARISWAMY;
SHRI KAMESHWAR SINGH;
SHRIMATI SUMITRA G.
KULKARNI:

Will the Minister of RAILWAYS be pleased to state:

(a) whether Government have sanctioned a preliminary Engineering-cum-Traffic Survey for the proposed railway line from Kuttipuram to Ernakulam *via* Guruvayoor and Cannanore in Kerala State;

(b) if so, by when the survey is expected to be completed; and

(c) whether the work on the construction of this railway line is likely to start during the Fifth Five Year Plan period?

THE DEPUTY MINISTER IN THE
MINISTRY OF RAILWAYS (SHRI
BUTA SINGH): (a) Yes, Sir.

(b) The survey is expected to be completed by the middle of the year.

(c) A decision will be taken as soon as the survey report is received and examination thereof is completed.

DR. K. MATHEW KURIAN: Before putting the question, I stand on a point of order.

MR. CHAIRMAN: No point of order.

DR. K. MATHEW KURIAN: There is a printing error in the question. The question should actually read:

"Whether Government have sanctioned a preliminary Engineering-

†The question was actually asked on the floor of the House by Dr. K. Mathew Kurian.