your permission, Sir, I rise to announce that Government business during the week commencing Monday, the 2nd of May, 2005, will consist of:-

1. Consideration of any item of Government Business carried over from today's Order Paper.

2. Discussion on the working of following Ministries:-

   Environment and Forests and Consumer Affairs, Food and Public Distribution.

3. Consideration and passing of the Coastal Aquaculture Authority Bill, 2004.

4. Consideration and passing of the Government of Union Territories and the Government of National Capital Territory of Delhi (Amendment) Bill, 2005 after it has been passed by Lok Sabha.

5. Consideration and passing of the Private Security Agencies (Regulation) Bill, 2005.

GOVERNMENT BILL

The Appropriation (No. 2) Bill, 2005, as passed by Lok Sabha

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM): Sir, on behalf of my senior colleague, Shri P. Chidambaram, I beg to move:

> That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 2005-2006, as passed by Lok Sabha, be taken into consideration.

The question was proposed.

DR. K. MALAISAMY (Tamil Nadu): Mr. Deputy Chairman, Sir, I have got special thanks for you for having made me the opening batsman to talk on the subject. I will not go to 'century' for paucity of time but I will try to take as many runs as possible within the time allotted by you. Sir, how many minutes have you given?

MR. DEPUTY CHAIRMAN: Your party has got 11 minutes and you can take as many runs as you *can..(Interruptions)...* We will see how many runs you can make...*(Interruptions)...*

DR. K. MALAISAMY: Sir, when I was making my presentation on the Budget before this House, I was able to point out as to what are all the highlights and what are all the minus points in the Budget, with special reference to the weak areas and the grey areas with which how the hon. Finance Minister has to make a relook on those areas, and, if necessary, revise and rectify the incorrect things. Sir, this is the way in which I participated in the discussion on Budget,

Sir, in administration and management, consistency is a virtue. But it will not hold good for always, particularly in a democratic set-up. Objectivity and flexibility are needed more in making a decision. Sir, why I say this is because in my speech on Budget, I made three or four points for which not only myself but the entire House, the entire public were wanting for certain kind of reduction. For example -- as the hon. Chair and the others also know -- according to the Minister and as per the Budget, the withdrawal of more than ten thousand of rupees at one instance in a single day will be taxed at one per cent. The entire country was deadly against it but I am yet to see whether that wrong proposal or unpopular proposal has been withdrawn. This is my first point. Sir, coming to...*(Interruptions)...*

THE DEPUTY CHAIRMAN: I think you can come to the Finance Bill instead *o1...(Interruptions)...*

DR. K. MALAISAMY: Sir, I am coming to that...*(Interruptions)...*

SHRI R. SHUNMUGASUNDARAM (Tamil Nadu): Sir, it is not one percent. *..(Interruptions)...*

MR. DEPUTY CHAIRMAN: No, you please don't get up, otherwise, i will have problem...*(Interruptions)...*No, no, if Shunmugasundaram gets up, I mean the Chair will have problem...*(Interruptions)...*

DR. K. MALAISAMY: Sir, with regard to personal taxation, much has been talked about for the senior citizens, women and the salaried class. Everybody said that the senior citizens and the women are not at all getting any benefit except the fact that they are bound to be penalised as per the Budget.

Sir, now I come to the third point which is very important. Sir, they have talked about creation of hundred lakh rural jobs. Sir, the world over, the problem has been confined and reduced to two categories, namely, illiteracy and poverty. The great man, Lenin, said, to solve these two problems, get me two Es. The first 'E' stands for education and the second 'E' for employment. In conformity with that, it is true that you have gone for the creation of rural jobs, but what did you do. You have not set up any provision for creation of rural jobs. It was widely talked and you say that the details also have not been worked out.

Sir, they have talked very high of the promotion of small-scale industries, the industry as a whole, and, also regarding the Common Minimum Programme. On the other hand, they have almost tried to see that the small-scale industries and the rural and agro industries are going to docks, and, with the result many of the industries are going down and there is more sickness.

Now, I come to the regular point. Sir, as the Finance Minister, he must have known that the schemes for which financial allocation is there are implemented by the States on the one side, and, by the Centre on the other side. As many as 60 - 70 per cent of the schemes are implemented by the States whereas a few schemes are exclusively implemented by the Centre. Even for implementation of the Central schemes, the coordination and cooperation of the States is necessary, and, it is being done through the State Government only.

While so, we are sorry to say as to how they coordinate with the Centre. Sir, there are two sides - the Chair is very well aware - the UPA on the one hand and the NDA on the other. The allies of the UPA Government are well taken care of, and, regarding the opposition, the NDA, I don't know, but some of the States like Tamil Nadu are neither here nor » there; we are in between. What is the mechanism with which you want to have the full coordination? Sir, many of our State Ministers from Tamil Nadu, as many as 12, are coming quite often to Chennai. They make hefty promises and tall claims *...(Interruptions)*

SHRI S.S. PALANIMANICKAM: Sir, why are they *..(.interruptions).* We are visiting our constituency. Why are they *...interruptions)*

MR. DEPUTY CHAIRMAN: He should be proud of that.

DR. K. MALAISAMY: I have to give a background to explain how Tamil Nadu is affected.

SHRI R. SHUNMUGASUNDARAM: They are simply jealous, Sir. *...(Interruptions)*

MR. DEPUTY CHAIRMAN: No, no, it is all Tamil Nadu today. *...(Interruptions)*

DR. K. MALAISAMY: Sir, I am talking about coordination. It is the function of the Central Government and the State Government. I am still on the purview of how to coordinate. Sir, the Central Ministers make tall claims and go away. I would like to know whether they have taken enough care to coordinate with the States. There are umpteen number of ways to do it. There may be some personal equation problem; there may be some other controversy. But one should have a role to play. As a Minister of the country, they have got a paramount role to play. How to play that role? I mean, should they not create a working relationship? Take the case of our hon. Chief Minister. She comes and sees the hon. Prime Minister. She goes to the Home Minister and discuss about Tsunami. She goes to the Agriculture Minister. She discusses on varied issues. Whereas *..-.(Interruptions)...* Whereas, several Ministers are coming everyday. They do not discuss things at all. They come back. And they havs got a nicety of telling the announcements. Sir, coming to the *...(Interruptions)...*

SHRI E.M. SUDARSANA NATCHIAPPAN (Tamil Nadu): Sir, the Tamil Nadu Chief Minister *...(Interruptions)...*

DR. K. MALAISAMY: Don't interfere. You will have your own chance.

SHRI S.S. PALANIMANICKAM: *...(Interruptions)...* Even we have not received any greetings from the hon. Chief Minister of Tamil Nadu.

DR. K. MALAISAMY: You should allow me to speak. By interfering like this, you are curtailing my argument. *...(Interruptions)...* Sir, I will come to the relevant point, a very relevant point.

SHRI S.S. PALANIMANICKAM: That's good, that's good.

DR. K. MALAISAMY: The core of my speech is going to be how Tamil Nadu has been neglected. This is the point. I will list out one or two points, if they are capable, they can answer correctly. Sir, coming to the desalination plant, much controversy has been created as to who will take the credit. For your information, it is on records that this project has been conceived, and it is the brainchild of our hon. Chief Minister and Tamil Nadu Government, as early as on 02.05.2003. I mean, a proposal has been initiated and tenders have been called for and all the formalities have been undergone and the evaluation process took place and a final proposal took a shape. And, now they have asked for grant of assistance as early as on December, 2004. Whereas *...(Interruptions)...*

SHRI E.M. SUDARSANA NATCHIAPPAN: Sir, the High Court has stated *...(Interruptions).* I do not agree...*{Interruptions)...*

MR. DEPUTY CHAIRMAN: Please, please, *...Interruptions)...* Mr. Natchiappan, let him finish please*...(Interruptions)...* Please, sit down *...(Interruptions)...*

DR. K. MALAISAMY: Sir, if they interfere like this, I have to be given extra time. Otherwise, I will confine myself to the time allotted to me.

SHRI S.S. PALANIMANICKAM: There are two projects. One was proposed by the hon. Chief Minister of Tamil Nadu, that is in Indirarpur, including the tender process. *...Interruptions)...* Another project was introduced by the Central Government. So, don't confuse *...(Interruptions)...*

DR. K. MALAISAMY: I beg to submit, if the Central Government is really interested in a project like this, why don't they assist the State Government who has already conceived the project? Why do you want to take the credit for that?

SHRI S.S. PALANIMANICKAM: To get the commission from the contractor *...{Interruptions)... .*

DR. K. MALAISAMY: You said that you have set apart thousands of crores *...(Interruptions)...*

SHRI S.S. PALANIMANICKAM: For whom? *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: Let him complete. Let him complete and then you can reply *...(Interruptions)...*

DR. K. MALAISAMY: If you are really interested to do something concrete for Tamil Nadu, why don't you earnestly consider the proposal given by the State Government.

SHRI S.S. PALANIMANICKAM: Are you mentioning about the first project or the second project? There are two projects.

DR. K. MALAISAMY: Sir, the desalination plant is an economic and a social project. It is meant for the people. An economic and a social decision cannot afford to be politically decided like this. They should not try to take credit for that.

SHRI S.S. PALANIMANICKAM: There are two projects, which one are you mentioning? One project was proposed by the State Government and another project was proposed by the Central Government.

DR. K. MALAISAMY: Why do you go for a rival project, when we have already conceived a project to set up desalination plant at Chennai? ...(*interruptions)...*

SHRI S.S. PALANIMANICKAM: The first project was already pending before *...(Interruptions)...*

DR. K. MALAISAMY: Why do you want to set up a project separately? ...(*interruptions)...*

SHRI E.M. SUDARSANA NATCHIAPPAN: That was the promise by Shrimati Sonia Gandhi during the election period. Therefore, we are pursuing that Central Government project. *...{Interruptions)...* Why don't we take up a Central project and do it properly? *...(Interruptions)...*

DR. K, MALAISAMY: We are continuing that project since long back. *...(Interruptions)...* I mean, the UPA Government was not at all giving any assistance when the project was conceived by us. That is the reality of the situation.

MR. DEPUTY CHAIRMAN: Mr. Malaisamy will *...(Interruptions)...* and the Minister will reply.

DR. K. MALAISAMY: Don't try to take advantage by making political assertions or whatever it is. *...(Interruptions)...* How do they answer? *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: Mr. Malaisamy, you said, you want to speak very well. *...(Interruptions)...* So, you have to speak only on the subject, not on any controversial issue.

DR. K. MALAISAMY: I will put a very straight question, Sir. Tamil Nadu's share in the divisible pool of Central Taxes has been reduced from 5.385 per cent to 5.305 per cent. So, there has been a reduction in the share for Tamil Nadu from the Central Taxes. Let us wait and see, Sir, what they are going to say.

I come to the next point relating to Grants-in-aid for deficit States and for sectors like education, health etc. No share has been given to Tamil Nadu. This is my second point.

My third point is -- probably, Mr. Jairam Ramesh will object to it --under the Accelerated Irrigation Benefits Programme, an outlay of Rs.4,800 crores has been set apart in your Budget, What is your share for Tamil Nadu? It is for the Minister who is coming from Tamil Nadu, to tell us.

SHRI R. SHUNMUGASUNDARAM: But he is a Minister for the entire country!

DR. K. MALAISAMY: Sir, I am saying this with authority. They are not allowing me to freely interact.

Coming to the new programme for backward areas and districts, an outlay of Rs.5,ooo crores has been set apart. Nothing has been given to Tamil Nadu. Is it not a neglect of Tamil Nadu?

Coming to the famous Tsunami, many people may have their own reservations. Sir, to be honest with me, to be fair with you, it has been appreciated. There may be, here and there, some lapses; that can be highlighted through their TV or through their media; I mean persons like Mr. Shunmugasundaram may make big out of it. But the ground reality is that, by and large, it has been doing exceedingly well. The hon. Home Minister has appreciated; the World Bank and the Asian Bank, the people all over the country and outside the country have got high praise for how they have done, how the management of the orisis has been done. This is the way we look at it. Sir, we need the financial assistance. Our hon. Chief Minister has sent them a proposal to the extent of Rs.4,800 crores for taking various measures for the Tsunami victims, but very little has been given. *...^Interruptions)...* They made wild promises that everything under the sky would be given. I want to know how much they have been given, and how much they are going to give.

Sir, coming to the Sethu Project, unless I speak about this project, my speech will never be complete. Much has been said about it. It is an age-old project, more than a century old. Now, the UPA Government is trying to take the credit that they are going to do it. Earlier, the NDA Government took the credit that they were responsible. Whoever rt may be, we want the project. If at all this project is going to come, I would like to know-as a Finance Minister, he should be able to tell us because they speak very high of the Sethu Project-what is the allocation you have made. You are in the preliminary stage. You say you are getting the clearance from the Environment Ministry; you have got a conditional clearance from the Environment Ministry; you are doing this and that. But, Sir, take it from me; from today onwards, you count the days and see how long they are going to take to finalise the proposal. I want to know when the proposal is going to be implemented; how they are going to implement and what is the financial provision that they are going to make. They have to explain the whole background to the public; otherwise, this promise is going to be a vague promise and the project will not come at all. I would like to have a specific commitment from the Finance Minister. Sir, coming to the railways--the Railway Minister is also here...

MR. DEPUTY CHAIRMAN: The Railway Minister has nothing to do with it!

DR. K. MALAISAMY: Coming to the last point -- when I say that, I will stick to that. Sir, as far as the railways is concerned, the Finance Minister is hailing from the Sivaganga constituency. If he wants to go by a broad-gauge train, he cannot go. See the famous project from Chennai to Rameswaram. If persons from all over the country want to have a darshan of the holy place 'Rameswaram', they have to go there *via* Chennai, Tiruchi, Manamadurai. Now, the distance between Madurai... *interruptions)...* One minute. *...(Interruptions)...* Wait and listen to what I am going to say. *{Interruptions)...* Why don't you listen to me? *...(Interruptions)...* Patience is an important feature.

Sir, what I want to say is that they have taken up the. work from Manamadurai to Rameswaram. That is okay. The work from Chennai to Tiruchi is already over. Then there is another segment. *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: What has the Finance Minister to do with the railways?.

DR. K. MALAISAMY: Sir, please listen to what I am saying. I will come to that. Give me one minute. There is a project from Tiruchi to Mananmadurai *via* Shivaganga, which is the constituency of the Finance Minister. Is it not his responsibility to use his good offices, as the Finance Minister, to get this project through? This is what I want to say.. (*interruptions)...*

THE MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI R. VELU): Sir, may I say something with your permission? Now, because of the Finance Minister, this project has been taken up in all seriousness and put on fast track. An amount of Rs.so'crores has been allocated. This year we will complete up to Pudukottai. *...(Interruptions)...*

DR. K. MALAISAMY: What exactly is the requirement? *...(Interruptions)...* What is the requirement? *...(Interruptions)...*

SHRI R. VELU: We will complete the project up to Manamadurai next year. The hon. Member can travel very well this year up to Puoukottai. *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: Very good. You got the reply. *...(Interruptions)...*

DR. K. MALAISAMY: Sir, I am very happy to hear this from the Minister. *...(Interruptions)...*

SHRI R. VELU: Tomorrow, for your kind information, the gauge conversion project from Madurai to Manamadurai is going to be inaugurated. These are the various steps that the UPA Government has taken. Not only that, we had also inaugurated the project--! had also attended the inauguration function-to the satisfaction of the people of that area. *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: You take him along with you. *...(Interruptions)...*

SHRI R. VELU: I will do that. *...(Interruptions)...*

DR. K. MALAISAMY: I will take it as an assurance, once the Minister of State for Railways says that.

MR. DEPUTY CHAIRMAN: You must compliment him for that.

DR. K. MALAISAMY: Lastly, Sir, they neglected the interlinking of rivers. They say so many things. *...(Interruptions)...*

MR. DEPUTY CHAIRMAN: You are bringing the water resources, into the Appropriation Bill. You are bringing the railways into the Appropriation Bill. The Appropriation Bill is on expenditure.

DR. K. MALAISAMY: Okay. Let me conclude then. Thank you.

SHRI JAIRAM RAMESH (Andhra Pradesh): Mr. Deputy Chairman, Sir, we have had a discussion on the Budget. We are going to have a discussion on the Finance Bill. This is sandwiched in-between. So, it is very difficult to say something which is going to be different from what has already been said on the Budget and what is going to be said on the Finance Bill. But I will confine myself to the Appropriation Bill 2005. Like Mr. Sehwag *alias* Dr. Malaisamy, who spoke before me, I will not make comments outside the scope of the Appropriation Bill, though I have had an argument with him on many of the points that he has raised.

My main concern with the Appropriation Bill is that, in my view, it horribly understates the expenditure and there is bound to be a significant supplementary demand, particularly, on account of Central Plan assistance to the States. What the Finance Minister has done in this Budget is to accept the recommendations of the Twelfth Finance Commission and transfer the responsibility or raising resources to the State Governments. This was the recommendation made by the Twelfth Finance Commission, which is a perfectly sensible recommendation, keeping in view the fact that the States should get the benefit of lower market rates of interest. It came up with a recommendation that the responsibility for loans should not be taken up by the Centre, but should be done directly by the State Governments. As a result, what happens, as Dr. Malaisamy has mentioned in a different context, is that critical programmes like the Accelerated Irrigation Benefit Programme, for which there has been a very significant step-up this year, from Rs.2,800 crores in 2004-05 to Rs.4,800 crores in 2005-06, would suffer. Actually, the significant step-up takes place because the responsibility of bringing additional resources now lies not with the Central Government's Budget but lies with the borrowing by the State Governments. This is perfectly possible for some of the State Governments. Some of the States would be able to raise these resources, given their credit-worthiness, though there is hardly any State today which would qualify under the prudential norms of financial management, because the financial position of most of the States is precarious. But, nevertheless, I would agree that there could well be some States, Tamil Nadu being one of them, in the south and in the western parts of the country, which will be able to raise these resources. Sir, the big worry is of the States in the north India, the States in the eastern part of the country and in the North Eastern part of the country. A very substantial number of-the 29 States of the country, in my view, would not be in a position to raise the resources that the Finance Minister is thinking that they would, and which are reflected in the Appropriation Bill. This is my first concern. I would request the hon. Minister of State for Finance to pay particular attention to this. It should not be the case that six months from now, the critical programmes which are dependent on these market borrowings by States are going to face a severe funds crunch. It should not be the case that in the case of the irrigation programmes, for example, suddenly you will find that the States are unable to raise their resources.

There is a second problem that even assuming that States are able to raise these resources, experience shows that even the well off States, the so called well off States, when they borrow money from the market under one head, actually end up using that money for paying salaries, pensions, allowances and meeting their ways and means position. Most famously, it has happened in the Maharashtra Krishna Valley Development Corporation. The Maharashtra Government, successive Maharashtra Governments -- I am not making a political point here -- successive State Governments in Maharashtra have raised money with this vehicle and used this money not for irrigation but have used this money for meeting State Government's administrative expenditure. So there is a double worry here. One worry is that the States, particularly in the north, the east and the North Eastern part of the country would not be able to raise these resources from the market that the 12th Finance Commission thinks they should and the Finance Minister has accepted that. Even in the better off States, even in the financially better off States, like Tamil Nadu, like Karnataka, like Gujarat, like Maharashtra, like Andhra Pradesh, even in these States, they may well be capable of raising resources, but whether these resources, whether these market borrowings will actually be used for the purpose for which they are raised, I have my own serious doubts. So my first concern on the Appropriation Bill is on this very sudden, I would say, without any notice to the State Governments, without any debate, almost unilateral acceptance of the important recommendations of the I2^{lh} Finance Commission. It is not an award because, as you know, there is a convention to accept an award. Accepting the Finance Commission's award is one thing, but accepting the recommendations is something else. I would like to mention about the recommendation of an earlier Finance Commission to have a single divisible pool of taxes. As you know, till some years ago, only income tax and excise duty were shared with the State Governments, but subsequent to the recommendation of an earlier Finance Commission, the Government then came up with a proposal and created a single divisible pool of taxes which required a constitutional amendment. There was a debate that took place in the country for three or four years before this transition took place. However, in this case, in this particular case of recommendations of the Finance Commission, there was no debate, there was no discussion, there was no advance notice and we were all caught unawares. I was caught unaware. I am sure, the Central Government Ministries were caught unawares and certainly the State Governments have 6een caught unawares. Sir, I would urge through your good offices to the Finance Ministry to keep a constant watch on this so that the States are not put to disadvantage. The sum is very substantial, as I said. It is to the tune of Rs. 29,000 crores and the programmes are also very critical, like, as I mentioned to you, the Accelerated Irrigation Benefit Programme. Yesterday, when I spoke on the Annual Report and the performance of the Ministry of Power, I had an occasion to point out that a similar situation prevailed in the accelerated power development and reforms programmes as well. So a large number of programmes have seen significant allocation increases in 2005-06 for which the Finance Minister has taken credit, but those increases will materialise only if the State Governments are going to go into the market and borrow. I certainly wish the States all the luck, but I am not so sure whether this assumption is going to materialise.

The second point I am going to make on the Appropriation Bill is that like any Appropriation Bill, there are certain inbuilt assumptions on revenue buoyancy; there are certain inbuilt assumptions on the collection of direct taxes. We have seen reports in the last few days that direct tax collections have fallen short of the target. Sir, I am not too concerned about whether they have fallen short of the target over a one-month or a two-month period. More important is the trend-line of revenue collections. As I mentioned earlier while intervening in the General Budget, I think, what is a remarkable feature of the 2005-06 Budget is that, for the first time, direct taxes constitute 50 per cent of the total revenue of the Central Government. Traditionally, it has been excise duty; it has been import duty. Now, it is personal Income-tax, corporate tax, that constitutes half the revenues of the Central Government. This is as it should be because direct taxes are progressive taxes, whereas indirect taxes like excise and customs are regressive, in the sense that the poor pay as much as the rich. And the principle of taxation is that the rich should pay more, the poor should pay less. So, it is a matter of great satisfaction that, finally, India has a tax system in which half the revenues are coming from direct taxes, and this proportion is undoubtedly going to increase. But, Sir, we have seen that the assumptions made in the past have not come true. For example, one of the main assumptions that was made in the 2004-05 Budget by the Finance Minister was the realisation of very significant amounts of revenue from the collection of tax arrears that were not in litigation. Sir, huge amounts of tax arrears are in litigation. The Finance Minister said that he was going to take credit for only those tax arrears that were not under ' litigation; and yet, Sir, we have seen this in 2004-05 that there has been a considerable shortfall both on direct taxes front and on indirect taxes front on account of collection of revenue through arrears. This year, of course, the Finance Minister has not given any target because he has become wiser.

But, nevertheless, the point that I want to make is about these assumptions of revenue buoyancy, which are implicit in the Appropriation Bill, particularly the expenditure, of course, depending on the revenues you are collecting; I think, the Finance Minister needs to keep a far closer watch on some of these elements of revenue collection, for which he has claimed credit in the past, and which have not come up to his expectations, particularly in so far as the tax collection from arrears is concerned.

The third point which is directly linked with the Appropriation Bill -- and I want to make this point with your permission, Sir, because this is something that has happened after the presentation of the Budget; and now we are discussing the Appropriation Bill which is very significant for the finances of the State Governments particularly -- is the transition that we have made to VAT. As you know, Sir, 21 State Governments have made the transition from VAT. The Finance Ministry's position is very peculiar. Successive Finance Ministers have claimed credit. When the going is good, they claim credit that we have gone to VAT. But when the going gets tough, they say, "Oh! VAT is not a Central Government issue. This is, after all, a State Government issue. The State Sales Tax is becoming VAT". Successive Finance Ministers have taken this approach for the last ten years. I make no exception; this is not a political point. All Finance Ministers say, "VAT! Big Revolution! Paradigm Shift", and they claim credit. But when the situation becomes a little murky, as it has in the last few weeks, Finance Ministers say, "This is a State issue". This is abdication of responsibility, Sir. I believe that there is a lot of confusion that has been created in the manner of transition. There are fears of inflation being stoked. There is lack of clarity on the actual duty rates, and Delhi is the prime example of this. And I think, such a major shift that has taken place, should be accompanied by a much greater assertion of responsibility on the part of the Central Government. I know there is the Empowered Committee of State Finance Ministers. There is a secretariat. I know it is Sales Tax that is becoming VAT. I know there are important States like Tamil Nadu and UP. that have still not come under the ambit of VAT. But, nevertheless, I do feel that since this constitutes such a major shift in our tax system, since this is going to have major implications for the revenues of the State Governments which in turn is going to impinge on the Appropriations Bill of 2005-06, I would urge for a far more aggressive, a far more pro-active role on the part of the Central Government on the issue of VAT. There are other issues on VAT, Sir, which I will not go into, which we could discuss later. But, right now, what I want to draw the attention is that if we do not address some of these issues that are surrounding VAT, the fears of inflation, the fears of lack of clarity on the tax rate, I am afraid, a good instrument like VAT is going to get a bad name. Then, we are going to reverse back into the old system and that is going to create more problems for us.

So, with these few words, Sir, I just want to underscore once again my deep sense of unease and disquiet on the acceptance of the Twelfth Finance Commission's recommendations.' I believe that the Finance Ministry has under-estimated its own expenditure, for particularly Plan expenditure, and, I venture to predict that a few months from now, we will be discussing additional Demands for Grants because the States will not be in a position to raise these resources that the Appropriation Bill assumes today. Thank you, Sir.

श्रीमती जमना देवी बारूपाल (राजस्थान) **:** सर, मैं इसका समर्थन करते हुए एक – दो बातें बोलूँगी । ...(**व्यवधान**)...

श्री उपसभापति : इसमें क्या बोलेंगी ? एप्रोप्रिएशन बिल पर ...(**व्यवधान**)...

श्री राजीव शुक्ल (उत्तर प्रदेश) **:** बहुत जरूरी है । बहुत जरूरी बात है । ...(**व्यवधान**)...

श्रीमती जमना देवी बारूपाल : नही महोदय, मैं सिर्फ दो मिनट बोलूँगी । माननीय उपसभापति महोदय, जो छोटे लघु उधोग हैं, उनको रुग्णता में जाने से रोकना हमारे देश के हित के लिए बहुत ही जरूरी है । इससे आर्थिक स्थिति सबल होती है । मैं बीकानेर के विषय में थोड़ा – सा जिक्र करूंगी की जब आपने लिज्जत पापड़ों पर टैक्स नही लगाया, हमारी दिल्ली की मुख्य मंत्री, श्रीमती शीला दीक्षित जी, ने मिठाई पर 4 प्रतिशत टैक्स ही रखा है और भी कई चीजों पर राहत देते जा रहे है, तो फिर मेरा जो सूखा एरिया है, आपदाओं से घिरा हुआ एरिया है , राजस्थान, जो पीडित और विकास से वंचित एरिया है...(**व्यवधान**)...

श्री उपसभापति : नही , यह इस बिल से संबंधित नही है । ...(**व्यवधान**)...

श्रीमती जमना देवी बारूपाल : उसके भुजिया और पापड़ों पर आप साढ़े बारह प्रतिशत टैक्स क्यों लगा रहे है, क्यों वैट लगा रहे है । ...(**व्यवधान**)...

श्री उपसभापति : वे जवाब नही दे सकते । ...(**व्यवधान**)...

श्रीमती जमना देवी बारूपाल : एक मिनट साहब, एक मिनट । जबकि ये पापड़ हमारे यहां की भूमिहीन महिलाएं, मजदूर महीलाएं, जो सारा दिन मेहनत से काम करती है । आप उनके हाथ देखेंगे तो उनके हाथों में छाले पड़ जाते है । पापड़ बेलते – बेलते शाम तक उनके कंधों के पास गांठें पड़ जाती है, तब कहीं जाकर उनके घरों में चूल्हें जलते है । तो मैं आपसे, सदन से और सबसे आग्रह करूंगी कि मेरे बीकानेर के भुजिया और पापड़ को भी वैट रहित रखिएगा । आपका बहुत – बहुत धन्यवाद ।

SHRI S.S. PALANIMANICKAM: Sir, recently it was received and sent to the Chairman of the Committee.

MR. DEPUTY CHAIRMAN: Now, the hon. Minister could reply. *{Interruptions)* Yes, the discussion is over.

SHRI S.S. PALANIMANICKAM: Mr. Deputy Chairman, Sir, there were two speakers. As the opening batsman, without any score, the hon. Member made his points. The points that were made by Shri Jairam Ramesh were relating to the Budget, the Railway and many other things. Two-three valid points were raised by Shri Jairam Ramesh. The hon. Member said that after the Twelfth Finance Commission gave its Reports, most of its recommendations have been implemented. The States are permitted to raise their own funds. Most of the States are not in a position to raise their own funds. After six months, the Government is going to face very severe conditions. So, the Finance Ministry should look into this matter'. I assure the hon. Member that this issue will be taken into consideration.

Secondly, he said that the States are incurring huge expenditure on pension and other things. This aspect will also be taken into consideration.

The other thing he pointed out is regarding collection of old arrears. In the last year's Budget Speech, the hon. Finance Minister said that 'the collection is encouraging, but not up to the mark.' The Ministry is very much concerned about it. We are taking serious steps to collect the old arrears also.

Sir, as far as VAT is concerned, I would like to say that it is purely a State subject.

MR. DEPUTY CHAIRMAN: This is what he said.

SHRI S.S. PALANIMANICKAM: The Centre is only a facilitator. I would like to inform the House that some of the State Finance Ministers had accepted to introduce VAT in their own States. After returning to their State, due to some compulsion or some difference with the Centre, Tamil Nadu said that the subsidy given by...

SHRI P.G. NARAYANAN (Tamil Nadu): When you are not ready to compensate the losses...

SHRI S.S. PALANIMANICKAM: This is the reaction I was expecting from your side..(I*nterruptions)...*Initially, the Central Government was prepared to compensate hundred per cent for the first year, 50 per cent for the second year and 50 per cent for the third year. After the proposal by the hon. Finance Minister of the State of Tamil Nadu, the Centre proposed to increase the second year compensation to 75 per cent. After accepting the recommendation made by the State of Tamil Nadu, the Centre accepted to give 75 per cent. Even after that they are not ready to introduce it.

SHRI P.G. NARAYANAN: You have to compensate fully.

SHRI S.S. PALANIMANICKAM: The demand came from Tamil Nadu only for 75%. *...(Interruptions)...* Sir, regarding VAT, the doubts raised by Shri Jairam Ramesh are true. The Finance Ministry feels that it is their duty to clear doubts regarding VAT. They will be cleared. Initially, the State which was not ready to implement was U.P. After the Finance Minister visited the State of U.P., the Chief Minister was ready to accept today's VAT system. But finally they are not ready to introduce it. It is the duty of the Coordinator, the popular Finance Minister of the State of West Bengal, Shri Asim Gupta; he is taking necessary steps to convince all the States. We are trying to solve all these problems.

Sir, I request the House to pass the Bill.

MR. DEPUTY CHAIRMAN: The question is:

> That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 2005-2006, as passed by Lok Sabha, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 4 and the Schedule were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI S.S. PALANIMANICKAM: Sir, I move:

That the Bill be returned.

The question was put and the motion was adopted.

SPECIAL MENTIONS

Demand for expedicious development of **Amritsar International Airport in Punjab**

DR. M.S. GILL (Punjab): Sir, I wish to make a special mention about the continuing neglect of the only airport in Punjab at Amritsar. The Sri Guru Ramdas International Airport at Amritsar, is not notified as an international airport, nor has it been given even tolerable airport facilities. The airport operates from sheds and the passengers get no facilities. A new building for only five hundred passengers has been under construction for the last five years. Even this work has been stopped many months back. The Civil Aviation Ministry knows that the airport needs facilities for thousands of passengers. Almost 30 per cent of the Delhi traffic, is generated by Punjab, and should be handled by Amritsar, giving comfort to the passengers, and economic benefit to the State.

I welcome the liberal aviation policy of the Government but I am surprised that while British flights to India have been doubled from 19 to 40 per week, not one flight has been given to Amritsar. The Punjabis are the major Indian settlers in the U.K., Canada and the U.S.A. Canada Air flies daily to Delhi but not once to Amritsar, even though it carries mainly Punjabis. A new Air India Express with 30 per cent cheaper fares has been started to the Gulf. More than 30 flights are to go but all from Kerala and Mumbai. Plenty of Punjabis work in the Gulf and Iraq. Sadly, not one flight has been allowed to Amritsar. Everyone knows the expense and harassment the Punjabi travellers suffer in coming to the Delhi airport to take late night flights.

There is no justification to inflict either hardship on passengers to Punjab or deny to the State the economic benefits of a flourishing