REPORT NO.
256

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY

TWO HUNDRED AND FIFTY SIXTH REPORT

ON

ACTION TAKEN ON THE 243rd REPORT OF THE COMMITTEE

ON

DEMANDS FOR GRANTS (2013-14)

PERTAINING TO

THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES

(DEPARTMENT OF HEAVY INDUSTRY)

(*Presented to the Rajya Sabha on10th December*, 2013)

(Laid on the Table of Lok Sabha on 10th December, 2013)

Rajya Sabha Secretariat, New Delhi
December, 2013/ Agrahayana, 1935 (Saka)

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C O N T E N T S

* to be appended at printing stage.

COMPOSITION OF THE COMMITTEE
(Date of Constitution 31st August, 2013)

RAJYA SABHA

1. Shri K.C. Tyagi — ***Chairman***
2. Shri Narendra Budania
3. Shri Ashk Ali Tak
4. Shri Ananda Bhaskar Rapolu
5. Shri Natuji Halaji Thakor
6. Shri Bharatsinh Prabhatsinh Parmar
7. Prof. S. P. Singh Baghel
8. Shri Vivek Gupta
9. Dr. V. Maitreyan
10. Shri M.P. Achuthan

LOK SABHA

11. Dr. Rattan Singh Ajnala
12. Shri Khiladi Lal Bairwa
13. Shri N.S.V. Chitthan
14. Shrimati Poonamben Veljibhai Jat
15. Shri Ram Singh Kaswan
16. Shri Hassan Khan
17. Shri Kaushalendra Kumar
18 Shrimati Ingrid Mcleod
19. Shri Bharat Ram Meghwal
20. Shri Somen Mitra
21. Shri P. R. Natarajan
22. Shri Gorakhnath Pandey
23. Shri Jayaram Pangi
24. Shri R. K. Singh Patel
25. Shri B. Y. Raghavendra
26. Shri Gopal Singh Shekhawat
27. Shri Ijyaraj Singh
28. Ch. Lal Singh
29. Dr. Kirit Premjibhai Solanki
30. Shri E. G. Sugavanam
31. Shri Ramsinh Rathwa

SECRETARIAT

Shri A.K. Singh, Joint Secretary
Smt. Sunita Sekaran, Director
Shri Roshan Lal, Joint Director
Shri Ranjan Chaturvedi, Assistant Director

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorized by the Committee, hereby present this Two Hundred and Fifty-sixth Report on Action taken Notes furnished by the Ministry of Heavy Industries and Public Enterprises (Department of Heavy Industry) on the recommendations contained in the Committee's Two Hundred and Forty-third Report on the Demands For Grants (2013-14) pertaining to Department of Heavy Industry.

2. I thank the Ministry of Heavy Industries and Public Enterprises (Department of Heavy Industry) for furnishing the Action Taken Notes on the recommendations contained in the Committee's Two Hundred and Forty-third Report.

3. The Committee in its meeting held on the 27th November, 2013 considered and adopted the report.

SHRI K.C Tyagi
Chairman
Department -related Parliamentary
Standing Committee on Industry

New Delhi
November, 2013

REPORT

The Action Taken Report of the Committee deals with the Action Taken by the Ministry of Heavy Industries and Public Enterprises (Department of Heavy Industry) on the recommendations contained in the Committee's Two hundred and Forty- third Report on the Demands For Grants (2013-14) pertaining to Department of Heavy Industry.

2. Action Taken Notes have been received from the Ministry of Heavy Industries and Public Enterprises (Department of Heavy Industry) in respect of the recommendations contained in the Report. These have been categorized as follows:

Chapter I- The recommendations/observations which have been accepted by the Ministry.

The Committee is pleased to observe that the Ministry has accepted its recommendations as mentioned in the Chapter – I of the Report.

Chapter -II- The recommendations/observations which the Committee does not desire to pursue in view of the Government's replies.

In respect of these recommendations the Committee is convinced with the logic and explanations advanced by the Ministry and therefore do not want to pursue them for the present.

Chapter -III- The recommendations/observations in respect of which the Committee has not accepted replies of the Ministry and has asked the Ministry to review its reply.

The Committee expresses its concern over the non-implementation of recommendations contained in Chapter – III and desires that the Ministry should furnish logical explanations thereof.

Chapter -IV- The recommendations/observations in respect of which final replies of the Ministry have not been received.

In respect of recommendations placed in Chapter-IV, the Ministry has either furnished the interim replies or couched its language in vague terms therefore; the Committee desires that the Ministry should furnish Action Taken Notes in respects of recommendations categorized in Chapter-IV in detail and to the point, as per the intention and spirit of the recommendations of the Committee.

3. The details of the ATR are being discussed in the succeeding pages.

CHAPTER – I

The Recommendations/observations, which have been accepted by the Ministry

Recommendation/observation

The Committee notes that during 2011-12 the Department of Heavy Industry managed to utilize the funds allocated to them in a relatively efficient manner. However, during 2012-13, the utilization of the total money allocated has not been up to the mark. With only a month left of the financial year, the Department could muster only an utilization of 71.40%. In view of this, the Committee recommends that Department of Heavy Industry, as the nodal department, having oversight of one of the most important sectors of the Indian industry, should improve their fund utilization. If the Department lags in this area, there can be a possible negative cascading effect on the allocation of funds during the ensuing years and many important initiatives planned by the Department will be left without sufficient funding.

Para No.7

Action Taken Reply

Observation has been noted and will be complied with. All efforts are being made to improve fund utilization in 2013-14.

Recommendation/observation

The Committee strongly recommends that decision in such matters must be taken on time.

Para No.43

Action Taken Reply

Observation has been noted and will be complied with.

Recommendation/observation

The Committee commends such initiative and recommends that the Government must take measures for standardization of auto components.

Para No.47

Action Taken Reply

DHI is supporting UNIDO-ACMA projects which aims to provide practical services to Small and Medium Enterprises (SMEs) for enhancing the performance of domestic SMEs in the automotive component industry to facilitate their inclusion into national, regional and global supply chains requirements (quality, cost and delivery), to upgrade and enhance the competitiveness of an increasing number of target companies along the supply chain in India, including lower tier suppliers. The Development Council of Automobile & Allied Industry (DCAAI) has also given approval to Phase-I of UNIDO-ACMA Cluster Development Project in the year at a cost or Rs. 11.25 crore spread over the next three years. A MoU has been signed between DHI, UNIDO and ACMA.

CHAPTER–II

The Recommendations/Observations which the Committee does not desire to pursue in view of the Government's replies

Recommendation/ observation

The Committee observed that there are many problems involving BHEL, Rashtriya Ispat Nigam Ltd., Neyveli Lignite Corporation, etc. It is understood that the orders placed by many PSEs with BHEL are not being completed in time. As a result, several PSEs are not able to improve their performance. The Committee is constrained to note that the inter PSE coordination is missing. However, the Committee was informed by the officials of the DHI that instead of going to the court the inter-departmental dispute mechanism available in the Cabinet Secretariat may be used to sort out the issues among Ministries. The Committee got the assurance from the Secretary, DHI that he would look into it. The Committee strongly recommends that the matters involving several PSEs must be resolved in a time bound manner for the completion of the projects and for improving the efficiency and performance of the PSEs. The Committee would like to get a detailed report in this respect from the DHI.

Para No.38

Action Taken Reply

BHEL is currently executing an order of 6.3 MPTA expansion project of Rashtriya Ispat Nigam Ltd. (RINL) for supply of STG and Boiler, and an order of 2x250 MW Circulating Fluidized Bed Combustion (CFBC) boiler based Neyveli Thermal Power Station (TPS)-II Expansion project of Neyveli Lignite Corporation (NLC).

The progress of each project is inter-alia monitored continuously through site visits by concerned officials, interaction between the project developers and various associated agencies / contractors / suppliers, and progress reports. In addition, regular review of progress of power projects is done at the highest level in the Central Electricity Authority (CEA) and Ministry of Power. Furthermore, Department of Heavy Industry (DHI) undertakes performance reviews of BHEL including issues related to supply of equipment by the Company. As such, an underlying intent of these mechanisms is for resolving interface issues, if any, coming in the way of project implementation.

Besides, the concept of Group Targets was envisaged in MOU of 2012-13 by the Department of Public Enterprises (DPE). In this regard, DPE "Guidelines for MoU between CPSE and Government Department/Ministry" states that in the circumstances of performances of some CPSEs being inter–dependent because their operations cut across different Ministries/Departments, MoU targets of the concerned CPSEs should be so fixed that they are jointly and severally responsible for their performance, and for achievement of the targets. Accordingly, group targets of BHEL are included with NTPC / NHPC for MoU 2012-13, and with NTPC / NHPC / NLC for MoU 2013-14 comprising of various project milestones and targets which have been jointly agreed between the concerned CPSEs.

Additionally, a Permanent Machinery of Arbitration (PMA) has been set up in the Department of Public Enterprises (DPE) since 1989 for resolving commercial disputes, except taxation between CPSEs inter-se as well as between CPSEs and a Central Government Department/ Ministry/ Banks etc.

As such, the Committee on Disputes (CoD) that had been functioning in the Cabinet Secretariat for pursuing litigation by PSUs/Govt. Department has been wound up in accordance with the Order dated 17.2.2011 of the Hon'ble Supreme Court of India in Civil Appeal No. 1883 of 2011 (arising out of S.L.P.(C)No. 2583 of 2009) in the case of Electronics Corporation of India Ltd. Vs. Union of India & others.

Recommendation/ observation

The Committee suggested that the industry associations should interact with the educational institutions to develop curricula to minimize the gap between skill requirement and availability. The Committee also suggested that a core group of the industry consisting of selected skilled people may draft educational curricula and send it to all educational institution for their adoption and incorporation in the syllabus for engineering students.

Para No.45

Action Taken Reply

DHI has apprised the Industry Associations in general and particularly those associations directly associated with different sub sectors of domestic Capital Goods Industry of the observation and suggestion of the Committee. The skill gap study in the Capital Goods Sector has already been undertaken by Nation Skill Development Council. Representatives of the premier institutions like Indian Institute of Technology etc. will be co-opted as Members in the Capital Goods Skill Council for development of educational curricula to address the issue of skill gaps.

DHI has taken an initiative for "Formulation of Skill Development Plan" with a view to make available adequate, trained manpower for sector like machine tools, heavy electrical, auto industry etc. so as to ensure proper, streamlined and high growth rate in future. As far as auto sector is concerned, the task of identifying the skill gaps in the industry was undertaken through the specialized group formed during the framing of AMP 2006-16, as per which the industry is expected to require an additional 25 million workforce by 2016. Based on the deliberations held in the Department on various occasions, the Society of Indian Automobile Manufacturers (SIAM) prepared a Detailed Project Report (DPR). Accordingly, an Automotive Skill Development Council (ASDC) has been set up under the oversight of NSDC. An initial sum of Rs.75 lakh was also made available for the pilot project for the 1st year. Pilot project was implemented covering 3 trades related to the auto sector. The full project covering 24 trades in under submission with the NSDC. The observation has been noted for guidance and necessary action.

IEEMA has intimated that curriculum finalized by AICTE is not keeping pace with the latest technology development. AICTE should, therefore, enhance the involvement of industry experts in review and upgradation of curriculum on an ongoing basis.

There is a need to promote greater linkage and interface between the industry and academia / technical institutes, which requires concerted action by the three critical agencies — technical institutes, industry and government.

A Power Sector Skill Council (PSSC), proposed by Central Electricity Authority (CEA) under Minister of Power, Ministry of New & Renewable Energy and IEEMA, is in the process of becoming operational. PSSC will cover three distinct segments (1) Power Sector — Power Generation, Transmission, System Operation and Distribution; (2) Renewable Energy Sector; and (3) Power Equipment Manufacturing Sector.

PSSC has been registered as a society under the Societies Registration Act, 1860, with IEEMA as one of the 7 founding members. The NSDC Board approved the funding assistance to the PSSC on 22n^{d} August, 2013.

The objectives of PSSC are to collate and disseminate Labour Market Information; conduct research and aggregate Skill requirements of the industry; create skill database; identify changing technologies in the sector and collate technology specific skills; regulate the skill development activities; build capacity for training delivery; provide quality assurance via accreditation & certification; develop Centre of Excellence (COE).

<u>Further Recommendation/ observation</u>

The Ministry may apprise the Committee of the outcome of "Formulation of Skill Development Plan" of DHI and also that of "Power Sector Skill Council (PSSC)".

CHAPTER–III

Recommendations/Observations in respect of which the Committee has not accepted the replies of the Ministry and has asked the Ministry to review its replies

Recommendation/ observation

The Committee takes notes of the fact that funds earmarked for Lumpsum provision for the benefits of NER & Sikkim has been going unutilized for the last two years. Taking cognizance of the submission of Department of Heavy Industry about the revival plan for NPPC, the Committee recommends that the Department should do everything in its power to expedite the necessary approvals for the revival package for NPPC and consider utilizing the funds of Rs. 58.50 Crore allocated under the lumpsum scheme for 2013-14, for the revival of NPPC. The Committee also observes that the trend of funds earmarked for NER gong unutilized is highly worrisome. Considering that there are 4 CPSEs under Department of Heavy Industry in the NER, it is difficult to conceive that there can be a dearth of proposals for their modernization, upgradation and other similar requirements. Therefore, the Committee is of the considered opinion that the Department has to be more proactive for proper utilization of the funds for NER. It should not be a difficult task to plan the utilization of the fund as it is a given fact that 10% of Plan funds of the Department have to be set aside for the NER every year.

Para No11

Action Taken Reply

Cabinet Committee on Economic Affairs (CCEA) has approved the revival of NPPC and upgradation plan of NPPC through infusion of funds and increasing the authorized capital of NPPC from 150 Crore to 250 Crore. The CCEA also gave approval to avail term Loan of Rs.156.50 Crore from commercial Banks against Govt. Guarantee.

AYCL has informed that in view of the company's improved financial performance for the year 2010-11 and ensuing follow on public offer, Company may not require any plan assistance for the scheme of plantation and augmentation of production and infrastructure related facilities at Assam Tea Gardens as these can be met through internal resources of the Company.

Further Recommendation/ observation

The reply of the Ministry is silent on the measures adopted for improving utilization of NER funds. The Committee reiterates its recommendation of effective utilization of the fund earmarked for NER. Also, the allocation of NER should be indicated upfront in the Expenditure Budget as also the expenditure proposed. This allocation of NER should be in addition to revival /modernisation plans approved by the Government for the PSEs in the NER. The Committee finds incredible that the PSEs in NER do not need Budget support for their operations.

Recommendation/ observation

Though the Committee takes into consideration that funds for 2011-12 (Rs. 18.30 crore) were released in the last month of the financial year, it remains a fact that the Department could not fully utilize this amount till November, 2012. The Department has quoted this under utilization as the reason for curtailment of funds for the year 2012-13. In this context, the Committee is of the opinion that if DHI faced any problem for the release of funds from the Ministry of Finance that could have been taken up at the appropriate juncture. Once funds are released there cannot be an excuse for underutilization as the attainment of the defined objectives would be affected, especially, in an area as important as R&D. Further, under this scheme till February, 2013 out of the Rs. 20.crore (RE), no money has been actually allocated. Accordingly, the Committee is constrained to note that the R&D has been compromised by not getting the amount released for the year 2012-13. Therefore, the Committee recommends that the Department should take strong measures to avoid a repetition of this mistake in future and impress upon the Ministry of Finance for prompt release of funds. Also, the Committee is hopeful that the review of the ongoing scheme will help the Department to grapple with the problems that it faced earlier.

Para No.16

Action Taken Reply

Observation has been noted. The amount released from the Cess Fund could not be released due to pending utilization certificate of the previous release of funds. The concerned organizations have been advised for timely submission of utilization certificates of the previous releases, so that the further funds may be released at the earliest. It is further mentioned that all R&D projects related to automobile sector are cyclical in nature. Quick release of fund may not necessarily ensure its effective utilization. The new release of the funds is subject to the earlier released funds being fully utilized under the particular project. Each project has year-wise schedule of fund requirement so that annual/periodical assessment of progress is made and a considered view is taken every time the Screening Committee /Cess Committee examines the status of the on-going projects.

However, all efforts will be made to ensure timely utilization of funds and timely & periodical reviews of ongoing schemes. The Finance Ministry will be requested for timely release of funds too.

<u>Further Recommendation/ observation</u>

Though the Committee takes note that the release of funds depends on the furnishing of Utilization Certificates (UC) by the utilizers, the reply of the Government is devoid of any clear cut measures taken /to be taken for timely furnishing of UCs by the field organization. It is, therefore, recommended that the Government should devise effective ways to encourage and, whenever necessary, cajole the implementing agencies to furnish UCs in time. The Committee apprehends that the delayed implementation of schemes, delayed furnishing of UCs

and resultant curtailment of funds is becoming a vicious cycle affecting developmental activities. The reply appears to justify underutilization and delay in realise of funds without informing the measures taken by DHI to resolve the bottlenecks.

Recommendation/ observation

The Committee notes that DHI's flagship project of NATRiP has been severely plagued by delay and cost overruns. The main reasons for the delays as cited by Department of Heavy Industry are delay in acquisition of land and clearance and shifting of utility. Moreover, the Committee is extremely disturbed to observe that the Actual expenditure year wise since 2005-06 for NATRiP has been abysmal. Barring one year (2008-09), the Actual expenditure has been well below 50% of the corresponding RE figures. After an analysis of this scenario, the Committee observes that the performance of the planning machinery for NATRiP has not been satisfactory and lack of long term vision has crippled the implementation of the scheme, which has been one of the most awaited projects of the automobile sector. The Committee recommends that at least at this late point in time, in comparison with the original date of completion, NATRiP should strictly adhere to the revised completion date of December, 2014 and also avoid cost escalation in the attainment of the remaining targets.

Para No.20

Action Taken Reply

NATRiP has faced hurdles in the initial stages on account of delays in acquisition of land at various sites, delays in clearances, shifting of utilities, contractual complications etc. Later, after commencement of the project, design changes on the original conceptual designs, due to site specific and equipment specific conditions also led to time and cost overrun. These factors led to escalation of the project cost and also necessitated revision in the scheduled completion date. The CCEA in its meeting held on 31-04-2011 approved the revised cost of Rs. 2288 crore and 31st December, 2012 as the new completion date for the project and all efforts are being made to speed up implementation.

<u>Further Recommendation/ observation</u>

The reply of the Government gives 31/12/2012 as the revised date of completion of NATRiP, which is now almost a year behind. The status of NATRiP as on date does not find a mention in it. The Committee expects a more cogent reply in such an important matter. The lackadaisical attitude reflecting in the reply, can been seen in the implementation of NATRiP also, the effective planning and implementation of which could have made it much lighter on the public exchequer and the result would have been cost effective. In view of the above, the Committee very strongly recommends that a comprehensive upto date note on the implementation of NATRiP shall be furnished, showing the present status and efforts taken for effective implementation after the receipt of the Committee's recommendations as contained in the 243rd Demands for Grant report on the matter.

Recommendation/ observation

The Committee finds that BHEL's IEBR figures during 2011-12, 2012-13 and 2013-14 are at variance with the corresponding figures in expenditure budget supplied by DHI. Accordingly, the Committee observes that such difference in figures should have been reconciled with the department and thereafter presented before the Committee along with an explanation. The Department also, on their part should have noticed the variance in figures and taken it up with BHEL.

Para No.34

Recommendation/ observation

Since, the IEBR figures BHEL are at variance, the Committee refrains from commenting on it. But the reasons quoted for the shortfall in IEBR figures for 2011-12 and 2012-13 are common. The Committee observes that the BHEL should take measures to address the problem which has caused shortfall. The Committee feels that the avoidable delay cited by the BHEL should not be allowed to spill over to another year by a Maharatana Company like a BHEL.

Para No.35

Action Taken Replies on Para No. 34 and Para No.35.

The IEBR figures of BHEL are tabulated below:

(Figures in Rs. Crore)

IEBR	**BE (as per DHI)**	**BE (as per BHEL)**	**RE (as per DHI)**	**RE (as per BHEL)**	**Actual (as per DHI)**	**Actual (as per BHEL)**	**Remarks**
2011-12	1401	1401	1401	1410	1068 (Refer Remarks column)	1122 (Refer Remarks column)	• The figure of Rs. 1068 Crore was **<u>Provisional</u>** • Actual of Rs. 1122 Crore is after Audit
2012-13	1696	1696	1220	1220 & 1070 (Refer Remarks column)	-	564 (till Feb.' 2013)	• RE of Rs. 1220 Crore was **<u>tentative</u>** as of Nov.'2012 • RE was **<u>reworked</u>** to Rs. 1070 Crore as of Dec.'2012
2013-14	1375	1375 &	-	-	-	-	• BE of Rs. 1375 Crore was as of Dec.'2012

IEBR	BE (as per DHI)	BE (as per BHEL)	RE (as per DHI)	RE (as per BHEL)	Actual (as per DHI)	Actual (as per BHEL)	Remarks
		1055 (Refer Remarks column)					• BE was revised to Rs. 1055 Crore in Feb.'2013 mainly due to delays in land acquisition for setting up of a manufacturing Unit of BHEL at Bhandhara and delay in Cabinet approval for Nuclear JV

The BE of IEBR of BHEL includes ongoing schemes, and planned proposals which are anticipated to take off during the year. The latter are however subject to timely clearances / approvals including from external agencies. The extenuating reasons for shortfall in the IEBR of BHEL during 2011-12 and 2012-13 were different, while a few (i.e. in 3 reasons) are similar, as follows:-

IEBR	Remarks / Reasons for shortfall
2011-12	• delay in supplies of equipment from Romania • delay in enabling services due to hold & slow progress at project sites by the contractors/ suppliers/ customer of BHEL • competitive procurement resulting in savings
2012-13	• Cabinet clearance delayed for Joint Venture between BHEL, NPCIL and Alstom for Nuclear Power Projects • environment clearance & establishment of coal/ fuel linkage delayed for Thermal Power Projects promoted by BHEL with State Power Utilities • Tamil Nadu Government terminating a JV Company promoted by BHEL and Tamil Nadu Electricity Board (TNEB) • deferment of equity investment by NTPC-BHEL Power Projects Private Ltd. (NBPPL) • Indian Railways defering their proposals for setting up factories through JV approach • delay in land acquisition by Maharashtra Industrial Development Corporation (MIDC) in respect of land required for setting up of a manufacturing Unit of BHEL at Bhandara • delay in supplies of equipment from China & Romania • delay in enabling services due to hold & slow progress at project sites by the contractors/ suppliers/ customer of BHEL • competitive procurement resulting in savings

As can be seen from the above, the reasons cannot be attributed as avoidable, as they were mainly due to factors beyond the control of BHEL. In respect of delay in supply and/or commissioning of equipments from China and Romania, the matter has been pursued at the Embassy level and also the Ministry level by BHEL to contain the delays, and all efforts are being made by the Company to prevent such delays. As such, BHEL has made / is making necessary system improvements based on the experiences gained and as advised by the Committee.

Further Recommendation/ observation

While taking into account the reasons furnished by BHEL for the short falls in performance during 2011-12 and 2012-13, the Committee expects that measures submitted to have been adopted by BHEL bear fruit and the performance of BHEL for the ensuing years are free of such shortfalls.

With regard to the variation in IEBR figures, the Committee recommends that while furnishing figures to the Committee if the figures are not final, the actual nature of the figures have to be mentioned unambiguously. It is not acceptable that BE figures proposed during the third quarter of the preceding year, are provided to the Committee as the final BE in the DFG of the current year. It shall be the responsibility of DHI to ensure the accuracy of the figures.

CHAPTER – IV

Recommendations/observations in respect of which final replies of the Ministry have not been received

Recommendation/ observation

The Committee finds that though the scheme for Enhancement of the Competitiveness of the Capital Goods Sector was originally slated to have been in operation during 2012-13, the in principle approval of the Planning Commission was obtained only in January, 2013. Now that a beginning has been made, it is expected that DHI will strive to attain all the parameters intended for 2013-14 by effective use of Rs. 70.00 crore provided for the Scheme. The Committee observes that considering the magnitude of the problem faced by the CG Sector in India and the enormity of the steps to be taken to counter these problems, the 12th Five Year Plan allocation of Rs.1081.22 crore looks highly inadequate. Meanwhile, it is felt that while Government can play the role of facilitator and take the initiatives as it has already done, the participation of the private sector can also to be roped in to achieve the modernization of the CG Sector of the country at appropriate juncture. The committee also takes into cognizance the apprehensions expressed by various industry associations about the Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) being inked by the Government of India with various countries. Therefore, it is recommended that the Government should take all necessary steps to protect the interests of our Capital Goods industry as well as the domestic industry as a whole, while entering into such agreements.

Para No 25

Action Taken Reply

The Department has already interacted with academia for exploring the possibility of establishing Advanced Centre of Excellence in Technology & Product Development at least at 4 premier institutes, i.e. at IITs at Delhi, Chennai, Mumbai & Kharagpur. Initially a high level delegation comprising of all capital goods industry associations led by Joint Secretary, Department of Heavy Industry visited IIT Delhi, Chennai, Mumbai & Kharagpur in the months of April-May, 2013. The follow up meetings were held by the Technical Officers at different IITs several times. This has been included in the EFC Note. The sub-sectors proposed to be covered under IIT Advanced Centre of Excellence are Machine Tools, Textile machinery, process plant machinery, metallurgical machinery and heavy electrical machinery and their components. There is no proposal received for Construction Machinery & Mining Machinery. However, there is an intervention for setting up a Test Center for construction & mining machinery.

Other intervention of the Scheme is Technology Acquisition Programme for units who purchase/ acquire the new technology, for upgrading the machine quality.

Regarding FTAs and PTAs, the Department supports the industry against the inclusion of machinery for reducing the import duty further under various FTAs in the inter ministerial meetings held in the Department of Commerce as the current rate of import duty of Capital Goods is as low as 7.5%.

Recommendation/ observation

The Committee strongly recommends that the Government of India must impose duties on imported capital goods as per the WTO agreement. It is understood that by adhering to the provisions of the WTO agreement, we can protect the domestic capital industry which is central to our industrial activities and technological capability and security. The Committee wants the Department of Heavy Industry to place the recommendation of the Committee while taking up this issue with the concerned Ministries.

Para No.26

Action Taken Reply

WTO bound rate of customs duty for the Capital Goods varies between 25% to 40% as against the prevailing rate of customs duty of 7.5% which is much lower than the WTO bound rate. In order to protect the domestic Capital Goods industry, Department would like to recommend the higher rate of customs duty of 15% which is still much lower than the WTO bound rates. However, as directed by the Committee, the same is being taken up with the Ministry of Commerce.

Further Recommendation/ observation

The Committee expects to be informed of the progress made on following the WTO norms on customs duty for Capital Goods from the Ministry of Commerce. Also, the Committee is of the view that there should be a ban on the import of second hand Capital Goods.

Recommendation/ observation

Regarding the revival of SIL, the Committee feels that along with prompt and time bound execution of the revival plan, it is important that the matter of three wheeler permits controlled by the Regional Transport Authorities of State Governments is also given urgent attention. The Committee recommends that the following two requests of SIL shared with the Committee shall be examined and given due consideration as these aspects are important for the future business prospects of SIL.

a) The permits for 3 wheelers in passenger categories (6+1) may be released as per the demand/need of the city/town and in a way should be deregulated and decontrolled as is the case with 4 wheelers and 2 wheelers.

b) The State Government and Registration authorities may be advised to release passenger permits for 3 wheelers in 6+1 category for outside city limits areas where Hon'ble Courts has enforced a ban. This assumes significance as the city buses which occupy more volume/space on roads because of its designs features could not provide last mile solution to common man and where only three wheelers can approach because of its design and constructional advantages.

Para No.30

Action Taken Reply

A revival plan as submitted by this Department in respect of Scooters India Limited (SIL) was considered and approved by the Cabinet in its meeting held on 31.1.2013, thereby providing for infusion of fund among others. Following the decision of the Cabinet and orders of BIFR given in a Miscellaneous petition filed by the

Company, funds to the tune of Rs.20 crores as interest free plan loan for working capital and Rs.31.90 crores as equity for Capex have already been sanctioned and released. The DRS is yet to be approved by the BIFR. As regard taking up the matter with the State Govt. authorities in respect of deregulation of permits, the issue is under consideration in consultation with the company.

Further Recommendation/ observation

The Committee desires to be informed about the progress regarding the final approval and implementation of the revival plans for Scooters India Limited (SIL) and also on State Governments response to deregulation of permits.

Recommendation/ observation

In view of the above, the Committee recommends that the DHI, which is the administrative Department for BHEL should extend all support to the efforts of the company to convince the Ministry of Defence regarding the relevance and utility of the BHEL for the defence sector. It is expected that the presentation to be made by BHEL before the Ministry of Defence, in presence of Hon'ble Minister of HI & PE would be a beginning in this regard. Besides, the BHEL must further expand its activities for generating power from renewable sources of energy.

Para No.37

Action Taken Reply

A. Defence Business

The observation / recommendation of the Committee regarding providing impetus for the defence sector business of BHEL are noted. BHEL will make a presentation on its capabilities to MoD as per convenience of Hon'ble Ministers.

B. Renewable Energy

BHEL has been making efforts for expanding its activities in the field of renewable energy. The Company currently has an installed manufacturing capacity of 26 MW per annum of Solar Photo-voltaic (SPV) modules, including 8 MW per annum of solar cells. BHEL has also developed capabilities to supply complete SPV systems on a turnkey basis.

BHEL is currently executing orders of NTPC Ltd. for setting up SPV based power plants of capacity 10 MW each at Unchahar and Talcher. In addition, BHEL has also setup SPV plants at its various Units, and further, a 5 MW SPV plant is currently under installation at the Ranipet Unit of BHEL.

In respect of **wind energy**, BHEL was earlier engaged in the manufacture of 250 kW wind turbines based on design of Nordex, Germany. These were supplied till late 1990s, but were discontinued due to drop in demand. BHEL is currently examining the possibility of re-entering the wind energy business with a technology tie-up for a suitable higher size and efficient machine. However, the re-entry in the wind energy business by BHEL is dependent on the market potential and Ministry of New and Renewable Energy (MNRE) policy in this regard. As such, MNRE has constituted a Committee to assess the potential of off-shore wind energy, and the report of this Committee is awaited.

Further Recommendation/ observation

The Committee desires to be appraised of the response of the Ministry of Defence on the capabilities of BHEL in expanding their activities to Defence Sector and also the opinion and suggestions of Committee set up by MNRE on the potential of BHEL in exploring power from various renewable sources of energy.

Recommendation/ observation

The Committee views the case of HEC as a classic example of turnaround of a CPSE, through a revival package. The progress the HEC has achieved despite obsolete technology and machinery inspires confidence that the PSEs can do much better with up gradation of plant and machinery. Accordingly, the Committee is of the firm opinion that HEC has earned the right to seek budgetary support and necessary funds for capital expenditure without which it would not be possible for the HEC to increase its production. The Committee strongly recommends that the Government and the Planning Commission must extend all support to the HEC to emerge as a role model in the public sector. If the HEC can show impressive results by using obsolete technology then it is quite sure that it can show much better results by using modern and updated equipments. The Committee therefore recommends that the Department of Heavy Industry, Ministry of Finance and the Planning Commission should expedite the requisite approval for timely infusing of funds to the HEC. Timely support to HEC will send a positive message to all CPSEs. The HEC, on their part should be ready with the TEV and DPR at the earliest.

Para No.42

Action Taken Reply

Modernization project of HEC partially financed through budgetary support from DHI has been envisaged in the 12th Five Year Plan. HEC has already appointed a consultant for finalization of DPR/ FAR (Financial Appraisal Report) of the project which will help in establishing bank ability of the project.

Further Recommendation/ observation

The Committee wishes to be kept abreast of the details of the Modernization project of HEC.

Recommendation/ observation

Having heard the grievances of both the industry and auto associations, the Committee understands that certain problems cut across all sectors of industry be it in the private or in the public sector of the most pressing issues is the low duty on imported goods, in adequate R&D, import of secondhand Capital Goods, free trade agreements and skill deficit. The Committee recommends that the domestic industry must be protected and in this regard the Government can take sufficient measures by following the WTO norms. The Committee is also of the firm opinion that due consideration should be given to the suggestions put forth by the Committee of Secretaries in its meeting held on 23rd May, 2012 for letting NMCC separately examine the impact of FTAs on domestic industries and thereafter to have an inter-ministerial consultations on those findings. The Committee, in tune with the industry's interests, favours non-tariff trade barriers and effective implementation of the Scheme for Modernization of the Capital Goods Sector to strengthen the indigenous industry.

Para No.49

Action Taken Reply

WTO bound rate of customs duty for the Capital Goods varies between 25% to 40% as against the prevailing rate of customs duty of 7.5% which is much lower than the WTO bound rate. In order to protect the domestic Capital Goods industry, Department would like to recommend the higher rate of customs duty of 15% which is still much lower than the WTO bound rates. However, as directed by the Committee the same is being taken up with the Ministry of Commerce.

In the case of second hand import the discussion with user Ministries namely Ministry of Textiles and Ministry of Road Transport & Highways is underway and the same will be finalized shortly.

Regarding FTAs and PTAs, the Department supports the industry against the inclusion of machinery for reducing the import duty further under various FTAs in the inter-ministerial meetings held in the Department of Commerce as the current rate of import duty of Capital Goods is as low as 7.5%.

Further Recommendation/ observation

The Committee expects to be informed of the progress made subsequent to the discussions with Ministries concerned on following the WTO norms and restriction on second hand import.

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