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## DOCUMENTATION

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*In this section on DOCUMENTATION, it is proposed to print summaries of important reports of ad hoc committees, set up by the Central and State Governments, relating to agriculture, forestry and fishery economy of the Indian Union as well as the individual States. Obviously, this section will appear only when such reports are summarised. Readers are requested to bring to the notice of the Editor such reports, as and when they become available.*

### **Report of the High Powered Fertilizers Pricing Policy Review Committee**

(Chairman: C.H. Hanumantha Rao), Ministry of Chemicals and Fertilizers, Government of India, New Delhi, April 1998.

#### *Introduction*

Government of India in the Ministry of Chemicals and Fertilizers, Department of Fertilizers, set up a High Powered Fertilisers Pricing Policy Review Committee by Resolution dated 28th January, 1997 under the Chairmanship of Professor C.H. Hanumantha Rao, former Member, Planning Commission, to review the existing system of subsidisation of Urea and suggest an alternative broad-based, scientific and transparent methodology.

Due to the extensive nature of consultations involved, the Committee, whose original term was for six months, sought a six month extension in July 1997 and another one and half months extension in January 1998. The term of the Committee expired on 15th March 1998 and the report was submitted to the Ministry of Chemicals and Fertilizers in April 1998.

The mandate of the Committee was to evaluate the Retention Price Scheme in (RPS) for fertilisers in order to make suggestions for correcting the deficiencies of the system keeping in view the broad objectives of economic reforms. The Committee could also suggest an alternative methodology. The other areas to be looked at were the areas of equated freight and distribution, input pricing policy, incentives to industry, issues of capacity utilisation, capital norms and cohesiveness of policies in the controlled and decontrolled segments of the fertiliser industry.

#### *Deficiencies of the Retention Price Scheme*

Most of the inefficiencies of the present RPS arise from the fact that the system is non-competitive and is administered in nature and has a combination of norms and actuals.

Throughout the existence of the RPS, so far, no real attempt has been made to arrive at a normative project cost based upon a reasonably standardised list of items required for projects, although such a system existed in the concept of standard unit in the retention pricing for single super phosphate (SSP) within the RPS framework. The existing pricing methodology of the RPS, without a normative capital cost, allows the burden of over-capitalisation to be transferred to the Government exchequer through higher capacity utilisation and subsidy outgo per unit of output, thus leading to unintended gains to the units. Since the FICC accepts the design/name-plate capacity as the effective capacity of the plant

as the level at which the recovery of investment is to be calculated, there is an incentive to under-state the name-plate capacity which leads to an inflation of capital costs. It may be noted that there is no justification, in principle, for capital related charges (CRC) payments above the assessed level as the plant recovers its full investment at this point. The present CRC system confers a differential return, rewarding high cost units with high CRCs even if they are inefficient in other terms as long as they produce above assessed levels of production.

It has been established that surplus capacities are built into the gas based fertiliser plants and the cost is passed on to the Government budget via the RPS mechanism. On the other hand, assessment of capacity could lead to an objective linkage being created between the capacity created and the investments made. The norms of capacity utilisation, based on reassessed capacity, would provide incentive for the industry to maximise production while at the same time precluding any benefit arising out of excess capital cost and under-statement of capacity. It thus becomes clear from the actual production figures that the rated, or name-plate, capacity as reported by the units does not reflect the true picture.

The way the RPS was conceived, the declining retention price of older units were meant to cross subsidise the higher retention prices of new high cost units thus making the scheme budget neutral, or at least, keeping the subsidy very low. However, it was perhaps not envisaged that due to managerial problems, and lack of funds, some units which became sick would not be revivable as the RPS mechanism does not give them a high enough retention price to generate surpluses. In a free market situation, however, older units with lower capital costs would be better able to compete with newer units with better operational efficiency but higher capital costs and may even be able to generate surpluses provided their own internal costs are under control. This is not possible under the RPS which absorbs the benefit of lower capital costs for the older units.

At present, the RPS allows unrestricted entry of high cost producers, which is its fundamental flaw. Further, the RPS does not allow older units to generate surpluses to modernise themselves and sick units to accumulate funds for restructuring themselves to regain health. The Committee recommends discontinuation of the unitwise Retention Price Scheme for urea units.

#### *Distortion of NPK Ratio and Balanced Fertilisation*

Following decontrol and decanalisation, there was sudden and unprecedented rise in the prices of phosphatic and potassic fertilisers. The reduction in relative price of urea increased its consumption dramatically. During *rabi* 1992-93 and *kharif* 1993-94, the consumption of urea went up by 10 per cent and 12 per cent respectively over the corresponding periods of the preceding year. The sales of phosphatic and potassic fertilisers came to a standstill for three months following the decontrol. However, as the farmgate prices came down in response to the ad hoc concession, the sales picked up. Though the impact of higher prices did not significantly affect overall di-ammonium phosphate (DAP) consumption during *kharif* 1992-93 as most of the sales of the season had already taken place before decontrol, the consumption of muriate of potash (MOP) during the season was lower by 20 per cent. As the prices of decontrolled fertilisers remained markedly high, despite the ad hoc concessions, as compared to their pre-decontrol prices, the consumption during *rabi* 1992-93

was lower by 19 per cent in case of DAP and 65 per cent in case of MOP. During the Committee's interaction with the farmers, farmers' organisations and states, there was unanimity that the sudden decontrol of phosphatic fertilisers had led to disruption in supplies which was partly caused by the increase in open market prices. The effects of this on fertiliser use were immediate as is borne out by the data given by the governments of West Bengal, Punjab and Haryana specifically and the general data made available by the Indian Council of Agricultural Research (ICAR) much of which is discussed in the following sections. The decline in fertiliser consumption and reported deceleration in agricultural growth in the early nineties was linked by ICAR and some of the farmer organisations with the partial decontrol of 1992. As has been discussed earlier, there was a fall in the consumption of both phosphatic and nitrogenous fertilisers; one caused by the partial decontrol and the other by the increase in urea prices. Keeping in mind the overall low consumption of fertilisers, practically all the states were keen that cheap fertilisers should continue to be made available through a stable system which does not undergo policy changes from year to year. One unintended fall out of the partial decontrol stressed by most of the states was the pricing out of low analysis nitrogenous fertilisers which were decontrolled but did not receive any subsidy on their nitrogen (N) content although urea was still subsidised. In the presentations before the Committee, most states were of the view that the imbalance in prices of N, P and K prevailing since 1992 was mainly responsible for the imbalance in their use.

The literature explaining the accentuated imbalance in the consumption of fertilisers after the price distortions is not conclusive. Those believing in the rationality of the farmer argue that the farmer has knowledge about the response functions and the response rates for the major nutrients and he substitutes one fertiliser for the other in order to maximise his revenue. In this process, he is likely to use more of cheaper fertilisers (N) in place of costlier fertilisers (P&K), thereby depleting the inventory of phosphate (P) and potash (K) in the soil. The relative prices of nitrogenous, phosphatic and potassic fertilisers and the responses obtained from the application of these in crop production are important parameters in deciding their relative usage to obtain a given level of output. It is pertinent to note that one of the main factors governing the efficiency of fertiliser use is balanced fertilisation. Balanced fertilisation requires appropriate price parity among different fertilisers. Prices have to be determined on the basis of consideration on the cost side as well as on the demand side.

The Committee is of the view that apart from establishing parity between major fertilisers it is also important to give a fair price treatment to low analysis fertilisers like Ammonium Sulphate (AS), Ammonium Chloride (AC) and Calcium Ammonium Nitrate (CAN).

### *Feedstock*

The Committee had been asked in one of its terms of reference to review the input pricing policy and its impact on the RPS. Such a review has usually been at the heart of fertiliser pricing policy due to the weight of input costs in the cost of production of fertilisers and due to the differential, and low, pricing of feedstock for the industry compared to other sectors. With the recent liberalisation in the petroleum sector prices of all feedstocks have been raised to import parity levels, except natural gas which is expected to gradually approximate import parity levels by 2002, in definite steps, over the next few years. To some extent, therefore, the relevance of a review of input pricing policy for the fertiliser

sector has been lost.

The Committee has found that indigenous natural gas and, in its absence, import liquified natural gas (LNG) will be appropriate feedstock for future expansion. Naphtha would be a temporary option till such time as the infrastructure related to LNG availability is in place, and LNG becomes the primarily preferred feedstock. In the light of the current relative pricing of different feedstocks, future fertiliser production should be appropriately based on domestic natural gas and LNG. The existing plants based on naphtha and fuel oil should be encouraged to restructure themselves to move over to the cheaper feedstock except in the event of a major change in the relative price of feedstocks.

It may be possible for the country to assume that coal is a resource available at very low cost, except for the associated labour cost. Its only economic alternative use seems to be the super thermal power stations at the pitheads. Increasingly, in the power sector, there is a shift towards naphtha/LNG; fuel oil is likely to be more attractive in the future as it is cheaper than naphtha. Since India is estimated to have coal reserves of about 204.6 billion tonnes as on 1.1.1997, fertiliser production based upon this feedstock needs to be explored. It should be possible for India to develop technology, and explore the possibilities of international collaboration to use these immense reserves for fertiliser production in the future.

#### *Alternative Pricing Policy*

The Committee is of the view that the mechanism for pricing fertiliser in India should: (i) ensure availability of fertilisers to the farmers at affordable prices and help realise balanced fertiliser application; (ii) sustain existing capacities and promote future investment in the fertiliser sector subject to desired level of efficiency in plant operations; and (iii) provide incentives for technological development, resource efficiency and cost reduction through competition within the domestic industry.

The Committee examined a number of pricing options including Group Retention Price, Uniform Administrative Price and the Market System. The Committee felt that the Group Retention Price and the Uniform Administrative Price suffered from inadequacies while a completely free market system would expose the industry to difficulties. The Committee felt a system of phased deregulation of the fertiliser sector will promote competition among domestic fertiliser units and provide the necessary impetus for technological and managerial innovations. Owing to the operation of market forces, there will be an incentive for low cost units to invest and expand and for the high cost units, to usher in efficiency reforms. Canalised imports could be used to improve domestic availability of fertilisers and regulate domestic prices in relation to international prices: such a step would have to be taken in the interest of farmers and in view of the implications for fertiliser subsidy. In this system, there is no uniform price for urea.

Fertiliser producers could be free to fix their prices subject to a ceiling on farmgate price. The farmgate price would be exclusive of local taxes which should be passed on to the consumers. A ceiling on farmgate price would be required if it is to be ensured that the benefit of subsidy goes to the farmer and any part of it is not appropriated by the industry. This mechanism will ensure that competition leads to more efficient fertiliser production and allow some part of the benefit of cost reduction to accrue to the consumer. The maximum farmgate price will be arrived at by subtracting the desired subsidy amount from a Normative

Referral Price (NRP) which will be determined so as to sustain a substantial part of efficient domestic production of urea. Since the NRP is essentially for the purpose of deciding subsidy levels, the Committee is of the view that this has to be decided with reference to the existing units.

The Committee has advocated that the LRMC pricing methodology is appropriate for determining the NRP for urea. The Committee has noted that fertiliser plants using gas as feedstock account for about 65 per cent of the total domestic fertiliser capacity and are the more efficient of the units using different feedstocks in terms of energy use and costs. It will, therefore, be appropriate to relate the NRP to the LRMC for the gas-based plants only. It is also seen that grassroot plants and expansion plants have different capital costs and there have been recent projects in the two categories. Therefore, an average of the LRAC of the two types of plants could be used for arriving at the NRP. The Committee recommends that the ex-factory NRP should be based on an average of these four LRAC prices of Rs. 6,050 per metric tonne (PMT). Taking the average freight and dealers margin into account, the Committee recommends the NRP for urea at Rs. 6,500 PMT.

The NRP will have to be reviewed only in the context of substantial variations in the feedstock and utilities costs, say, more than 5 per cent. The Committee would recommend that modification in the NRP be made according to a formula.

The Committee recommends that feedstock differential cost reimbursement (FDCR) of Rs. 1,750 PMT and Rs. 1,300 PMT of urea be given for use of naphtha and fuel oil as feedstock for a transition period of five years only from the date of introduction of the scheme. A period of five years will give enough time for these units to formulate their future strategy. The proposals of the Committee on NRP and FDCR involve a reduction in the current subsidy incidence by Rs. 485 crores.

The Committee recommends that as and when new units are to be set up, Government may institute a system of guaranteed price from time to time equal to its LRAC price by providing for output subsidy equal to the difference between the market price of NRP and the LRMC price for the urea sold by the new units irrespective of the feedstock. This should be the same for all new units coming up at a point of time including units coming into production after January 1, 1998 and available only so long as the market price of urea is less than the respective LRMC price, and otherwise for a maximum period of 15 years since going into commercial production. The NRP for new units should be worked out with LNG as feedstock since LNG is the preferred feedstock in the absence of additional domestic gas availability.

Under the system recommended by the Committee, the individual units have freedom to fix their prices. It will, therefore, be necessary to remove the control and regulation of fertiliser distribution and give freedom to the units to chalk out their marketing strategy. This may be done from *rabi* 1998-99.

The Committee is of the view that the subsidy regime relating to urea and DAP should be integrated and a holistic view should be taken. The Committee, therefore, recommends that the pricing methodology, recommended for urea should, *mutatis mutandis*, be extended to DAP also. The Committee recommends the NRP for DAP to be fixed at Rs. 12,800 PMT.

As an interim measure, subsidy on SSP could be derived from subsidy on DAP with reference to its nutrient content and disbursed with reference to the rough cost of production estimates adopted under the present ad-hoc concession scheme. Subsidy on various complex

fertilisers and low analysis fertilisers should be arrived at on similar lines with reference to their nutrient content.

To summarise, the Committee recommends that:

- (a) the fertiliser industry be deregulated and units be allowed to fix their retail prices subject to ceiling farmgate prices (FGP);
- (b) ceiling FGP be notified annually to make fertilisers available to the farmers at affordable prices;
- (c) a normative referral price (NRP) be determined based on LRMC method for the existing units for the purpose of arriving at subsidy to be paid on the sale of fertilisers within notified ceiling FGP;
- (d) subsidy be given through the manufacturers uniformly PMT of fertiliser sold to the extent of the gap between NRP plus dealers margin and average freight, and FGP;
- (e) the ex-factory NRP for urea be fixed at Rs. 6,050 PMT and for DAP at Rs. 11,900 PMT as on 1.1.1998, and at Rs. 6,500 PMT and Rs. 12,800 PMT respectively, after including dealers margin and average freight;
- (f) feedstock differential cost reimbursement (FDCR) to the tune of Rs. 1,750 PMT and Rs. 1,300 PMT of urea sold, as on 1.1.1998, be given to fertiliser units using naphtha/coal and FO/LSHS respectively for a period of five years;
- (g) the normative referral price and subsidy be suitably revised periodically;
- (h) imports of urea be canalised for a period of five years;
- (i) distribution of fertilisers be deregulated from *rabi* 1998-99;
- (j) additional freight and inventory cost be reimbursed to units in respect of fertilisers distributed in remote and inaccessible places to be notified for this purpose;
- (k) output from new urea units set up on strategic considerations be given an additional subsidy to cover their higher cost of production based on LRMC;
- (l) relative farmgate prices of fertilisers other than N be derived from the price of N in urea with reference to their relative productivities;
- (m) the gap between FGP of MOP, which is fully imported, and its border price be bridged in stages; and
- (n) the subsidy on complex fertilisers, low analysis fertilisers and SSP be derived on the above basis with reference to their nutrient contents.

#### *Subsidy, Freight and Distribution*

The recommended methodology will place a ceiling upon the subsidy to be paid which will no longer be open ended for every unit. The subsidy will, of course, still vary with the level of production. Allowing for reimbursement of the differential feedstock cost, the saving in subsidy will be Rs. 485 crores.

The major element in the increasing urea subsidy over the last 15 years has been low farmgate prices. Accounting for the increase in production, and no matter what inefficiencies the unitwise RPS hides, much of this increase is accounted for by the unchanging farmgate prices.

The subsidy implications on the basis of parity prices for 1997-98 have been worked out as Rs. 1,000 crores lower than the present pricing regime. It will be seen that the new policy framework while it provides a rational basis for determining subsidies with incentives for more balanced application of fertiliser, will not by itself bring about a significant reduction

in total subsidy. Increases and rationalisation in farmgate prices in the near future need to be regulated by a two fold approach: to pass on any further input price increases to the consumer keeping in view the product price ratio and rationalising prices through the system of relative pricing.

In the long run, despite the failure of targeted fertiliser subsidy in 1992, the Government may need to work out a system of compensating small and marginal farmers for any future increases in farmgate price. Another option would be to arrange for credit availability for fertiliser for small and marginal farmers. There should be a move away from subsidy disbursement through units and directly to the farmers. In view of the above, the Committee is of the view that any saving in subsidy resulting from these measures be utilised for agricultural research and irrigation.

The removal of the system of equated freight would yield benefits in terms of more rational location of plants and savings in subsidy due to reduction in leads. Units will be encouraged to develop adjacent areas. The Committee recommends that units should concentrate on developing adjacent compact areas to increase fertiliser use through a comprehensive package of services.

The scarcity areas that would emerge, where units would normally not venture due to cost limitations, would be covered through residual Essential Commodity (EC) allocations, or movement orders under the Movement Control Order, and serviced through imports by Government to be distributed through a system of bufferstocks. The move to free fertiliser distribution would require building up of buffer stocks before hand and a lead of a few months in which residual Government allocations would continue to be made. The Committee is of the view that *rabi* 1998-99 is the appropriate time to free fertiliser distribution as enough time is available to build up stocks.

Using coastal shipping to move imported fertiliser from bulk warehouses in ports to meet requirements of scarcity areas, or in emergencies, may be a feasible proposition.

As would be evident, the equated freight scheme does not rely greatly upon bufferstocks as the attempt is to match requirements with production schedules of different plants.

The present focus of supplies from ship to train to field, which underlies the system of import of fertilisers and the system of allocations under the Essential Commodities Act puts a premium on quick evacuation of imported fertilisers from ports. One of the major complaints of importing units/agencies is the mis-match between port unloading capacity and railway evacuation capacity. While this is a fact, the emphasis only upon creation of higher railway evacuation capacity as a way out of the problem has turned Government's attention away from development of bulk warehousing facilities.

#### *Development Perspective for the Industry*

The 'open house' treatment given to investment in the industry under the RPS will no longer be available. While investors under the RPS had to enter into a dialogue with the government and comply with prevailing licensing norms and administrative requirements, economic viability was as such not a constraint under the RPS which guaranteed a return on the investment with complete freedom from international competition. In the policy framework now outlined by the Committee, investors in this industry will need to specifically examine questions about the viability in terms of costs and returns as in other industries in a deregulated economy. Individual units can survive in the long run only by meeting the



test of viability. Short cuts in the form of generous payments of capital related charges, or artificial de-rating of plant capacity in order to hike retention prices will no longer be available. This would be a healthy trend to promote for the industry in the long run.

Fertiliser manufacturers in the new policy framework envisaged by the Committee will need to reorient themselves to serve their customers rather than simply deal with regulatory authorities, as well as to improve operational efficiencies for minimising costs if they are to remain viable, and the levels of production envisaged earlier are to be realised.

Manufacturing units with costs substantially higher than the industry average will need to restructure their operations drastically and look for diversification possibilities in the interest of viability. A few at the extremely high cost range (e.g., the two coal based urea units) will have to consider shifting to more economic feedstock and plant revamp if they are not to sink further into sickness and go out of production. Such a transformation of the industry, avoided for long under the RPS umbrella, cannot be put off for ever if the industry is to prove healthy and efficient in the long run.

It is in this context that the scheme of special assistance outlined earlier to be offered to new projects in the urea segment assumes significance. This scheme is meant to give a positive signal to the industry that the Government is interested in its further growth, and would extend a helping hand for a period of time for this purpose on the considerations of food security. Government will need to keep the position under careful watch so that timely policy intervention is forthcoming to ensure that whatever level is determined as the minimum level of self-sufficiency that the country should adhere to in the urea industry is in fact achieved.

As regards the phosphatic industry, the Committee would like to suggest that (a) in terms of greenfield projects, the industry be encouraged and assisted to seek joint ventures abroad at source of rock phosphate, and (b) Government step up exploration and R&D efforts for bringing down import dependence in this segment over a period of time.

The policy framework now recommended by the Committee based on a uniform price for the industry will provide an opportunity for some of these units to generate additional cash resources for every tonne of urea they produce. Their low capital costs PMT will no longer be neutralised by a correspondingly lower retention price as in the existing system, but will confer a competitive advantage. The Committee recommends that taking advantage of this opportunity the Government should set up a mechanism for not merely setting aside such additional revenues accruing to the units, but making matching contributions, to finance the modernisation and revamp of these older units. Simultaneously, steps should be taken to bring about managerial reforms and to rationalise the workforce.

The country has built up an enviable degree of self reliance (86 per cent of current requirements) in the nitrogenous segment, more particularly in urea. In the immediate future, with continued growth in demand and constraints on additional production, this degree of self reliance is likely to come down. At the present stage, therefore, the 'make or buy' option comes up for consideration at the already reached level of 86 per cent self-sufficiency. Policy prescriptions for the future will need to take note of what is the minimum level of self-sufficiency that the country should adhere to over the years in respect of this critical input for agriculture. It would be wrong to view imports as merely a residuary element to bridge the gap between requirements and indigenous production on a year to year basis. It can be made to serve other important purposes. The timing and arrival points can be so managed

that they serve deficit area thereby avoiding large leads and criss-cross movements as at present. Imports can also be used to build buffer stocks at strategic locations for meeting unanticipated shortages anywhere.

Only a limited addition to the domestic manufacturing capacity in India can be realistically projected in the medium term. It would thus be prudent to plan on the basis that a good part of the anticipated increase in consumption in the next 3-5 years may have to be met through imports. One option that would ensure assured supplies, even if there may be no price advantage in relation to the ruling international prices, is to have Indian entrepreneurs set up joint ventures abroad near sources of abundant availability of feedstock. The Committee recommends that such initiatives be encouraged as a matter of policy in the coming years, given gas shortages in India and the growing demand for fertilisers.

Import parity prices do not serve as dependable guide for domestic investment decisions because of the high degree of volatility observed in them. Moreover, the very fact that a major consumer such as India is looking essentially to imports to meet its growing requirements might itself serve to push up international prices. In any case, a 'stop-go' approach is inappropriate as a policy guide for a capital intensive and high gestation period industry such as fertilisers. In our view, any policy frame recommended for the urea industry should prove stable and recognise its strategic nature in the context of food security.

A positive policy is called for to attract such investment and thereby ensure that over a period of time the level of self-sufficiency already reached is not eroded to unacceptable levels. It is for this reason that the policy package outlined by the Committee proposes that a guaranteed price for a period of fifteen years of production of new units be announced by the Government well in advance. This price is to be related to the LRMC principle for projects based on the most efficient feedstock and operating on attainable efficiency norms.

Fertiliser imports which have remained canalised most of the time have not been taxed in the past. After decontrol of phosphates, protection to the domestic manufacturers has taken the form of differential subsidy in favour of domestic supplies at the point of sale to the farmers rather than an import duty. In respect of the urea industry, there would be even stronger grounds for similar support in the event of attempted dumping, at costs below realistic estimates of production costs, so that the industry is not crippled. Such an approach would ensure long-term assured supplies from domestic sources at reasonable prices to the farmers.

The industry should assume a more dynamic role vis-a-vis farmers, and propogate use of improved kinds of fertilisers (supergranulated urea, NPK pellets, liquid fertilisers, etc.), and their scientific application, for which there was not incentive under the RPS system.

#### *Administrative Mechanism*

There is a general perception that cohesiveness of policies would be facilitated when both segments of the industry are co-ordinated in one place.

The Committee identified a number of tasks for the new administrative mechanism which have been listed in the body of the Report. In other words, from the present cost accounting approach in the present FICC with a unitwise RPS, the proposed body needs to move to an inter-disciplinary, inter-sectoral, multi-country approach with a focus upon the industry as a whole, its health, growth and problems. The mechanism would, therefore, need to have more economic content than before and would require expert assistance. The

industry is also keen on one body comprehensively covering all issues relating to the sector. This would also be administratively convenient.

The Committee is of the view that the new mechanism should take the form of a Fertiliser Policy Planning Board (FPPB) comprising of a Chairman and five members apart from a Member Secretary. The full time Chairman should be an economist/expert of eminence. The other members could be the Secretary, Fertilisers (ex-officio), the Secretary, Agriculture and Co-operation (ex-officio), the Chairman, BICP (ex-officio), the Director General, ICAR (ex-officio) and an Industry expert as the fifth member. The Member Secretary would be the Executive Director, FICC, whose organisation would also service this Board. For this purpose a Research and Data Wing will have to be set up in the FICC which it lacks at present.

The Committee is of the view that the existing infrastructure of FICC should be used to service the Board rather than incurring avoidable expenditure in setting up an entirely new secretariat. Hence the suggestion of providing a research and data division in the FICC to assist the Board. The extensive data already available with the FICC, and its personnel, would be of great assistance to the Board in its work. This structure would also allow the Board to become immediately operational. However, it may be necessary, to strengthen the office of FICC as well as suitably upgrade the other officers. This is for Government to consider and decide.

<b>ARTHA VIJNANA</b>			
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