C.P.U. No. 124

COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)

(FOURTH LOK SABHA)

THIRTY-NINTH REPORT

Action taken by Government on the Recommendations contained in Thirty-Fifth Report of the Committee on Public Undertakings (Third Lok Sabha)

INDIAN OIL CORPORATION LTD.
(Marketing Division)

MINISTRY OF PETROLEUM AND CHEMICALS AND MINES & METALS

(Department of Petroleum)

LOK SABHA SECRETARIAT
NEW DELHI

April, 1969/Chaitra 1891 (Saka)

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C O R R I G E N D A

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(1968-69)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty-ninth Report on the Action Taken by Government on the recommendations contained in the Thirty-Fifth Report of the Committee on Public Undertakings (Third Lok Sabha) on the Indian Oil Corporation Ltd. (Marketing Division).

2. The Thirty-Fifth Report of the Committee was presented to the Lok Sabha on the 20th March, 1967. The replies of Government to the recommendations contained in the Report were, however, received on the 11th September, 1967 and the 27th November, 1967. Further information called for by the Committee in respect of 14 recommendations was furnished by the Ministry on the 12th March, 1969. The replies of Government to the recommendations contained in the aforesaid Report, were considered and approved by the Committee on the 9th April, 1969. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

3. The Report has been divided into the following five Chapters :—

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV. Recommendations in respect of which the reply of Government has not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Thirty-Fifth Report of the Committee on Public Undertakings (Third Lok Sabha) is given in Appendix III. It would be observed therefrom that out of 123 recommendations contained in the Report, 59 per cent have been accepted by Government and the Committee do not desire to pursue 40 per cent of the recommendations in view of Government's replies. The reply of Government in respect of 1 per cent of the recommendations has not been accepted by the Committee.

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
April 9, 1969
Chaitra 19, 1891 (*S*)

CHAPTER I

REPORT

A. Outstanding Payments from NCDC—Para 118(i) of Thirty Fifth Report (Third Lok Sabha)

Recommendation (Serial No. 41A)

In their recommendation in Para 118(i) of the Thirty Fifth Report (3rd Lok Sabha) on Indian Oil Corporation Ltd. (Marketing Division) the Committee on Public Undertakings had pointed out that as on 31-5-1966 the outstandings against the National Coal Development Corporation were Rs. 52.12 lakhs. The average monthly supplies made to it by the Indian Oil Corporation Ltd. were to the tune of Rs. 8 lakhs. Some of the outstanding bills were as old as three and four years. The Eastern Branch Office of the IOC woke up to the situation in 1965 and made efforts to recover the arrears. The matter was then taken up at the top Management level. On not achieving much success the IOC threatened to stop supplies. As a result, a payment of Rs. 28 lakhs was made. Thereafter the payments again relapsed into unsatisfactory state. The position appeared to be that financial difficulties were standing in the way of the NCDC in clearing the arrears in time. According to the IOC the procedure for payments adopted by the NCDC was so complicated that it was impossible to get payments within a period of 30 days after submission of bills, as stipulated in the terms of the Agreement on the subject. The Committee expressed regret that matters had come to such a sorry pass.

2. In reply the Government stated that the matter had been taken up with the Ministry of Steel and Mines. In their subsequent reply the Ministry have stated that the present position regarding payments from the NCDC was as under :—

"A sum of approximately Rs. 34.28 lakhs was outstanding from NCDC at the end of November, 1968. The value of supplies and collections during the recent months have been as under :—

(Rs./lakhs)

Month	*Supplies*	*Collections*
September, 1968	6.82	11.05
October, 1968	10.20	6.93
November, 1968	15.78	11.14

3. The Committee regret to note that there has been no improvement in liquidating the outstanding payments due from the National Coal Development Corporation. Rather there has been some addition to the outstandings during the three months as seen from the figures given above. The committee deprecate this inordinate delay in the payment of dues by one public undertaking to another. Since both the undertakings are under the same Ministry now, it should not be difficult to solve this problem. The Ministry should call heads of both the undertakings and have the outstandings liquidated without further delay. It should also be ensured that the outstandings do not accumulate in future.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The years ahead are going to be far more trying than before for the I.O.C. because the bulk, if not the whole of the additional demand each year will have to be met by them. From the facts before them, the Committee feel that the I.O.C. has not yet geared itself to the colossal task before it. The Committee did not find a clear cut Plan showing how the I.O.C. proposed to market the production from the public sector refineries year by year; how much of various products would be marketed through each Branch in each area; how much would be sold on product exchange basis and how much as outright sale to other companies; also how these products are to be sold and what are the basic requirements needed for this and how best to obtain them. Though the I.O.C. proposed to do its best, the Committee feel that the present Plan is not likely to attain the objective which is to sell all the production of the Refineries and all the imports and not just part of it. Theoretically, the I.O.C. does not make any profit or loss on the products sold though the other oil companies. The profits go to the other oil companies. Apart from that the I.O.C. loses the benefit by way of reduction in the overheads per kilo litre sold, which would have accrued to it if the I.O.C. sold these products itself. What is the organisation required for selling the available products is the question the I.O.C. should legitimately ask itself. The Corporation has several organisational shortcomings and many difficulties and handicaps to face, some of which have been brought out in this report, and there is no room for complacency. It is, therefore, very necessary for the Corporation to list out all its deficiencies *vis-a-vis* the requirements to achieve its objectives and make a realistic assessment of what should be done to make good these deficiencies. Unless this task is taken up urgently and a clear cut line of action chalked out, the Committee are doubtful if the I.O.C. will achieve the success which Government, Parliament and the public expect of it. (Paragraph No. 13)

Reply of Government

Noted. IOC has since prepared a Perspective Plan covering a forward five-year period. Among other matters, this Perspective Plan covers:—

(a) product availability from different sources and sales planning;

(b) pattern of supply, exchanges with other Companies, etc;

(c) import requirements;

(d) development of retail marketing facilities;

(e) development of storage facilities.

This plan will be the basis for advance programming of various facilities needed, personnel required etc. and will also serve as the basis for developing various economic and financial studies relating to future years.

In addition, a more comprehensive "Master Plan" is being and will be prepared for each year showing fuller details.

In the light of the Perspective Plan, the annual "Master Plan" will take note of changing situations like variation in demand, production, supply pattern etc.

The Corporation is fully conscious of its present and future responsibilities. Matters pertaining to the strengthening of its field organization, planning, market survey and intelligence will constantly remain the concern of the management.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 2)

The IOC will have to make considerable headway in establishing new pumps specially in the four major cities of Delhi, Bombay, Calcutta and Madras. (Paragraph 16)

Reply of Government

IOC have drawn up plan for building retail outlets in these cities especially, where there is a heavy concentration of trade in automative fuels. It is, however, difficult to obtain an adequate number of suitable sites, because the areas are heavily built up and most of the sites are already in the possession of the other oil companies. Patience and perseverance are, therefore, needed.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 3)

The Committee hope that the Ministry of Petroleum and Chemicals will take up the matter relating to the obtaining of new sites for retail outlets with the State Governments at the highest level and explain to them that the bulk of the future increase in sales during the coming years will have to be undertaken by the I.O.C. and that unless facilities are afforded to them, the transport industry in the States will face difficulties. Examples of co-operation extended by some of the more helpful States might be cited and similar facilities sought. The Committee do not set much value to general circular letters addressed to all States which tend to be treated in a routine manner by the Departments concerned in the States. It might be better to take up this matter demi-officially with supporting statistics in respect of each State separately. It is only in this way that the importance of the matter can be brought home to the State Governments. (Paragraph 19)

Reply of Government

The matter was taken up with the State Governments at the highest level in December, 1965. Further action in the matter will be taken in the light of the report of the Retail Outlets Committee, which is expected to be received in November, 1967.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 6)

The procedure for obtaining clearance from various authorities before a retail outlet is established is very complicated. All this can be simplified. Once the location of a site is approved, submission of applications for all the other sanctions should be permissible simultaneously and it should be possible for the different authorities to give their sanction within, say, a month. The Committee suggest that the Ministry of Petroleum and Chemicals should request the State Governments to streamline the procedure.

(Paragraph No. 23)

Reply of Government

The Committee on retail outlets is examining this matter and suitable action will be taken on the report of the Committee.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 7)

The Committee understand that a Committee has been set up recently by Government to rationalise the growth/proliferation of retail outlets. The Committee hope that as a result of that Committee's report, the I.O.C. will get a fair share of future development in the field. The Ministry of Petroleum & Chemicals should take adequate steps in this directions.

(Paragraph 24)

Reply of Government

Noted. The report of the Committee on Retail Outlets is expected to be received in November, 1967.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Further Information called for by the Committee, in respect of recommendations at Sl. Nos. 3, 6 & 7.

Whether the Report of Retail Outlets Committee has been received? If so, a copy of the report may be supplied together with statement showing action taken on the recommendations contained therein.

[*L.S.S. O.M. No.* 28-*PU*/68, *dated* 5-12-1968]

Final Reply of Government

Yes. The Report of the Retail Outlets Committee has been received. A statement showing the action taken on the various recommendations under para 11.3 of the Retail Outlets Committee Report, is given at Appendix I.

[*Ministry of Petroleum & Chemicals and Mines & Metals O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 5)

As regards instances of lack of cooperation from Central Government Departments *e.g.* Port Trust, Railways etc., the Committee feel that if efforts by the I.O.C. at the highest level fail, the matter should be brought to the notice of the Ministry of Petroleum and Chemicals who should in turn bring specific instances to the notice of the Ministries concerned and request them for help. For example, the Ministry of Transport should be addressed in the matter of obtaining help from the Port Trust and the Railway Board in regard to individual Railways. (Paragraph 21)

Reply of Government

Each case in which the I.O.C. requires assistance from any Department of Central Government is taken up with the authorities concerned by the Ministry of Petroleum and Chemicals.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 10)

The Committee would have expected the I.O.C. like other well managed companies, to evaluate their costs all India-wise, Branch-wise and Unit-wise and exercise proper managerial control over expenditure with reference to the norms laid down by the Price Enquiry Committee and those evolved by themselves in the course of working. The Committee were surprised to learn that this was not done. They were given to understand that the accounts of the Corporation are not maintained in a manner capable of revealing the function-wise incidence of expenditure in terms of cost per kilolitre.

There are defects in the accounting system which have been dealt with elsewhere in this Report. What, however, the Committee fail to understand is why calculations could not be made from the basic figures of expenditure which were available. It was simply a matter of apportioning expenditure under various heads. In what proportion this was to be done for various items was a matter of policy which should have been settled without much difficulty. If expenditure was worked out in this manner it would have been an excellent instrument for managerial control and the Committee are sorry to note that this was not done. (Paragraphs 35-36)

Reply of Government

I.O.C. has taken steps to compile function-wise expenses (Installation, Distribution and Administration) for the Marketing Division from 1-4-67.

At the end of each quarter, the actual expenditure on each function product-wise will be compared with the margins allowed by the W.G.O.P.

The process involved in compiling the function-wise and product-wise expenses is briefly stated below :—

All expenses are first to be analysed function-wise. For example, the salaries of staff will have to be analysed and apportioned between Installation, Distribution and Administration functions depending on the type of work done by each employee. Expenses will have to be further shown as direct expenses or indirect expenses and then allocated to the products. This allocation has to be shown on each of the tens of thousands of payment documents (vouchers).

This information has to be compiled thereafter. Allocation can best be done as and when the vouchers are prepared, and the compilation can be done conveniently only on machines. Steps have already been taken to introduce proper accounting in all the Branches, and to compile this information from the current year.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 11)

The Committee hope that the decision to introduce a proper system of cost accounting will not be further delayed. Costs should be worked out month-wise, installation and Depot-wise, District-wise, Branch-wise and All-India-wise and strict control over costs should be ensured. Operational efficiency is the only factor which will enhance the profits of the Marketing Division and the evaluation of costs should be the main guiding factor for the Management in determining the working efficiency of the organisation. To that extent, its importance should be realised and all steps taken to perfect that system. (Paragraph No. 38)

Reply of Government

A system has already been introduced to work out month-wise, Installation and Depot-wise, District-wise, Branch-wise and All India costs with periodical reports to the Management.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 14)

It is a fundamental principle in the oil industry that handling should be reduced to minimum mainly to avoid loss by leakage. The Committee wonder how far the IOC has evaluated the cost incidence of this principle and worked out movements on the principle that wherever possible, deliverise should be made direct to the customers from the refineries or main installations. The very heavy incidence of bridging costs also could perhaps have been considerably lower if tank trucks were of bigger dimensions. Similarly, if storage tanks at dealers' outlets or of bulk consumers were of the maximum size possible, complaints of late deliveries and disruption in supplies could be avoided and IOC's operational costs reduced. (Paragraph 45)

Reply of Government

Noted. Wherever possible IOC makes deliveries direct to customers and dealers from the main installations or refineries by rail or by road. Where the customers etc. are far away from the refinery or main installation, supplies are made from upcountry depots. This is in accordance with the established practice in the oil industry.

As regards the size of tank trucks, the optimum size depends upon several factors, such as the condition of the roads, nature of the terrain, weight restrictions on bridges and culverts, storage capacity available with customers and dealers and the amount of money which the dealer can justifiably lock up in the form of stocks in the light of his sale level. The larger tank truck types used in the oil industry in India can carry 12 KL and 16 KL of oil. Out of the total fleet strength of 344 vehicles, IOC already has 10 vehicles of 16 KL capacity and 39 vehicles of 12 KL capacity. 7 more vehicles of 12 KL capacity are under fabrication. Whenever the fleet strength is augmented or replaced, the optimum size is always kept in view, in the light of changing circumstances.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/ *IOC, dated* 11-9-67]

Recommendation (Serial No. 15)

An examination of the figures of working results relating to tank truck utilisation suggests a need for greater control over this matter, and the necessity of taking steps to maximise tank truck utilisation. To what extent the position could be improved, how it can be improved, what the defects are, etc. is for an expert to say. The Committee expect that this matter will receive the necessary attention of the Management early. (Paragraph 48)

Reply of Government

Tank truck operations are scheduled through a Truck Delivery Plan. The truck utilisation is reviewed in a daily statement. There is a further monthly tank-truck utilisation review carried out. While making out the programme for several deliveries by a tank truck, the available indents from the parties, the previous loads given, and the route that will the maimum utilisation are kept in view. The economics of tank truck operations receive continuous attention of the IOC.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 16)

The Corporation has not been able to provide a satisfactory explanation for the incidence of stock losses due to frauds and have merely stated that the percentage of loss due to frauds cannot be separately ascertained, but where in a particular Depot or Installation it is found that the loss of product is abnormally high, detailed investigation is carried out to ascertain the reasons and action has been taken where this has been traced to negligence or fraud. The Committee find it difficult to accept this statement. If losses due to frauds are to be dismissed because of inability to detect, it is a cause for concern because the offender is virtually given a free hand. Some method should be devised to detect frauds. (Paragraph 54).

Reply of Government

IOC handles products which are liable to spill and evaporate, and there are certain inevitable handling losses. A percentage of 'permissible' loss has therefore to be allowed, taking into account the nature of the operations.

The steps taken to minimise any possibility of loss arising out of fraud are as follows :—

(a) a daily verification and report of stock by the stock holder;

(b) periodical verification of stocks by senior officers;

(c) surprise verification and internal audit; and

(d) Special investigation into stock losses higher than the margin, and also of any abnormal variations in stock losses from time to time.

IOC believes that by these methods and possibility of fraud will be reduced to the minimum.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 18)

While the Committee were glad to note the procedure adopted for controlling stock losses and the success achieved in this direction, they feel that there is scope for further reduction of losses. Since the limits of permissible losses have been prescribed by the IOC itself on the basis of experience, it is necessary to watch the performance year by year and review the limit. In fact with greater experience, it would be possible to show a better performance and to this extent the limits should be revised downwards each year till a reasonable figure is reached. Last year, the value of such losses was Rs. 30.22 lakhs. This is a huge amount and when the volume of sales increases, this figure is also likely to increase. These losses have to be brought down and all measures towards this end should be taken. The Committee also recommend that this matter should be brought to the specific notice of the Board of Directors periodically. (Paragraph No. 59).

Reply of Government

Noted. IOC has further reduced the stock losses during 1966-67. Whereas the volume of stock handled increased from 69.57 lakhs KL in 1965-66 to 87.00 lakhs KL in 1966-67, the value of total stock losses came down from Rs. 30.22 lacs to about Rs. 26 lacs, *i.e.* from 0.09% to 0.06%.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 20)

The Committee feel that the I.O.C. should standardise its buildings and service facilities in the filling stations. Three or four standards may be laid for different land areas or locations. Standard costs may be worked out and the Branches directed to keep costs within those standards. Till the I.O.C. is able to afford luxury and prestige filling stations, it would be advisable to give greater attention to economy. (Paragraph 63).

Reply of Government

Noted. I.O.C. has worked out standard designs for filling stations for general adoption. Standard costs are also being worked out.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 23)

The Committee were informed that in order to avoid marshalling of tank wagons at various yards and placing them at various oil sidings, joint oil sidings and single point loading were being considered. The implications of this suggestion should be worked out and a decision taken at an early date. (Paragraph No. 69).

Reply of Government

This will be done wherever feasible.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 24)

As the Indian Oil Corporation will be the biggest petroleum company in India soon, it should ensure that the tank wagon availability and wagon turn around are satisfactory. A continuous watch should be kept over this at the Head Office of the Marketing Division. Difficulties, if any, should be pointed out to the Railway Board and suggestions for improvements discussed with them or with the concerned Railways. The Ministry of Petroleum & Chemicals will no doubt look into this matter and ensure that movement of petroleum products is not hampered because of inadequacy of wagons. (Paragraph 70).

Reply of Government

Noted. Necessary action will be taken.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 27)

The sales and operations programme of the Marketing Division are controlled from the Head Office. The Branches hardly exercise any direct management control except in so far as carrying out the programme dictated by the Head Office. They have hardly any profit responsibility and the costs incurred by them are not evaluated in order to know how cost patterns are behaving. If profit responsibility devolves on them, it is bound to exercise a very salutary effect on the financial management of the Branch and thereby lead to a greater degree of cost control. This might entail a much greater degree of delegation of powers commensurate with the responsibility. (Paragraphs 74-75).

Reply of Government

Noted. Necessary action is being taken.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 28)

From an overall assessment made of operations of the I.O.C., the Committee feel that there is scope for much improvement in this regard. Suitable incentives could be offered to the personnel actually engaged in operations work for suggestions which help in saving time in operations, increasing efficiency and bringing down costs. The Committee feel that if the rewards are attractive, good suggestions will be forthcoming. (Paragraph No. 76).

Reply of Government

In 1963, the Indian Oil Corporation (Marketing Division) evolved an Incentive Scheme, known as the Employees' Suggestion Plan, by which employees were invited to suggest new ideas aiming at efficiency, better output and cost reduction in day-to-day operation. In the early stages, several suggestions were received, mostly relating to the introduction of standard terms, forms etc. in line with Oil Industry practice.

From June, 1966, the Employees Suggestion Plan has been renamed as "Cash Your Ideas Plan". Suitable Cash Awards are given to employees whose suggestions have been accepted and implemented. Between June, 1966 and March, 1967, 150 suggestions were received. Six awards have been made so far (the maximum award so far given being Rs. 500).

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 34)

The excise duty on petroleum products is levied on the basis of volume except in the case of L.D.O. and furnace oil where the basis is weight. In the case of furnace oil, however, the product is sold by weight and the excise duty paid is recovered fully. In the case of L.D.O. however, the product is sold by volume.

There is considerable force in the argument that the excise duty on a product which is sold by volume should be levied on the basis of volume. It appears illogical to use weight as the basis of duty apart from the fact that it involves unnecessary accounting complications in converting the volume into weight. In the case of L.D.O. produced at Gauhati and Barauni, the density is higher, which results in loss to the I.O.C. It is equally possible that in certain cases the density might be lower which would result in loss of revenue to Government. The Committee, therefore, recommend that the basis of excise duty on L.D.O. should be changed from weight to volume. The Ministry of Finance should give this matter their urgent attention. (Paragraph No. 99).

Reply of Government

Noted. The proposed change involves an amendment of the First Schedule to the Central Excise and Salt Act, 1944. This will be considered in due course.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67-*IOC, dated* 27-11-67]

Recommendation (Serial No. 35)

It is time that I.O.C. catered to the entire requirements of the DGS&D except for items which the Public Sector Refineries do not produce or are not directly imported by I.O.C. During oral evidence, the Secretary of the Ministry of Petroleum and Chemicals agreed that this was desirable. (Paragraph No. 105).

Reply of Government

During 1966-67, I.O.C's. DGS&D sales increased further and were about 8 lacs kl. I.O.C. is making every effort to increase its participation in DGS&D business, and hopes to cater to all or nearly all the requirements of DGS&D, as soon as possible.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67-*IOC, dated* 27-11-67]

Recommendation (Serial No. 36)

The Committee found that only 50.35 per cent of the total Defence requirements were met by the I.O.C. during 1965-66. The Committee see no reason why this figure should not be raised. It is certainly not due to the IOC's inability to effect the supplies. (Paragraph No. 106).

Reply of Government

During the period from April, 1966 to December, 1966, the percentage of supplies made by IOC increased to 64.7% of the total Defence requirements of petroleum products. Steps are being taken to increase its participation in Defence business still further.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 37)

The Committee found that the Railways obtained a very good proportion of their requirement of petroleum products from the I.O.C. The overall figure was 91.2 per cent of purchases from the I.O.C. In regard to H.S.D. the figure was 94.8 per cent. The Committee hope that the Railways would be able to make all their purchases from the I.O.C. (Paragraph No. 107).

Reply of Government

Almost the entire requirements of High Speed Diesel Oil of the Railways are obtained from the Indian Oil Corporation. However, at some fuelling points on the Railways, the running contracts for the supply of H.S.D. oil had been awarded to a private oil company in the past. The position will be reviewed after the expiry of these contracts. The entire supplies of Axle Oil are now obtained by the Railways from the Indian Oil Corporation.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 38)

The Committee hope that it will be possible for the I.A.C. and Air India to switch over rapidly to the I.O.C. for their supplies. The Committee would suggest that the Managing Director of the Marketing Division should personally negotiate with the General Managers of the two air-lines and expedite switch over of the aviation business to the I.O.C. In fact, the IOC should consider transaction of business with the two air-lines as a matter of prestige, and make earnest endeavours to achieve it early. (Paragraph No. 108).

Reply of Government

IOC is expanding its facilities to meet the bulk of IOC's requirements. In the case of Air-India, IOC is meeting their requirements for internal flights and is trying to extend its business.

IOC regards both IAC & Air-India as major prestige business accounts and is doing all it can to progressively cater to their requirements. This must, however, necessarily be subject to the pre-existing contractual obligations of the two air-lines for the balance of the period outstanding. The matter is constantly under review by the top management of IOC, and negotiations do take place with these air-lines at all levels including the highest level.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 39)

The Committee are not impressed with the performance of the I.O.C. in regard to sales to the public sector undertakings from the reports received from them. The Committee suggest that a Senior Officer in each Branch should visit each of them personally at intervals, ascertain their difficulties and solve them to the satisfaction of the customers. Besides, periodical letters should go out to these undertakings to find out if they are satisfied with the services rendered by the I.O.C. and they should also invite suggestions for improvements. Prompt action should be taken to ensure satisfactory response to the suggestions by the District Offices serving the undertakings. (Paragraph Nos. 113-114).

Reply of Government

Noted. Many of the complaints against I.O.C. relate to the period when there were difficulties regarding the availability of Furnace Oil and Lubricating Oils. The position has since eased and complaints are fewer. Steps have been taken to further improve the service given to the public sector undertakings.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 40)

It should be possible for the Central and State undertakings to purchase their entire requirements of petroleum products from the I.O.C. provided they are assured of satisfactory service. (Paragraph No. 115).

Reply of Government

Steps are being taken to further improving service and the share of the I.O.C. in supplies of P.O.L. to Central and State undertakings.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 41)

As regards the complaint of not being able to obtain competent technical advice, the Committee feel that the IOC should have well qualified technical experts, specially on lubricants. Wherever technical advice is required such a person should be sent promptly to tender suitable advice. The sales staff of the IOC should also be thoroughly trained and given occasional refresher courses to keep them abreast of modern developments in product design and utilisation. The Committee saw some of the technical literature on lubricants produced by the IOC but are unable to comment upon their completeness or thoroughness or how far they compared with literature produced by other companies. This is a matter which deserves to be looked into in view of the criticism made by the IOC's customers. (Paragraph No. 116).

Reply of Government

IOC has since developed a competent technical department, with more than 30 qualified and specially trained lubrication engineers, and specialists in fuels, marine lubricants etc. IOC is making further efforts to improve the quality of its technical services.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 42)

The position about outstandings is far from satisfactory. It is true that the I.O.C's. accounting procedures were very defective and that this was to some extent responsible for the accumulation of such heavy arrears. This, however, is not the whole of the problem. The Committee are inclined to feel that there is some serious defect in the procedure which makes the public undertakings indifferent in the matter of prompt payment.

The top Management of the I.O.C. should give serious thought to this and find out a solution in consultation with the Government of India, the State Governments and the Public Sector Undertakings, Electricity Boards, Transport Undertakings etc. (Paragraph Nos. 119-120).

Reply of Government

The old outstandings have been brought down considerably. The accounting procedure for current periods has been put on sound lines. At the same time, every effort is being made to collect the old outstandings.

The Government of India have already taken up this matter with the concerned State Governments, Public Sector Undertakings, Electricity Boards etc. I.O.C. is also constantly pursuing the matter of prompt payments with these undertakings at the highest level.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 43)

The Committee would like to make the following suggestions in regard to prompt collection of outstandings :—

(1) As a first step, the Committee feel that a credit limit of 30 days or 45 days as is considered proper, should be fixed for all the Government undertakings. All outstanding beyond this period should carry interest at the usual bank rate. This will have a salutary effect on all accounting officers who will thereby be made responsible for delays in payments,

(2) The Committee understand that in the Southern Branch, where a Government customer does not pay bills within the prescribed credit limit of 30 days, all further supplies are made only on cash basis. This has helped to freeze accumulation of outstandings and has made the customer conscious of his obligations. The

Committee recommend that the other branches may also adopt this procedure.

(3) Every undertaking may be requested to nominate a senior officer who may be addressed personally by the Branch Office in case the undertaking falls into arrears.

(4) The Financial Controller/Chief Accounts Officer in each Branch should constantly watch the position of collection of dues and take prompt action by personal intervention if necessary, where arrears cross limits laid down. Difficult cases should be reported to the Head Office and the General Manager's or the Managing Director's intervention sought.

(5) The District Sales Representative should be made responsible for chasing claims. If they report difficulties of procedure which hamper prompt payments, the matter should be taken up by the Branch Office with the Chief Accounts Officers of the undertakings.

(6) The Committee understand that the Governments of Kerala, Mysore and Andhra Pradesh make advance payments for their requirements. The I.O.C. should try and persuade other State Governments to follow a similar procedure. The Central Government may perhaps give the lead in the matters. (Paragraph No. 121).

Reply of Government

(1) I.O.C. normally grants credit up to 30 days which is exceeded only in special cases to meet competitive conditions, the latter also influencing the recovery of interest on outstanding.

(2) The suggestion that where the credit limit is exceeded, further credit supply should be stopped and supplies made only on a cash basis, is being considered for application in other Branches also. However, many of the State Transport, Electricity and other undertakings render essential services and it may not be always desirable to stop supplies. Besides, such action may lead to the type of difficulties pointed out in the last sentence of paragraph 111 of the Committee's Report.

(3) Normally. the Office of the Undertakings who are concerned with receiving supplies and making payments are contacted. Wherever there is delay, the matter is taken up with the higher officers in the undertakings. Where the outstandings are high or old, the matter also taken up personally with the head of the undertaking from the Head Office of the I.O.C.

(4) Both the Branch Financial Controller and the Branch Manager keep a constant watch on the normal credit limits. Periodical

reports are also received in the Head Office of the Marketing Division and every case of credit reviewed.

(5) This is already being done.

(6) Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 44)

As a sequel to the Estimates Committee's recommendations in regard to the sales to Government organisations, the Ministry of Petroleum and Chemicals did write to all the State Governments in July, 1964 requesting them to patronise the I.O.C. The general circular letter does not seem to have had much effect. The I.O.C. should canvass individually with each party and persuade it to patronise them. If persuasion fails at a lower level, then the matter should be tackled at higher levels either by personal talk or by correspondence. Supplies to Government Organisations are one of the primary objectives of the I.O.C. and this matter deserves much greater attention by the Head Office and the Branch Offices than what has been given to it till now. (Paragraph No. 123).

Reply of Government

This is being attended to.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67]

Recommendation (Serial No. 49)

In the Committee's opinion, one of the major problems that deserves to be tackled by Government relates to facilities at Ports to receive large tankers. The pattern of the world tanker fleet is fast changing and giant tankers up to 150,000 tonnes DWT are the order of the day. Apart from quick movement of products, the incidence on freight is also considerably lower. As this country will have to depend on imports for sometime both for crude and refined products we should build special oil terminals at Ports capable of handling giant tankers. (Paragraph No. 145).

Reply of Government

Noted. An oil berth designed to cater for tankers up to 800 feet in length is under construction at Haldia. With the commissioning of this facility, tankers of larger size and higher draft can be handled. At Madras the construction of an outer Dock to cater to deep draft oil tankers and ore carriers has been taken up and the work is in progress. The Cochin Port authorities are also examining proposals to handle large sized and deep draft vessels. Certain schemes for improving the capacity of the dolphins at the berth at Marine Oil Terminal at Bombay so as to enable larger tankers to berth have recently been sanctioned. The work is expected to be undertaken after the present monsoon is over. At the other ports, the small volume of oil traffic likely to be handled would not justify large outlays on port improvements for dealing with oil products only.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67] 27-11-67]

Recommendation (Serial No. 50)

The reason of inadequate discharge lines at ports given for incurring demurrage appears to be very strange. The cost of the extra facilities would perhaps be equal to a year's demurrage. This demurrage is paid in foreign currency. The Committee recommend that Ports Trusts should give this matter their urgent attention and provide extra discharge lines wherever inadequacy exists. (Paragraph No. 146).

Reply of Government

Noted. This has been brought to the notice of the Ports Trusts.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 51)

At Port Okha the Burmah-shell receives preferential treatment on account of a special agreement with the Maharaja of Baroda while the I.O.C. tankers receive second priority. The Committee wonder why such an anomally exists. The legal implications of this Agreement require to be looked into. (Paragraph No. 148).

Reply of Government

The agreement was examined sometime back and it was decided that termination of the agreement at this stage is not feasible.

Clause 12 of the Agreement regarding the arrival of Burmah-shell Tankers within the stipulated period is, however, being strictly enforced with the result that many Burmah-shell tankers do not, in fact, get priority.

Further, the construction of a new pier at Port Okha is nearing completion and it will be put into operation after the dredging work is completed. The difficulties of the oil tankers coming at Okha Port will be solved to a great extent, when the new pier is commissioned.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67-*IOC, dated* 27-11-67]

Recommendation (Serial No. 54)

All the imports made so far have been in foreign tankers. The Indian merchant fleet now owns a few tankers and it should be possible for the I.O.C. to make some of the imports in Indian tankers. Apart from the fact that it will save payment to a foreign country whether it is in rupees or free exchange, it will also act as an encouragement to Indian shipping. Since most of the Indian tanker fleet is under a Public Undertaking, dependence should not be much on foreign tankers. Apart from financial considerations, self-reliance in this matter would be advantageous in times of an emergency. (Paragraph No. 154).

Reply of Government

It has not so far been possible for the I.O.C. to make its imports in Indian flag tankers because all the five overseas tankers under the Indian flag are already chartered to foreign oil companies on a long term basis. Therefore, for meeting the balance of needs, fresh acquisition will be necessary. A beginning has been made in this direction recently by the Shipping Corporation of India ordering 2 tankers of 77,000 DWT each. There is no question that self-reliance in this matter is important, and that acquisition of Indian flag tankers for serving the country's requirement should be encouraged.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 55)

The Committee would urge the Government and the I.O.C. to make efforts to find foreign markets for the surplus petrol. Even if exports are to be made at a loss, it would still be better than working the Refineries at a reduced capacity and importing the deficit products. If export markets are not found immediately the Cochin Refinery, for example, is likely to run into serious trouble. The Committee would also suggest that the coastal refineries must be encouraged to export their petrol production. The private sector refineries should be able to find foreign markets with the help of their principals abroad. (Paragraph No. 158).

Reply of Government

Indian Oil Corporation has already secured substantial export markets for naphtha, motor spirit, H.S.D., furnace oil and coke. There is no longer any danger that the Cochin Refinery would run into serious trouble owing to poor offtake of its products. The other coastal refineries are also exporting motor gasolene and naphtha surplus to their market requirements.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 57)

Selling difficulties and price cutting result when supply is greater than demand and such a situation in the case of kerosene was unjustified when this surplus was created by spending large amounts of foreign exchange, on its purchase. When the private oil companies have been proclaiming that the margin of profit allowed to them by Government is low, it is rather strange that undercutting is resorted to by them in one of the items. This might be due to the fact that they have been getting bigger discounts in overseas markets than given out. (Paragraph No. 163).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 58)

The Committee feel that all future imports of kerosene should be made exclusively by the I.O.C. Firstly this is available from rupees payment sources. Even where it has to be imported from free foreign exchange sources, the I.O.C. can negotiate for larger discounts than 12 per cent allowed to private oil companies in terms of the W.G.O.P. recommendations. This will save foreign exchange. Secondly, kerosene is an essential commodity and should not be subject to manoeuvrability. The Committee heard that on certain occassions when the I.O.C's. supplies ran dry, an artificial scarcity was created by the private oil companies by releasing only limited quantities in the market which resulted in kerosene being sold at exhorbitant prices. Kerosene will remain in short supply for several years to come and will have to be imported in spite of increased production from our Refineries. If the I.O.C. is given the monopoly of imports there is no reason why scarcity should recur. (Paragraph No. 164).

Reply of Government

Imports of Kerosene are now being made exclusively by the Indian Oil Corporation Limited.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 60)

The Committee feel that in all urban and rural areas where regular markets exist, kerosene should be sold loose and not in sealed tins. Use of tins should be restricted to areas, where transport is difficult as in hill areas, for defence units serving in forward areas etc. (Paragraph No. 175).

Reply of Government

The policy of the Indian Oil Corporation is to convert as much of the packed kerosene trade as possible to bulk supplies. This results in a lower price to the consumer. Packed kerosene is sold only in those area where bulk supplies cannot be conveniently handled, such as hilly areas etc.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 61)

The Committee feel that it should be possible to find a cheap and reliable substitute for tin containers in plastic, polythene or other modern packing material. (Paragraph No. 176).

Reply of Government

Noted. Efforts will be made to develop such substitutes in consultation with the C.S.I.R.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 64)

Apart from LPG for domestic use it would be desirable for the I.O.C. to enter the industrial purposes. The Committee were told that no survey of industrial demand had been made. Its marketing possibilities for the industry should be ascertained and exploited. (Paragraph No. 186).

Reply of Government

A beginning has been made by supplying LPG to certain industrial customers in the domestic type of cylinders, in the existing Indane market areas, including Calcutta, Patna and Allahabad. Orders have been placed for the procurement of 2000 "industrial" type cylinders of larger size. Steps are also being taken to have an industrial survey carried out.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 71)

The Committee agree that the actual published accounts do not reflect the actual working of the I.O.C., insofar as the Corporation is obliged to incur under-recoveries of freight etc., for no fault of its own. The Committee have recommended elswhere, that relief should be given to the I.O.C. in regard to these matters. This, however does not mean that all is well otherwise with the I.O.C. There are many matters pointed out in other parts of the Report which have to be set right. There is doubtless an encouraging trend in the management of the Marketing Division not only in regard to the administrative changes that have been made but also in regard to policy. There is no reason why the Division should not yield better profits if its affairs are handled energetically and prudently. Paragraph No. 208).

Reply of Government

Noted. The Management is alive to the shortcomings in the organisation and is striving hard to remove them.

[*Ministry of Petroleum & Chemicals O. M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 72)

The Committee feel unhappy over the position that on the one hand, money is borrowed from Banks with a view to paying the Refineries Division and heavy interest charges incurred thereon and on the other hand, the bills of the Refineries Division are not cleaned in time and heavy interest charges on these outstandings are incurred as a result. (Paragraph No. 213).

Reply of Government

This position no longer exists and, as mentioned in the Committee's Report in para 212, there are no arrears since April, 1966.

The procedure for payment to the Refineries Division has been changed from November, 1966. The collections made by the Marketing Division at Delhi and Calcutta are now automatically transferred by the Bank to the Account of the Refineries Division. At the end of the month, the position is reviewed, and any short or excess payment is adjusted. The system is working satisfactorily.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 74)

It is understood that the Talukdar Committee had recommended Rs. 20 as a reasonable working capital for every Rs. 100 of sale. The Government modified this figure to about Rs. 18 per Rs. 100 of sale, *i.e.* 1/6th of sale value. Against this, the I.O.C's. achievement of Rs. 13 for the year 1965-66 appears to be satisfactory. The Committee hope that every effort will be made to better this figure. (Paragraph No. 217).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 76)

The facts which came to the notice of the Committee reveal a disconcerting state of affairs in regard to billing for D.G.S.&D. supplies. The Committee can only draw the attention of the Management to this unsatisfactory state of affairs and suggest that close attention should be paid to this matter both by the Head Office and the Finance & Accounts Officers of the Branches. The Head Office should call for weekly statistics of bills submitted to D.G.S.&D. by the Branches from the Cell at Delhi and try to analyse the causes for delay or incorrect billing and take necessary steps to improve matters. This vigilance should not be relaxed till the Head Office is satisfied that the procedure has attained a certain standard of efficiency. The Accounts Officers of the Branches should be held responsible for this matter. (Paragraph No. 230).

Reply of Government

Since November, 1966, a special officer has been posted at Delhi exclusively to follow up D.G.S.&D. bills and payments. He has examined the causes of delays in payment and for incorrect billing and has ensured remedial action. The position has since considerably improved. The Delhi D.G.S.&D. Cell sends to the Head Office weekly reports showing the number and amount of the bills submitted and the collections made.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 77)

The D.G.S.&D. made a suggestion that the I.O.C's. liaison officer at Delhi should be given greater powers so that he could take decisions on the spot regarding clarifications etc. sought by D.G.S.&D. in regard to various contracts. The I.O.C. stated that this would involve the setting up of a big organisation to attend to these matters which would be a waste. The Committee agree with this view. With the establishment of a teleprinter circuit between the Delhi and Bombay Offices, communication would be swift and it should be possible for the Liaison Officer at Delhi to obtain clarification or decisions from the Head Office within a day. (Paragraph No. 233).

Reply of Government

The teleprinter service between Bombay and Delhi is being effectively utilised.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 79)

As for other outstandings and the reasons therefor, the facts speak for themselves without the need for any special comment. The Committee can only express regret at things having been allowed to drift in this manner without effective and timely action being taken to put matters straight. Half the I.O.C's. financial troubles were due to the fact that the matter of collection of outstandings was not given the importance that it deserved.

The Committee have made some suggestions in this regard while dealing with the sales to Government organisations. These are the major customers that the I.O.C. has to tackle first. If the Corporation can succeed in obtaining payments from Government parties say within 15 days of presentation of a bill, it would go a long way in solving this problem of heavy outstandings. In fact, the Committee would suggest that all the Branches should aim at reaching the figures of the Southern Branch whose outstandings represent only 17 days' scale. The position of the Eastern Branch is particularly bad and requires, extra effort to stabilise it. The Committee, however, realise that the difficulties of the Eastern Branch are mainly due to the fact that it caters to a difficult and far-flung area with myriads of problems of communication and supply. The Head Office should give the Branch all possible assistance by writing to the parties concerned to cooperate in clearing the arrears. The Committee hope that by the end of the financial year the

Eastern Branch will catch up with the other Branches. The Committee also suggest that the position of the outstandings should not only be watched once a year but every month by the Branch Office and the Head Office. (Paragraph Nos. 236-37).

Reply of Government

Special assistance has been given to the Eastern Branch by deputing senior officers from the Head Office to assist in collection work.

The progress of collections is watched weekly and the position of outstandings reviewed each month. Based on this review, collection targets are set every month for the branches, taking into account the past collections and the amounts outstanding at the end of the previous month.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 80)

These figures of outstandings each month in the four Branches reveal that the position has been fluctuating from month to month and in a fairly wide range. If proper credit control is exercised, such a fluctuation should not arise. The figures indicate the need for greater control both by the Head Office and the Branch Offices in the matter. (Paragraph No. 239).

Reply of Government

Indian Oil Corporation has a proper system of credit control setting out specific powers to the Branch Managers for giving credit up to certain fixed monetary limits. Beyond this limit, credit is extended by the Head Office. This system has worked well in practice. In spite of such a system fluctuations do arise because the proportions of cash and credit sales vary from month to month and from Branch to Branch.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 81)

The Committee do not share the Corporation's complacency that the Accounts of the Division are "Good" now. In the Committee's view a great deal has to be done in regard to Accounts. For one thing, the Manuals drawn up are far from complete and comprehensive, as pointed out by the Company Auditors themselves. The billing system in respect of DGS&D supplies is still in an unsatisfactory state as has been pointed out earlier. Collection of arrears is lagging behind. The mechanisation of accounts has been done only in one Branch and is yet to be introduced elsewhere. These are just some of the shortcomings. Others can be quoted. In view of this, Accounts require the urgent attention of the senior officers concerned in the organisation. (Paragraph No. 242).

Reply of Government

Several detailed accounting mannuals have been drawn up for the guidance of the accounts staff. These compilations will require further additions and/or amendments in the light of experience gained. The Branches are implementing these manuals by stages and steps have been taken to keep the manuals up to date.

As regards the DGS&D billing system, this has already improved (as indicated in the reply to para 230).

Mechanisation of accounts has made further progress. At present, it is in full use in two branches and has recently been introduced in the other two branches also.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 82)

The Committee wonder why in spite of the acknowledged failure of the Chief Accounts Officer to organise the accounts of the Corporation in a proper and systematic manner, he was kept in employment for so many years. A person with proved efficiency and a good knowledge of the accounting systems in any of the private oil companies in India would have been more suitable for this important post. (Paragraph No. 244).

Reply of Government

A person with good knowledge of accounting systems in a private oil storage and marketing company has been placed in charge of this post since December, 1965.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 85)

While the Committee do not wish to comment on the merits or demerits of the agreement, with M/s. Hindustan Organisers they are concerned with the principle involved in the circumstances relating to the extension of the Agreement. Because of a legal flaw, the Corporation is forced to enter into a business deal which it might not have done normally. The Corporation has to enter into various agreements and contracts in the course of its business and every precaution has to be taken to safeguard its interests which might be jeopardised because of some legal flaw in an agreement or contract. This particular case would emphasise the need for subjecting all such documents to a careful and thorough scrutiny by an expert before they are finalised. The Committee hope that the I.O.C. will make adequate arrangements for a well qualified and experienced legal expert to advise it on all such matters. (Paragraph No. 251).

Reply of Government

Noted.

The Legal Section of the Marketing Division is organised to handle routine matters of a legal nature. The Section has six qualified lawyers, two in the Head Office and one in each of the four Branches. In addition, there is an outside Legal Adviser in Bombay on a retainer to whom more important cases are referred. When the issues are very important or complicated, the Head Office refers them to various firms of leading solicitiors and Tax Consultants.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 86)

The Committee regret to point out that the provision relating to credit limit was not applied in regard to the Agreement with M/s. Hindustan Organisers. It might be worthwhile to enquire if the interest charges were waived deliberately or it was an act of omission on somebody's part. (Paragraph No. 253).

Reply of Government

The I.O.C. has since claimed interest from the firm on overdue payments. The claim has not been accepted by the firm and further appropriate action is being taken.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 87)

The Committee have recommended elsewhere in this report that all payments delayed beyond the stipulated credit limit should attract interest charges whether the consumer is a Government party, a public undertaking or a private individual. The I.O.C. should lay down this penalty clause in all future agreements for supplies of products and enforce the penalty invariably. Exceptions should be granted only by competent authority and on good reasons. In the case of M/s. Hindustan Organisers, the Committee see no ground for exemptions being made in the collection of interest on late payments. The Committee also recommend that the credit limit should not exceed 45 days *i.e*, the limit which the Refineries Division gives to the Marketing Division for the supply of products. (Paragraph No. 254).

Reply of Government

Whenever competitive conditions permit, IOC will stipulate the levy of interest charges on overdue payments. The credit limit of 135 days given to M/s. Hindustan Organisers arises out of a contractual obligation already entered into and cannot be altered now. However, the question of prompt payment of dues and the charging of interests on overdue payments has already been taken up by I.O.C's. solicitors with the firm.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 88)

The Committee recommend that the Branch Financial Controllers may be given greater authority than now in regard to financial matters. Where financial concurrence is necessary, the Branch Managers may obtain it from the Branch Financial Controller rather than refer cases to the Financial Controller of the Division at the Head Office. Only in exceptional or major cases should a reference be made to the Division's Financial Controller. (Paragraph No. 259).

Reply of Government

At present, there is a delegation of powers to Branch Managers. Where a matter falls within the power of a Branch Manager, and needs financial concurrence, the Branch Manager seeks financal concurrence from the Branch Financial Controller of the Branch and not from the Financial Controller of the Head Office. Where however the matter is not within the delegated power of the Branch Manager, he refers it to the Managing Director at the Head Office. At that stage, the Managing Director seeks the financial concurrence of the Financial Controller at the Head Office.

The adequacy of delegated powers is constantly reviewed. When more powers are delegated to Branch Manager (as has recently been done), the Branch Financial Controllers also automatically get corresponding higher powers for according financial concurrence.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 89)

The present policy of retaining most of the powers with the Head Office is neither conducive to efficiency nor in keeping with modern thinking on Management. Therefore, early action should be taken to revise the list of delegated powers. (Paragraph No. 260).

Reply of Government

Noted.

A continuous review is made of the adequacy of the powers delegated to the Branch Managers and these are enlarged as and when necessary. Further delegation will be made on the basis of the recommendations of the Manager (Efficiency Research) appointed recently.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 91)

The performance of the sales staff should also be subject to constant review and figures of sales and expenditure should be compiled district and Branch-wise for judging productively. The Committee also suggest that the Head Office should have an Efficiency Expert who has been specially trained in O & M work with special reference to the petroleum industry. He should be entrusted with the task of devising methods for measuring performance and for increasing productivity and efficiency in the various fields of the IOC's activities *i.e.*, sales, operation, accounts, depot management etc. (Paragraph No. 263).

Reply of Government

Noted. An efficiency expert with special training and experience in O & M work and with considerable knowledge of the oil industry has been appointed in April, 1967.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 92)

The Committee suggest that a thorough scrutiny of all the posts in the various Branches be made with a view to pick out and eliminate posts like that of the Liaison Officer at Calcutta. (Paragraph No. 265).

Reply of Government

Noted. The post of Liaison Officer at Calcutta has been abolished.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Recommendation (Serial No. 93)

The Committee are glad to know of the establishment of the Staff College and hope that it will be possible to impart thorough training to all the I.O.C. staff, in the sphere of their work. This is a very important aspect both in regard to increasing the efficiency of the Corporation and also to ensure that servicing of customers is effective. The Committee received complaints that some of the I.O.C. sales staff were not thorough with the technical details of the products being marketed, especially lubricants. This is a lacuna which the staff college should seek to plug. Intensive training should also be given on modern sales methods and sales promotional activities. For this purpose it would also be desirable for the teaching staff of the Staff College to keep abreast of developments in sales and management techniques that are taking place in more advanced countries. These new techniques could be discussed with people who are doing the job, so that they may be applied in a practical way and adapted to Indian conditions. The trained staff could then report their experiences back to the College who can make an assessment of the value of such techniques. In short, the training programmes should act as a two-way traffic both for imparting of knowledge to be carried into the field and obtaining results from the field of the practical application of such knowledge. The Committee would also recommend that refresher courses should be given to persons who have been once trained, so that knowledge of latest or advanced technique can be imparted to them. (Paragraph No. 268).

Reply of Government

Noted. The staff college is taking steps to organise its activities on the lines indicated.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 94)

The Committee recommend that pump attendants should be given a short training on how to conduct themselves with customers who patronise the pumps. They should be given lessons in courtesy and correct behaviour ,to be adopted and should also be given practical training on the peculiarities of different types of vehicles that are likely to come to a pump and how each is to be served. On the behaviour and efficiency of the pump attendants will depend greatly the impression that the public will carry of the IOC and it is important to ensure that these men are not wanting in courteous behaviour, knowledge of their work and efficiency. (Paragraph No. 269).

Reply of Government

Noted. IOC has already given retail service training to its own staff and has plans to impart such training to dealers and pump attendants also.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 95)

Another category of staff who should be properly trained is the Accounts Staff. From what the Committee have been able to see most of the Branches has been far from satisfactory and it has been stated that the Chief cause has been the lack of adequately trained staff. It is very necessary to ensure that all accounts staff are thoroughly trained, and their method of work is efficient, methodical and thorough. Unless the billing and collection work is carried out efficiently, the work of the Corporation is bound to suffer, as has happened till now. (Paragraph No. 270).

Reply of Government

The Accounts Staff in all the Depots and Installations have been trained. Most of the accounts staff in the Branches have also been trained in their respective jobs. A number of acounting manuals have been prepared. The concerned officers and supervisory staff from the Branches undergo special instruction in the Head Office on how to implement the new manuals.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 96)

The Committee feel that in an industry like petroleum, where a high degree of specialisation is necessary, a policy of obtaining officers on deputation from Government for a fixed tenure of two or three years would be undesirable. While there would be no objection in obtaining men from Government sources it should be on the condition that they would be absorbed in the I.O.C. after a probationary period fixed for that category of post. At the end of that period, if found satisfactory they should be absorbed permanently in the Organisation and should be made to sever their connections with Government. A person who is on deputation and is looking forward to his next promotion in his parent department cannot be expected to give his best in the organisation. (Paragraph No. 271).

Reply of Government

Noted. The recommendation will be implemented as far as practicable.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 97)

While the Committee have no objection whatsoever to the grant of advance increments in deserving cases, they cannot help feeling that advance increments are being granted as a matter of course which diminishes the value of such rewards and tends to create jealousies within the organisation. The Committee, therefore, recommend that utmost discretion should be exercised by the Managing Director in the grant of advance increments and only those meriting the highest consideration should be sanctioned. Such rewards besides benefiting the person concerned should also be duly publicised so that the whole organisation may come to know of the recognition of merit by the management. It might, therefore, be useful to publish a list of persons to whom merit increments have been given in the house journal of the Corporation. (Paragraph No. 277).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 98)

Some of the instances of promotions examined by the Committee led to a doubt whether too rapid promotions were not being given in some cases, than was legitimately due. While it is admitted that in an expanding organisation, many new posts are created, it does not seem right that a person with only a limited experience in a lower post should be promoted to fill a new vacancy in a higher grade before he is fully mature and has gained the technical expertise to qualify himself for higher responsibilities. The Committee agree that merit should be recognised and rewarded but to give two rapid promotions and in addition, to give advance increment on initial fixation of pay in the new scale appears to be incongruous.

(Paragraph No. 278)

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 98A)

The Committee learnt that there were only 37 vigilance cases so far. Out of these, allegations in 31 cases were not substantiated. In the other 6 cases where the charges were proved, suitable action was taken against the persons concerned. The Committee are not satisfied with the arrangements made by the Corporation in dealing with cases of corruption, black-marketing etc. that may arise. Barring perhaps the Railways, the I.O.C. is the one public undertaking which has the maximum dealings with the public. However many rules one may have, there is a very large field of discretion which has necessarily to be allowed to officers at practically all levels. Right from appointment of dealers and agents to the daily supply of products to them one officer or the other does exercise some discretion. In other words, these matters do not automatically follow a definite rule. This being so, the possibility of an officer's decision being influenced by unfair considerations cannot be ruled out, specially when there are a large number of items which are in short supply and also when an agency or a dealership is such a profitable business. (Paragraph No. 280)

Reply of Government

The views expressed have been noted for future guidance. It has been decided to have a full time Vigilance Officer for the Marketing Division and the Vigilance set up and procedures will be further strengthened as suggested.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 27-11-67.]

Recommendation (Serial No. 99)

The Committee recommend that the Corporation should have a proper and well publicised organisation for dealing with complaints from public. Each Branch manager should be designated by name as vigilance officer and a notice hung up at all the I.O.C. Offices, pumps and Agents' Shops requesting customers with complaints to write to the vigilance officer at the Branch or the Head office giving full particulars of the case about which the complaint is being made. All such complaints received should be acknowledged and where a *prima facie* case seems to exist, enquiries should be conducted. The cases need not merely relate to corruption, but also black-marketing by dealers or agents or other corrupt practices adopted by them.

An enquiry into a case should be made quickly, and where an allegation has been proved, the case should be processed swiftly and the formalities of procedure gone through without waste of time.

(Paragraph Nos. 281-282)

Reply of Government

Noted. A post of Vigilance Officer has already been sanctioned for the Head Office and action will be taken to deal with public complaints expeditiously. The Branch Managers have been asked to extend all assistance to him.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 100)

The Committee feel that the expenditure on air travel is high and that there is a great scope for reduction. It will be seen that in 1965-66 more than Rs. 34,000 had been spent at the Head Office alone on air travel by the Officials who are not entitled to travel by air. In order to economise, air travel should be allowed only in very genuine and urgent cases.

(Paragraph No. 284)

Reply of Government

Note. Air travel by officers below the grade of Rs. 1300—1600 is allowed only in cases of extreme urgency, and, at present, this can be undertaken only with the personal approval of the Managing Director in the Head Office and the Branch Managers in the Branches.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 101)

The Committee found that in 1965-66, as against the budget provision of Rs. 10.08 lakhs on telephones, the expenditure was Rs. 14.66 lakhs.

There appears to be need for greater economy in this expenditure than exercised so far. The Committee understand that there is a move to install teleprinter service between branches. When this is done strict care should be taken to ensure that the number of trunk calls made are kept to the minimum. The Committee feel that it would be desirable for the senior most officers in each Branch and in the Head Office to examine each month the number of trunk calls made by each officer and the justification for the same. (Paragraph No. 285).

Reply of Government

The Head Office has since been connected by a Teleprinter service with all the branches. Branches also send rapid communications among themselves either directly or through the Head Office teleprinters. Strict instructions have been issued that trunk calls should be used only in cases of urgent necessity when the teleprinter service breaks down or where the matter discussed is of a confidential nature. The number of trunk calls has already come down appreciably.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 102)

Except perhaps for the Post Office, the I.O.C. is the one Government of India undertaking which will operate throughout the length and breadth of the country and spread its influence upto the remotest village in India. The I.O.C. will therefore be a symbol of the Government of India. Publicity of an institutional nature is, therefore, important in order to build up an image of the I.O.C. in the public mind. The efficiency and quality of service of the I.O.C. will also of course influence the impression that the public will gain of Government institutions. The publicity should, therefore, emphasise this aspect so that the public looks upon the I.O.C. as their friend on whom they can depend for prompt servisce. (Paragraph No. 291)

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 103)

The Committee feel that there is great scope for improvement in the quality and standard, both of the Press advertisements and the outdoor publicity, consisting of hoardings both at retail outlets and elsewhere. The advertisements and hoardings should be catchy as for example those of Air India, and should also emphasise that the I.O.C. belongs to the people. Being a public undertaking, a sense of public participation in its activities should be created. It might be advisable for the I.O.C. to consult a reputed advertising consultant with a view to improve the standard of its advertising. (Paragraphs No. 292-293).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 105)

The Committee found that the house journal had practically little or no news about the three Refineries or the Pipelines Division. If the publication is a house journal of the Corporation then it should legitimately publish news of the Refineries and Pipelines Divisions also in addition to the news of the Marketing Division. (Paragraph No. 295)

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 106)

As for product advertising, the Committee feel that there is scope for better effort in this direction. For example the Committee received complaints that there was lack of information about the quality of the lubricants marketed by the IOC. Attractive folders could perhaps be printed giving full details of the various products marketed and distributed to potential consumers. Similarly as the Committee have pointed out elsewhere in this report, Liquified Petroleum Gas, which the IOC is marketing under the brand name of INDANE requires to be widely publicised not merely from the point of view of the brand, but with an idea to induce the public to change to LPG from Kerosene and other conventional fuels. It would be in the national interest to make people discard Kerosene for LPG.

(Paragraph No. 296)

Reply of Government

Noted. As Indane is marketed in more and more towns, advertising will be stepped up.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 107)

The Committee are not very happy about the payment of advance rents for office buildings. While justification has been given for such an abnormal procedure, the chief among them being that advance rents have become an acknowledged practice in commercial circles, it is rgrettable that Government cannot exert its influence to obtain accommodation on more favourable terms. (Paragraph No. 298).

Reply of Government

It is agreed that the payment of advance rent should be avoided, if possible, but in certain circumstances this may become inevitable.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 109)

As an alternative, two or three public undertakings with headquarters in a city may pool their resources and construct a building for themselves. The Central Government should give all assistance in the matter of leasing of suitable sites for such ventures where land belonging to them is available or else the Government should use their good offices to persuade the State Governments to lease out suitable land for this purpose. At any rate, renting of private accommodation at such exorbitant rates and on such unusual terms as 1½ to 2 years advanc erent should be discouraged. (Paragarph No. 301).

Reply of Government

The recommendation has been brought to the notice of the Ministries concerned for giving effect to it to the extent possible.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 111)

In regard to the case of inadequate control over issues of steel to fabrication contractors pointed out in Section II, para 4 of Audit Report (Commercial), 1965, the Committee feel that the I.O.C. did not act properly in not keeping accounts of the steel issued to the contractors. While it is true that the I.O.C. did not lose any money on this, it is well to remember that the steel was imported and since steel was in short supply there was every possibility of diverting it for other uses by showing an excess amount of wastage. Since the Committee did not enquire into the matter it cannot be said that this happened. All that they wish to point out is the possibility of malpractice in the absence of proper accounting procedures. The Committee hope that the I.O.C. will be more prudent in such matters in future. (Paragraph No. 311).

Reply of Government

Noted. Proper accounting procedures have been established and accounts of steel issued are now being maintained satisfactorily.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 112)

As regards the cases pointed out in the Audit Report (Commercial), 1965, Section II, Paras 5(1) and 5(ii), the Committee find that these 3 cases along with many others were some of the unfortunate incidents in the early history of the IOC. Some of these have resulted from experience and the others due to hasty actions without prudent thought and calculation. This can only be regretted and the Committee can only hope that the IOC will benefit from these experiences and avoid similar pitfalls in future. (Paragraph No. 323).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC, dated* 11-9-67.]

Recommendation (Serial No. 114)

The Committee have noticed a recent trend for the better in the management and organisation of the Division and hope that the working of the Division will improve with time and that it will be possible to reach an efficiency worthy of the high hopes reposed on this organisation in a key sector of the country's economy. (Paragraph No. 332).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC, dated* 11-9-67.]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial No. 4)

The Committee desire that the Ministry of Defence should examine the question of payment of premium for sites leased to I.O.C. for retail outlets, and lay down a reasonable sum to be charged from the I.O.C. pumps as premium. This should be applicable to all the Cantonment Boards.

(Paragraph No. 20)

Reply of Government

The question of rent/premium for military lands leased for retail outlets has been examined and it has been decided as follows:

(a) No separate rate for petrol pumps will be fixed in the STRs for lease for petrol pumps. Where any such rates have been fixed, the same will be ignored.

(b) Normally, the rent of land in Cantonments leased for petrol pumps/service stations will be 4 times the residential STR in the area in question and premium equivalent to 10 times the said rent i.e. 40 times the residential STR. The lease of the land will be for a period of 10 years, whereafter the rent and premium will be refixed on the same principles, should it be decided to extend the period of the lease.

(c) In exceptional cases, where the Military Estate Officer considers that the value of the land desired for petrol pump/service station will be substantially more than 4 times the value of residential land in the same zone/Cantonment, he will be at liberty to recommend a higher rent and premium.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/IOC, *dated* 11-9-67.]

Recommendation (Serial No. 8)

The I.O.C. should have taken the initiative by offering to take over the installations belonging to the private oil companies at Cochin after clearly explaining their policy in this regard. This the I.O.C. did not do. Instead, storage tanks and other facilities were put up at the Cochin Refinery for storage and despatch of products by rail and road. The Committee understand that these storage tanks were built with imported material and that considerable expenditure has been incurred on them. This unnecessary expenditure could have been easily avoided. (Paragraph 30).

Reply of Government

The I.O.C. had taken the initiative and contacted Caltex in 1963 to secure their Cochin facilities for the use of the I.O.C. Caltex, however, informed the I.O.C. that it was not their policy to sell their port installations. The I.O.C. thereafter put up its own installation on a very modest scale. No imported material was involved. Besides the tankage built at the Cochin Refinery was barely adequate for refinery operations and could not have been reduced even had the private companies' installations been available for the I.O.C.

The development of centralised loading facilities in the Cochin Refinery has been very much favoured by the Railways, who now bring all the empty tank wagons to one location, instead of to four separate and far flung sidings, and can thus form special trains for single destinations. This has greatly improved the turn-round and the utilisation of tanks wagons.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 8A)

Such instances are bound to increase in future. More and more business at airports, especially those used by the Defence, is likely to come over to the I.O.C. What happened at Cochin will shortly happen at Madras. In all such cases, there could be no justification whatsoever for the I.O.C. to build new installations. It would be a national dis-service for the private Oil Companies to hold on to their installations when they have no use for them, or to sell them as scrap after dismantling. In times of economic difficulties when steel etc. are difficult to obtain, such waste should not be allowed to occur. (Paragraph No. 32).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 27-11-67].

Recommendation (Serial No. 9)

The Committee suggest that in future, where oil installations and ancillary facilities become surplus to the requirements of the private oil companies as a result of business passing into the hands of the I.O.C., Government should ensure that such installations are taken over by the I.O.C. and that the I.O.C. does not duplicate the facilities already existing. No national waste should be allowed. If there is a dispute regarding the price to be paid for such transfer of property, Government should constitute a Committee consisting of a representative each of the I.O.C. and the private oil company concerned and an impartial chairman, acceptable to both the parties. The sale price fixed by such a committee should be binding on both the parties. (Paragraph No. 33).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Further Information called for by the Committee, in respect of recommendations at Sl. Nos. 8A & 9.

The progress made by IOC in taking over port/airport installations from private oil companies at Madras and other places may be intimated.

(L.S.S. O.M. No. 28-PU/68, dated 5-12-68)

Final Reply of Government

The progress made by IOC in taking over port/Airport installations from private oil companies at Madras and other places is indicated below :—

(i) Royapuram Installation of Caltex at Madras was taken over in December, 1965.

(ii) Two storage tanks from Esso's Budge Budge Installation at Calcutta were taken over in June, 1968.

(iii) Negotiations have been finalised with Esso to take over their Korrukupet Installation at Madras and they will now be taken over formally in the next few weeks.

(iv) Negotiations with Burmah-Shell for taking over their installations at Vizag are in progress.

The progress with regard to taking over Aviation Filling Stations from other oil companies at airports is as under :—

A.F.S.	Taken over from
1. Amritsar	Esso
2. Jammu	Shell
3. Allahabad (Bamrauli)	Shell
4. Gauhati	A.O.C.
5. Mohanbari	A.O.C.
6. Kumbhigram	A.O.C.
7. Agartala	A.O.C.
8. Patna	Shell
9. Bagdogra	Shell
10. Charbatia	Esso
11. Bubaneshwar	Esso
12. Vizag	Esso
13. Begumpet	Esso
14. Trichy	Esso & Shell
15. Cochin	Esso

16.	Sulur	Shell
17.	Mangalore	Esso
18.	Belgaum	Esso
19.	Rajkot	Esso
20.	Nagpur	Esso

[*Ministry of Petroleum & Chemicals and Mines & Metals O. M. No.* 13/3/67/ *IOC; dated* 12-3-1969]

Recommendation (Serial No. 11A)

It will be seen from the above figures that the trend of unit incidence is progressively on the increase. The Committee are of the view that a very strict control over operational costs is necessary. As an example, in the Northern Branch the net under-recovery of freight jumped from Rs. 3.80 lakhs in 1964-65 to Rs. 21.70 lakhs in 1965-66 i.e., an increase of 570 per cent, though the sales increased only by 100 per cent. Similarly, the net under-recovery on account of port-price differential rose from Rs. 1.37 lakhs in 1964-65 to Rs. 6.27 lakhs in 1965-66, i.e., an increase of 458 per cent. Perhaps, these under-recoveries could have been avoided to some extent if the incidence of under recovery had been properly calculated and movement arranged in such a manner as to reduce this figure to the minimum. Similarly, the Committee found that a large amount of bridging (i.e., uneconomical transport by tank lorries instead of railway tank wagons) is being done in practically all the Branches, particularly in the Western region from Bombay. (Paragraph No. 42).

Reply of Government

Attention is invited to the reply given to the Recommendation at paragraph 43.

[*Ministry of Petroleum & Chemicals O.M., No.* 13/3/67/*IOC*, 27-11-67].

Recommendation (Serial No. 12)

The Committee are of the view that a very strict control over operational costs is necessary. If proper cost figures are available in time, the Management could take measures to prevent unnecessary *expenditure on uneconomic* movements or to reduce it. For a proper and efficient exercise of managerial control over the affairs of the Corporation, it is very necessary for the Management, both at the Head Office and Branch levels, to have complete and exhaustive data on all the aspects of the operations in the right form, both in regard to past and projected operations.
(Paragraph 43).

Reply of Government

IOC has taken steps to improve its cost accounting. It is expected that control over operational costs will thus be further improved.

At the same time, it must be mentioned that under-recovery of freight often becomes inevitable. Due to operational reasons, the Railways prescribe a 'no tank wagon Zone'. As a result, movements from refineries or installations within a specified distance (usually 75 to 150 miles) have to be made by road. The recovery of the price is, however, on the basis of the normal rail freight and this leads to under-recovery. Due to variations of supply/demand from time to time, out of zone movements also become inevitable, leading to under recovery in freight.

The steep increase in our recovery in 1965-66 was mainly due to the following reasons :

(a) The production of the inland refineries increased substantially during 1965-66, as compared to 1964-65. The increased production has to be marketed in the zones beyond those to which products were earlier moving. In other words, the additional production is marketed in the more distant zones, involving higher under recovery. The additional under recovery will therefore not be proportional to the increased production or increased sale, but has unavoidably to be higher.

(b) In the summer of 1965-66, there were pockets of acute shortage of products in various parts of the country. Normal movement patterns could not be adhered to and several ad hoc and emergency, movements had to be made involving extra cost.

(c) During the emergency prevailing at the time of the Indo-Pak conflict, several emergency movements had to be made 'out of zone' involving large under recoveries.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 13)

The I.O.C. should plan ahead and use machines as well as modern scientific methods for calculation of their operational costs. The I.O.C. will perhaps rank as India's biggest company in terms of gross annual turnover and as such it is necessary to discard rule-of-thumb methods and switch over to modern scientific analysis of problems. (Paragraph 44).

Reply of Government

Noted : Necessary action is being taken.

[*Ministry of Petroleum & Chemicals O.M.* 13/3/67/*IOC, dated*] 11-9-67]

Further Information called for by the Committee.

Specific steps taken in regard to installation of machines as well as introduction of modern scientific methods for calculation of the operational costs may please be intimated.

[*L.S.S. O.M. No.* 28-*PU*/68, *dated* 5-12-68]

Final Reply of Government

With the increase in business, it was decided to mechanise the accounting procedures, as the manual accounting system could neither cope with the volume of accounting work, nor provide timely and accurate management information.

In pursuance with the decision, the Indian Oil Corporation Ltd. Marketing Division has installed Punched Card Accounting Units at all its Branches at Bombay, Madras, Calcutta and New Delhi. This will enable the organisation to perform its basic accounting functions efficiently; to provide necessary management information in time; and to achieve economies by way of more effective cost controls.

The details of the applications which have been successfully mechanised are given below :—

(1) Cash Book.

(2) General Ledger.

(3) Trial Balance.

(4) Sales Journal.

(5) Statement of Accounts to customers.

(6) Sales Tax Statements.

(7) Pay Roll.

(8) Cost & Budget Statements.

With the assistance of the Indian Oil Corporation's Auditors, an efficient integrated Accounting System has been developed for both Financial Accounting and Management Accounting and the same is being installed. This system also provides for better and scientific methods for compilation of the operational costs, quarterly profit & loss accounts and other returns for adequate budgetary control.

To cope up with the repidly increasing work load, the Tata Consultancy Services were asked to study the data processing requirements of the Marketing Division, and to recommend a data processing complex suitable to the needs of the Corporation for the next five years. Their report is expected very soon and further action on installation of more advanced machines will be taken on receipt of their report.

[*Ministry of Petroleum & Chemicals and Mines & Metals O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 17)

The Committee suggest that the I.O.C. should obtain the specifications of the various types of tank wagons in use and prepare calibration tables for them immediately. The Corporation should also take up the matter of recalibration of tank wagons, where necessary, with the Railways. Faulty calibration can also lead to wrong accounting by the depots and indicate gains or losses where none exist. The Committee suggest that the I.O.C. should go into this matter with the Railways to prevent leakage and pilferage of oil products in transit. The Railway Board should lend their support to end this diminution of revenue, because in the ultimate analysis, it is the public money which is lost whether the I.O.C. bears the loss or the Railways. As such, this matter deserves serious attention of both. (Paragraph No. 57)

Reply of Government

Every tank wagon is not physically calibrated, nor is this feasible. At the time of manufacture of tank wagons, a batch of about 15 to 20 is manufactured to the same dimenstations. 2 or 3 tank wagons are selected out of each batch at random and only these are physically calibrated. The Calibration Chart thus prepared for these two or three tank wagons holds good for the entire batch. This is the standard practice and is accepted by the Railways and all the oil companies in India. The Railway Board have lent their full support in the matter. IOC at present has calibration tables of all representative tank wagons of every size. The IOC has devised a special seal punch (in which the seal impression can be varied at random, from about a dozen alternative impressions). This seal punch is kept in the personal custody of the Installation Manager. By this arrangement, the IOC is able to establish any pilferage in transit.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC,*
dated 11-9-67]

Recommendation (Serial No. 19)

The Committee recommend that the IOC should standardise the service stations both in regard to equipment and installations and buildings. Two or three standard types may be designed and an estimate of costs worked out for each of these types. The service station put up in future should conform to these standards and costs should be confined within the limits laid down. (Paragraph No. 61).

Reply of Government

The Indian Oil Corporation have a few standard designs for Service Stations indicating the type of equipment to be installed and the type of building needed. In most cases, the Services Stations conform to these standard designs.

In major cities, departures are made from standard designs in some cases keeping in view the need for special display publicity in a highly competitive market.

As regards the variations noticed by the Committee, the building cost for the Link Road Service Station at New Delhi was actually Rs. 44,212 (and not Rs. 14,212, which is presumably a typographical error). Thus the building costs of the two Service Stations were nearly equal. There were many items of additional equipment in the Link Road Service Station such as additional Hoist, Hibuoys cabinets, Air Tower, Tube well etc., to cater to the needs of the heavy traffic and also the night traffic on this road. The cost of equipment was, therefore, higher.

For the two Bombay Service Stations, a detailed statement, showing the various items of cost, besides the buildings and giving reasons for the variations is given in Appendix II. It may be mentioned that the station at Dr. Annie Besant Road was specially designed by an architect, as a Service Station with special display, large heavy canopy with special illuminations etc., as it is situated on one of the most important roads of Bombay. (Paragraph No. 61).

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 21)

Judging by the facts made available, the Committee feel that much needs to be done both in regard to the availability of tank wagons and the turn round of wagons. The Railways should make available the minimum number of tankwagons required at different bases. Estimates of annual requirements should be worked out in consultation with the RIPMC and the decisions taken should be implemented fully by the Railways. Inadequacy of tank wagons may lead to serious bottlenecks in the movement of petroleum products, which is undesirable in any circumstances, and worse still in times of any emergency. The Committee have not enquired as to the exact nature of the difficulties faced by the Railways in making available the required number of tank wagons and as such they are unable to comment on that aspect. If there are difficulties, they have to be overcome as no exception can be made in regard to the movement of oil products. (Paragraph No. 67).

Reply of Government

During the year 1966, the Railways very substantially improved the loading of tankwagons as can be seen from the following figures:

Loading of POL Products

Year	BG Loading	% improvement over past year	MG Loading	% improvement over last year
1965	246,939		96,175	
1966	292,314	18·4%	103,145	6·8%

The increased tankwagon loading in 1966 has to be considered in the context of an overall increase in the consumption of all products of 4.5% only, compared to 1965. If despite this there were a few complaints of shortages during the 1966 summer season, these arose due to the unusual drought conditions which necessitated the diversion of a large number of tankwagons for water supply.

2. Provision of tankwagons is made by the Railway Board in consultation with the marketing oil companies through the agency of the RIPMC on the basis of a uniform rate of movement all the year round. In actual practice, however, the demand for tankwagons is not evenly spread out throughout the year. For instance, the requirements during December and May are very heavy; and there is large scale idling of tankwagons for want of demand during the period July to September. The number of tankwagons days lost due to idling during these months, in the past few years, is indicated below :—

Tankwagons days lost due to absence of demand during July to September

	BG	*MG*
1964.	27,780	27,597
1965.	28,841	21,492
1966.	18,752	11,747

3. Tankwagons availability to meet peak season requirements can be ensured in any one of these ways :

(a) the railways providing enough tankwagons to meet peak level requirements; or

(b) the oil companies providing buffer storage at upcountry locations to absorb idling during slack months.

The first alternative, if implemented, will result in even heavier idling during slack months. Rail tankwagons unlike other wagons cannot be used for the transport of general goods. Any substantial increase in capital outlay on additional tankwagons, which will further inflate the heavy idling during slack periods, is, therefore, not considered desirable, the more so, since the additional need during the peak periods can be met by utilising the spare road transport capacity available. To meet the situation the upcountry storage is being expanded in a phased manner on the lines of (b) above.

4. Bottlenecks arising out of priority given to foodgrains and defence requirements have not affected the availability of tankwagons as the Railways also give a high priority to the movement of POL products, particularly because these products are required for the Defence as well as for the distribution of foodgrains.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 27-11-1967]

Recommendation (Serial No. 22)

In regard to turn around of wagons, the Committee hope that both the Railways and the RIPMC will keep a close watch and ensure that the position improves. An Efficiency Expert or Consultant could be requested to examine the matter and make suggestions for improvement. If turn around efficiency can be improved even by 10 per cent, the savings and efficiency that can be effected will be considerable. (Paragraph No. 68).

Reply of Government

The present co-ordination arrangements for meeting the day-to-day requirements and for improving the turn around of tankwagons and for planning additions to the tankwagons fleet, are considered satisfactory. Mention may be made of some new factors, such as an increase in the number of loading points, following the commissioning of inland refineries and pipeline terminals. This increase in the number of loading bases creates problems. In the past, for instance, the Delhi area received all of its requirements from Kandla by special trains. The position now is different. Light Diesel Oil comes from Barauni, where production is enough to meet the full requirements of the region extending from Calcutta to Kashmir. Motor Spirit and High Speed Diesel Oil come from the Pipeline terminal at Kanpur. Kerosene oil and Furnace oil have to be brought from Kandla, aviation fuels from the Gujerat refinery and special grade products from Bombay. Notwithstanding these factors, efforts continue to be made to improve the turn-round of tankwagons by the provision of additional facilities at terminals such as multi-purpose pumps, additional pumps, expansion of sidings, increased storage etc.

Since the factors responsible for unsatisfactory turn-round have been identified and measures have been taken to bring about an improvement, the need for referring this to any Efficiency Expert does not now arise.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 27-11-67]

Recommendation (Serial No. 25)

The Committee feel that running dry of stocks especially in big cities is likely to create a very adverse impression on the public and would injure the reputation of the I.O.C. There is no justification for this to happen. Every installation and depot has sufficient storage capacity and can provide for a good margin of stocks. If movement operations are efficient, there is no reason why storage tanks should go dry at any place, at any time. (Paragraph 72).

Reply of Government

I.O.C. have a fullfledged Supply and Distribution Department to ensure a constant flow of products to Main Installations, BPI's Depots, etc. However occasionally there can be marginal (sporadic) shortages of products due to reasons beyond control, such as breakdown of rail connection due to accidents, unanticipated closure of refineries, slippages in coastal and import tankers, etc.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 26)

The Committee recommend that there should be periodical meetings of sales and operational personnel within a Branch and between Branches with a view to exchange ideas and experiences and effect improvements. The General Manager of the Division should also act as the link between Branches and transmit ideas from one unit to the other. The Committee would also suggest that a keen sense of competition should be developed between Branches in the matter of operational efficiency and suitable awards made as incentive to better performance. (Paragraph 73).

Reply of Government

At the Branch level, there are regular meetings of operations and sales staff in order to coordinate policies and programmes. Furthermore, the Head Office convenes meetings of Branch Managers every quarter to discuss sales objectives and other allied matters. The Managing Director, General Manager and other senior officers from the Head Office also tour the Branches to give the latter advice and guidance on the spot.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Further Information called for by the Committee

Specific steps being taken to instil a sense of keen competition amongst branches in the matter of operational efficiency may be intimated.

[*L.S.S. O.M. No.* 28-*PU*/68, *dated* 5-12-68]

Final Reply of Government

An incentive scheme has been initially evolved for the purpose. Its salient features are enumerated below :—

1. All the depots have been divided into *three* groups based on their thruput as follows:

(a) depots having a monthly thruput of 1000 Kl. or below.

(b) depots having a monthly thruput between 1000 Kl. and 2500 Kl.

(c) depots having a monthly thruput of over 2500 Kl.

2. The basic data for judging the performance is cost/Kl of controlable expenses *i.e.* expenses excluding rents, taxes, licence fees, depreciation and insurance. Branchwise targets for each of the above three groups have been laid down.

3. A depot will have to meet the following conditions to qualify for an award :

(a) Cost/KL should be the minimum within its group in the same branch.

(b) Cost/KL should be below the target figures :

Group 'A'	Rs. 1,000.00
Group 'B'	Rs. 1,500.00
Group 'C'	Rs. 2,000.00

The amount will be shared by the Depot Superintendents and their staff in proportion to their basic salaries.

Based on the experience of working of the scheme for the depots, the Indian Oil Corporation Ltd. will be extending the same to the Installations and later on to the Branches also.

[*Ministry of Petroleum & Chemicals and Mines & Metals O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 28-A)

Dispassionately viewed, it is an anomaly that a citizen of Barauni has to pay more for the petrol produced at his doorstep than what a citizen of Calcutta has to pay for the same petrol. Apart from this, the advantage of locating the Refinery in an inland area is lost to a great extent because the industries based on petroleum products would rather set up factories near Ports than near the Refineries, where the raw material is costlier. One of the aims of our planning is to stimulate industrialisation in up-country areas and not merely encourage development of port and metropolitan areas like Bombay and Calcutta alone. The present pricing policy of petroleum is contrary to this principle of planning. (Paragraph No. 79).

Reply of Government

So long as the present system of fixing prices of POL products on import parity at the ports has to be retained, situations of the nature described will arise. The effect of the present policy of fixing prices of petroleum products on the growth of industry in up-country areas has been explained in the reply to recommendation (Serial No. 33) contained in paragraph 96.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 27-11-1967]

Recommendation (Serial No. 29)

There is no doubt that the whole pricing structure is so complicated that any departure from the traditional pricing pattern is likely to have several repercussions. This argument, however, cannot adequately justify the present pricing policy because it ignores facts. Having located the refineries in inland areas, it is only proper to carry this policy to its logical conclusion. The alternative is to face as at present a wholly incongruous situation which can neither be supported by logic nor by argument. The three inland refineries will produce more than 7 million tonnes of products every year and it would be quite anomalous not to treat them as pricing points. How this should be done with reference to other Refineries and to imports is a matter which has to be worked out by Government. (Paragraph No. 82).

Reply of Government

The question of pricing of petroleum products has been examined in detail by the Oil Price Enquiry Committee and the Working Group on Oil Prices. The present system is based on the recommendations of these bodies, which were accepted by Government after due consideration.

2. The present system of fixing prices on import parity at the ports provides a reasonably continuous price pattern for each product for the whole of the country and is self-regulating. The establishment of new refineries at Cochin, Madras and Haldia is a recognition of the same economic position. The inland refineries at Digboi, Gauhati, Barauni and Koyali have been fitted into the existing pattern of pricing in relation to the main port economic supply areas, to avoid disturbance in the pattern of pricing and to promote the undisturbed growth of petroleum-based industries on the established basis. The total projected production by the end of the IV Plan at the inland refineries will be of the order of 7.5 million tonnes against about 14 million tonnes of the existing and projected coastal refineries. As the coastal refineries will thus contribute more to the requirements of the country, it is desirable that the inland refineries should be fitted into a system applicable to the coastal refineries by virtue of agreements, in some cases, and for the generally sound reason, besides, that all the coastal refineries are being operated on imported crude. It is, therefore, considered that, for the present, no departure should be made from the pricing basis related to import parity at the ports.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 30)

The I.O.C. incurs losses every year on account of under recovery of freight. The policy of locating a refinery in an interior location is sound in principle, as it has several virtues, *e.g.* nearness to consuming points thereby saving transport, development of areas surrounding the location etc. Today, however, Government's pricing policy, runs counter to the policy underlying inland location. What is worse is that an undertaking set up by Government is burdened with the responsibility of absorbing the entire ill-effects of this policy. Viewed from another angle it is tantamount to saying that because three refineries have been located in interior locations and not on the coast, an annual loss of about Rs. 4 crores will occur (when the Refineries go into full production) and this loss will have to be borne by the public exchequer. The Committee cannot agree with this policy of Government. (Paragraph No. 83).

Reply of Government

The under-recoveries of freight arise on account of the movement of petroleum products outside the economic supply area of a refinery. In the present stage of the economic development of the country, no refinery can ensure the sale of its entire production in its own economic supply area and each must resort to the transfer of surplus production for sale in other areas. Such out-of-zone transfers involve under-recovery of freight which has to be borne, as the alternative, otherwise, may be the elimination of such movements and a cut back in refinery throughput—a consequence of far greater economic is disadvantage in the case of IOC's three inland refineries which process indigenous crude. To illustrate the above point further, the Bombay refineries are not in a position to sell their entire production in the hinterland of Bombay and have to transfer substantial quantities by coast to other areas (e.g. Kandla, Okha, Madras, Calcutta etc.) and they have to and do bear the under-recovery involved in coastal transfer. Even the Digboi refinery, with the lowest production capacity in the country, is not in a position to market its production in the Assam supply-area and has to transfer surplus production to North Bihar and Eastern U.P., on which under-recovery of freight is borne by the Assam Oil Company. These are not normal marketing expenses and are not and cannot be taken into account in the existing pricing structure, as their impact is of a fluctuating nature. The under-recoveries on freight thus arise in the case of all oil companies and are not peculiar to the IOC. But with the growth in demand for petroleum products in the economic supply areas of the inland refineries (and others, too) the udner-recoveries in freight should gradually come down and eventually disappear.

2. The recommendations that a surcharge of Rs. 2 per tonne on selling prices to consumers be levied to help finance IOC's under-recoveries needs careful consideration. *Prima facie,* this will impose a burden on consumers all over the country or in a limited area. The adoption of such a method to assist the inland refineries will encourage a demand by the coastal refineries for mitigating suitably their burden also on coastal transfers, which has hitherto been borne by such refineries. The cumulative result will be an overall increase in the selling prices of products. Nevertheless, the matter will be examined further.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 30-A)

The Committee are not convinced by the arguments of the Secretary of the Ministry. Firstly, it is a well known fact that under-recoveries do take place because of bulk coastal movements, bridging, movement outside the economic area, etc., which are in the nature of "out-of-pocket" expenses. These are normal marketing expenses and have been taken into account by the OPEC and WGOP. The IOC also incurs these expenses and these are quite separate and distinct from the under-recoveries incurred on account of the locational disadvantages of inland refineries arising directly out of the pricing policy. The Committee do not understand how the two can be mixed up. (Paragraph No. 87).

Reply of Government

The under-recoveries referred to by the Committee are attributable to movements of the following type :—

(a) Bulk movement by coast of products from the refinery port to other main ports.

(b) Freight and bridging expenses of an extraordinary nature, incurred on inland sales.

2. The under-recoveries at (b) take place when, say, a consignment is moved over a short distance by road instead of by rail, resulting in higher expenses in transportation. A movement by rail may also take place by a longer route due to unforeseen closure of the shortest route of supply. To illustrate, Kandla is the nearest source of supply to Delhi, but, due to disruption in the railway line in the rainy season, supplies to Delhi may be moved, say, from Bombay; involving a cost higher than that recoverable in the selling price at Delhi, based on Kandla. The incidence of under-recoveries of the aforesaid type, has been determined on the past experience of the marketing companies, and duly included in the price structure.

3. The under-recoveries at (a) do not constitute : normal marketing expenses, in the strict sense of the term, as such expenses are incurred by the refineries in making available the relevant products at the various ports either to satisfy the marketing needs of their marketing associates or because of the impracticability of absorbing the entire production of the refinery in its immediate hinterlands. As the basic ceiling selling prices of the different products are presently determined on the principle of 'import parity', the refineries are entitled to charge for their products the notional landed cost at the respective ports. Consequently, the cost of transportation of products in bulk by coast from a refinery port to other ports devolves on the refineries. Thus, such cost does not constitute marketing expense, as the starting point for the marketing operation is the main installation of the marketing company at the port of supply, which may have been fed by movement of the products by coast from a refinery port. The cost of bulk coastal movements is thus excluded from the price structure, being an expense incurred by the refinery in the interest of the full utilisation of its products.

4. The under-recoveries incurred by the IOC on Gauhati, Barauni and Koyali products may, in a sense, be deemed to be of the same nature as the expenses incurred on bulk coastal movement, as the IOC also has to sell the products in other areas because of the inadequacy of demand in the proximity of a refinery. Thus, in substance, the under-recoveries experienced by the IOC do not differ from the under-recoveries borne by the private oil companies on out-of-zone movement by coast. If the Gauhati and Barauni refineries had been located on the coast instead of inland, their products surplus to the requirement of the hinterland to the particular coastal point would have been moved by coast to the other ports, in the interests of maintaining full production at the refineries. It may be noted this disadvantage of Gauhati and Barauni refineries to the IOC on this account is of a transitory character, as the under-recoveries in freight should gradually come down and eventually disappear with the growth of demand in the proximity of the refineries.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 27-11-67]

Recommendation (Serial No. 30B)

Secondly, recovery of a full price for motor spirit is legitimately due to the Corporation. If it has to sell the product as naphtha at a lower price because of a lack of market for motor spirit, it is a matter for sympathy. The approach of Government that the IOC is recovering full price for motor spirit and therefore, should not make too much of its under-recoveries, is not a correct stand. In fact, an argument can be advanced that because of delays in the construction of the fertiliser factories and the petrochemical industries, the IOC is unable to sell even naphtha and has to peg the throughput of the Refineries at a lower level than what they are capable of. The IOC incurs heavy losses on this account. (Paragraph No. 88).

Reply of Government

Each refinery must ordinarily fit its production, within the limits of technical feasibility, to the requirements of products in the area served by it. If the area requires naphtha, the same will have to be produced in the same way as other products like Motor Spirit, Diesel Oil, etc.

When it was stated that the IOC is recovering Motor Spirit price for all of its lighter fractions, instead of selling part of it as naphtha, the object was to highlight two facts as under :—

(a) When the fertiliser projects come up in the area served by IOC's refineries, as they have in some cases, the Motor Spirit component of the lighter fractions will automatically come down and will not spill over into the economic supply areas of the other refineries. When this happens, the under-recoveries on the movement of Motor Spirit will come down. It has in fact been estimated that by 1971, there need be no under recoveries on the movement of MS from IOC's refineries.

(b) Till such time as the demand for naphtha does not come up, the IOC has the advantage of moving its MS production into the economic areas of the other refineries—an advantage which is not available to the other refineries, which must in present conditions export almost the entire lighter fractions as naphtha. The Bombay refineries, for instance, are not able to sell MS even in the city of Bombay. Since the IOC gets an advantage by selling Motor Spirit, it has, of necessity, to accept under-recoveries of freight in the process.

In the interests of preserving, a scheme of rational movement, when naphtha-based industries come up, for instance, in the vicinity of Baroda, it will not be necessary to move MS from Koyali Refinery to Bombay and to move naphtha from Bombay to Baroda.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC dated* 27-11-67.]

Recommendation (Serial No. 31)

The Committee do not accept the arguments put forward by the Ministry against the grant of any compensation to the I.O.C. for the loss it incurs on the under-recovery of railway freight. In fact they feel there is a case for compensating the IOC because the freight, under-recoveries arise from the fact that the inland refineries have not been fixed as pricing points. (Paragraph No. 89).

Reply of Government

This is covered by the reply to recommendation No. 30.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC dated* 11-9-67.]

Recommendation (Serial No. 32)

The Committee would make the following suggestion in this regard. Government may levy a uniform surcharge on all products so as to recover from the consumers the total under recovery. This it is stated would amount to about Rs. 2 per tonne. This would imply that the extra freight and other burdens as a result of the location of the inland refineries will be borne by all the consumers on an average basis. Government can then reimburse the actual under-recovery to the marketing companies from the extra collections.

Many other solutions are possible. What is urgently required is to relieve the IOC of the responsibility of shouldering this very heavy burden. The Ministry of Finance and the Ministry of Petroleum and Chemicals should consider this matter and take immediate action. (Paragraphs No. 90-92).

Reply of Government

This is covered by the reply to recommendation No. 30.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC dated* 11-9-67.]

Recommendation (Serial No. 33)

The Committee recommend that the economics of the problem of having uniform prices throughout the country should be worked out in detail and the question examined as to whether it would not be in the interest of the country from the point of all round national development to have such a uniform price for petroleum products at an early date. (Paragraph No. 96)

Reply of Government

The introduction of uniform prices for the whole country will require determination of average prices of the different products at the ports after taking into account their respective volumes as such, to which will be added the all-India average transportation cost per unit volume for different products. The application of uniform prices will give rise to a number of problems and the mechanics of operation will be highly complicated because of the number of products involved and the different modes of tranportation employed *e.g.* by rail with different gauges, by road, by coastal tankers. The problems briefly are :

(i) Periodic adjustments will be necessary of the over/under recoveries of price and/or freight experienced by the oil companies, for which detailed accounts will have to be maintained and audit provided.

(ii) Uniform prices will be fixed on the experience of a single year. In an expanding economy, change in demand and distribution pattern is inevitable. This will require refixation of prices at yearly or shorter intervals.

(iii) If reimbursement of freight actually incurred is assumed, the present built in check in the pricing structure on uneconomical movements, will gradually slacken and may push up the pool prices.

(iv) This will entail creation of a pool fund for which resources may have to be found by Government.

(v) The distributors may concentrate on sales in areas of close proximity resulting in over-recoveries to the highest neglect of distant areas.

(vi) The prices at the coastal towns where industry is presently concentrated, will increase to their detriment.

(vii) A Central agency with a large staff under a Central Authority will be required to administer the uniform system.

(viii) This will also conflict with the refinery agreements under which Government has guaranteed that the private refineries will be allowed to establish prices not higher than import parity prices. The pool arrangement might result in a lower ex-refinery price than the import parity prices in some cases.

The cost of petroleum products (or any other fuel) is only a fraction of the cost of operation of any industry depending on its complexion and its nature. The economy in cost achieved by variation of the present structure of pricing of petroleum products may be too small to give any fillip worth the name to the growth of industry in upcountry areas. Prior to the availability of petroleum fuel, coal was the most common source of energy. The present state of Bihar and the neighbourhood of Gauhati are in the coal belt, yet the availability of fuel and its low cost did not stimulate industrialisation in that area either for lack of entrepreneurial skill or other economic factors contributing to industrial growth. It is, therefore, doubtful whether the mere lowering of the prices of petroleum products by small margins in any area will stimulate growth of industry in that area if the other more vital pre-requisites are not available.

The introduction of the uniform prices for petroleum products is, therefore, not considered to be in the national interest.

[*Ministry of Petroleum & Chemicals O.M. No. 13/3/67/IOC dated* 11-9-67.]

Recommendation (Serial No. 45)

The Committee are not at all happy over the Product Exchange arrangements with private oil companies which are extremely unfavourable to the I.O.C. To say that the I.O.C. was not in bargaining position in 1962 is not a satisfactory explanation. The Government of India decided to establish the Refineries at Gauhati and Barauni and it is the Government of India which fixed the prices. Yet it is very strange that they decided that a Government of India Undertaking should bear all the losses on account of this wrong location while the private sector companies who sold most of the products of these Refineries got all the profits on account of such sale. Worse still, this state of affairs is continuing even today when the I.O.C.'s so called lack of bargaining power does not exist.

The Committee do not wish to comment further on these inequitable arrangements. These arrangements should be revised forthwith. All exchange of products should be ex-Refineries and the receiving oil companies should bear all incidence of freight, port-price differential and any other expenditure involved. (Paragraphs No. 134-135).

Reply of Government

The Indian Oil Corporation is currently negotiating with the other oil companies regarding modifications to the Product Exchange Manual.

2. The under-recoveries of freight and of the port-price differential do not arise because of the product exchange arrangements nor because the IOC refineries are located inland. These would arise in any uniformly applicable pricing arrangement, even if the IOC were able to sell the entire production through its own net-work. The under-recoveries arise on account of the inadequacy of demand in the vicinity of refineries. The private oil companies also suffer such under-recoveries on the products they must move off-shore or, at times, out of zone. With the growth of demand in the vicinity of the refineries and the emergence of naphtha based industries, the under-recoveries will come down and there would even be over-recoveries under similar pricing arrangement in a few years. Besides, the under-recoveries on movements from inland refineries relate to only one aspect of the operations of the IOC. The position should be considered in the context of the profitability of the IOC's operations over a period of time and with reference to the overall position *i.e.*, including the refining operation. Suffering under-recoveries temporarily is preferable to cutting the throughput of the refineries.

3. The suggestion that all exchange of products should be ex-refinery and that the receiving oil companies should bear the incidence of freight, port-price differential and any other expenditure involved is not considered expedient in the public interest. This may lead to a good deal of wasteful movement both by rail and by coastal tanker. Besides, the benefits which the IOC derives from the existing exchange arrangements would be lost. Some of these advantages are as follows. What the IOC gives ex-refinery with M.I. charge (except for Motor Spirit), it receives back ex-tanker or by pipeline transfer without M.I. charge. For surplus products, the IOC also has the advantage of asking for the products at the port of its choice, even though, in the process, the coastal debits which are unrecovered, accrue entirely to the private oil companies.

4. For the foregoing reasons, the Government is of the opinion that matters should be left to be regulated by the results of IOC's current negotiations over the Product Exchange Manual.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Recommendation (Serial No. 46)

As for the incidence of Central Sales Tax, the Committee understand that only the States of Maharashtra, Andhra, Kerala, Gujarat and Assam have agreed to the exemption of the tax. Appeals have been made by the Central Government to the Madras and Bihar States to grant similar exemptions but so far, they have not agreed. The Committee feel that as the location of Refineries in these States has brought about several permanent benefits to these States, they should be generous enough to forego their revenue on this account. Individually taken, the amount paid to each State might not be a big amount, but as it is only one party who is expected to foot the entire expenditure on this account, the burden is extremely heavy. In fact it is very unfair to load the I.O.C. with this tax. The Committee, therefore, suggest that the matter should be taken up by the Ministry of Petroleum & Chemicals with the States concerned at the Chief Minister's level and the States persuaded to forego this revenue. If such efforts do not meet with success other means should be devised to compensate the I.O.C. (Paragraph No. 136).

Reply of Government

The position in respect of the State Governments concerned is as follows :

I. *Assam* :

The Government of Assam has extended upto September 1967, its notification exempting Central Sales Tax on inter-company transactions in the course of inter-State trade.

II. *Bihar & West Bengal* :

A request for exemption from Central Sales Tax was made at the Chief Ministers' level as early as April, 1964, and in October, 1965, the Chief Minister, Bihar rejected our request. The Government of West Bengal finally rejected our request in January, 1967. It has, therefore, been decided to explore alternative methods to deal with the resulting situation.

III. *Uttar Pradesh* :

A request was made at the Chief Ministers' level in April, 1964 for exemption from Sales Tax in such transactions of products that would be available from the pipeline offtake points in U.P. of the Barauni-Kanpur pipeline. The Government of U.P. has granted the exemption, which, however, remains incomplete as it does not cover Motor Spirit and Superior Kerosene and the offtake points at Moghalsarai and Allahabad. The matter is being pursued with the State Government at the highest levels.

IV. *Madras* :

The matter was taken up at the Chief Ministers' level in August 1966. The Managing Director, Madras Refineries Limited has also been pursuing the matter with the State Government. The State Government is now collecting more data to form the basis of a more detailed discussion with the Managing Director, Madras Refineries Limited.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Recommendation (Serial No. 47)

The aim of the Government while setting up the I.O.C. was that it should handle at least 50 per cent of the total imports of deficit petroleum products. This the Corporation has achieved. The Committee wonder whether this policy should not be revised and the I.O.C. made responsible for all the imports except for exceptional cases where it cannot obtain the products easily from abroad. There are three important reasons for this :—

(i) Deficit products like Kerosene, H.S.D. and Furnace oil are available from rupee payment areas.

(ii) The I.O.C. has been able to obtain certain products from free foreign exchange sources at rates cheaper than even what has been paid to Russia and at far greater discounts on posted F.O.B. prices than what has been fixed by Government for import of products by private oil companies. Since all imports by private oil companies are to be met by release of foreign exchange, savings on this account are of vital importance.

(iii) It is only the deficit products which are imported. It might be better if the distribution of these products is kept with a government undertaking in order to control the distribution system. (Paragraph No. 139).

Reply of Government

At present, India is deficit only in Kerosene and certain grades of Aviation Gasolene. All imports of Kerosene are already being made through the I.O.C. Imports of Aviation Gasolene are also made through I.O.C., as far as possible; so also all imports of base lubricating oils from Rupee Payment countries. The Corporation imports base lubricating oils from other sources commensurate with its share in the business, from time to time. Each private oil company has its own proprietary brands of lube oils and its own technical formulations. It is, therefore, necessary for each company to import base stocks from its own sources and blend them into finished based grade.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Recommendation (Serial No. 48)

While the Committee cannot place the blame for demurrage incurred wholly on the I.O.C., they cannot view this matter with equanimity. An annual expenditure of Rs. 20.51 lakhs and an un-recoverable incidence of Rs. 1.02 p. per tonne on imported oil is something to be viewed seriously. This matter deserves attention at a high level in the Marketing Division and all efforts should be made to reduce the incidence of this avoidable expenditure. (Paragraph No. 144).

Reply of Government

Ways and means are being devised to minimise demurrage that is incurred.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Further Information called for by the Committee

Please state the specific steps taken to implement the recommendations.

[*L.S.S. O.M. No.* 28-*PU*/68 *dated* 5-12-1968]

Reply of Government

Several concrete steps have been taken in order to reduce the incidence of avoidable expenditure on demurrage incurred on tankers.

Indian Oil Corporation has made a detailed time and motion study of the various operations involved in receiving, berthing, discharging and releasing a tanker and worked out by means of charts and diagrams the optimum operating methods and controls to minimise tanker discharge time. A detailed circular has been issued for the practical guidance of all operating officers.

In particular, the following steps have been prescribed :—

(a) The arrival and departure timings from port to port should be advised to all concerned very promptly. Close liaison should be maintained with the agents to ensure this.

(b) Variations in the drafts at the various ports should be checked on a daily basis nearer the date of arrival of tankers.

(c) Berthing position at the ports should be relayed to the concerned Installations, Branches and Head Office promptly.

(d) The various tanker operations involved should be carried out within the allotted time for each item of operation.

(e) If there is any delay in any operation beyond the allotted time, reasons should be ascertained and improvements effected wherever feasible.

(f) Additional Supervisors during tanker operations should be arranged if this can result in saving of valuable tanker time.

(g) A full report on tanker operations incorporating the allotted time and the actual time incurred for each operation should be sent for scrutiny to the S & D Manager, Head Officer, by the Branch Operations Managers with their comments.

To ensure that the tankers are not delayed in berthing at the various ports, the Installations have been asked to furnish the berthing position at the various ports concerned to the Head Office. Nearer the time of arrival of the tankers, the Installations will also furnish the information to other concerned Installations where the tanker is expected to call. With the aid of this information it will be possible to divert tankers from a congested port to another port depending on various other factors such as product/usage availability, draft restrictions, etc. The economics of such a change in the programme are also analysed before implementing the same.

Whenever abnormal berthing delays are anticipated at the ports, the Ministry is approached for according priority to our vessels, wherever feasible, depending on the justification for such a request.

[*Ministry of Petroleum & Chemicals and Mines & Metals O.M. No.* 13/3/67-*IOC dated* 12-3-1969.]

Recommendation (Serial No. 52)

The Committee are not happy about tanker diversions. If the reason is that tanker loadings are not according to indents, it appears to be a serious matter because the I.O.C. might get more products than it requires or it might get less than what it wants which might create market difficulties in the case of deficit products. Also to say that market conditions vary so much within 45 days to make estimates go wrong to such an extent as to make tanker diversions necessary appears untenable. If this is a fact, the Committee would not be able to escape the conclusion that estimates are not made realistically, or the persons concerned are not competent. (Paragraph No. 152).

Reply of Government

Tanker schedules are occasionally changed, mainly for the following reasons :—

(a) revision in loading schedule by the Suppliers, due to technical reasons;

(b) cancellation of particular tankers or changes in their schedules, either at loading port or *en route;* and

(c) fluctuations in net demand at the ports (Many products are supplied at these ports from Indian Coastal refineries, and imports are scheduled to supplement them. Any variation in the supply from the coastal refineries may call for changes in the import tanker schedule).

There has been no instance in which a tanker actually reached Calcutta and then had to be diverted. The tanker programme is constantly reviewed and a revised tanker schedule worked out in advance, as soon as circumstances warrant.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67.]

Recommendation (Serial No. 53)

The Committee are inclined to think that the I.O.C. is making more imports than is absolutely essential, especially, of Kerosene. The I.O.C. appears to have more Kerosene on its hands than it can sell. The question arises as to how far the I.O.C. is implementing Government's policy of reducing the imports of Kerosene to the barest minimum. The Committee are not convinced that the imports of Kerosene are the minimum required. They suggest that the Government and the Corporation should have a close look at this matter. (Paragraph No. 153).

Reply of Government

Imports have been, and will continue to be made, only after taking into account that part of the demand in the country not met by internal production from time to time. In fact the deficit in the country is assessed by Government and import licences issued only for the minimum quantity so assessed.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67.]

Recommendation (Serial No. 56)

From the facts before them, the Committee cannot but conclude that the trade in Kerosene in this country has many unpleasant aspects. Of all petroleum products, kerosene is the one commodity which is used by every section of the community from the poor to the rich. Kerosene is mostly used for lighting and as domestic fuel and for a very large section of the people it is a daily necessity. A fair, adequate and efficient distribution of Kerosene is therefore a very important matter and one in which the State or Local Government is vitally interested. The I.O.C. being a public Undertaking has therefore a great responsibility in ensuring that the unethical methods and practices adopted by private parties to gain their own ends do not affect the community. (Paragraph No. 161).

Reply of Government

The question of marketing this product equitably and of minimising unethical methods is receiving the constant attention of the management. Punitive action is taken against dealers guilty of hoarding or profiteering.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 58-A)

The above facts reveal that the kerosene rationing system is not working well. It is true that kerosene is in short supply and has to be imported and as such a rationing system is desirable to ensure even distribution and to prevent wastage. The question, however, is whether the objects underlying rationing are being fulfilled. There are two aspects of it. One is whether the public are getting their minimum requirements without much difficulty and at reasonable rates. The second is how far rationing has helped in reducing imports of kerosene. That the public is happy is not borne out by facts. That imports are the minimum required is also not borne out by facts or otherwise the petroleum companies would not be having surplus kerosene in their storage tanks which they find difficult to sell. (Paragraph No. 170).

Reply of Government

The distribution of kerosene within a State and the enforcement of price control are looked after by the State Government concerned. There are hardly any complaints now of shortages and it can be assumed that the public are getting their requirements of kerosene without difficulty. In most areas, kerosene is known to have been removed from the list of rationed commodities. Even so, a watch on imports is maintained by the Ministry of Petroleum & Chemicals so that only the minimum required quantities are imported.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 27-11-67]

Recommendation (Serial No. 59)

The Ministry of Petroleum and Chemicals should examine the kerosene distribution system in consultation with the State Governments and the Oil Companies and formulate a policy whereby the public are provided with the minimum requirements without difficulty and imports are reduced to the minimum. Difficulties as those encountered in Bihar because of restrictions imposed by the Government, should also be overcome by enforcing a uniform practice throughout the country. Though the Secretary of the Ministry of Petroleum and Chemicals stated during evidence that each State should decide for itself what allowances it should allow, the Committee feel that it would be better for the Ministry to decide the matter and issue orders for enforcing uniformity in all the States. Such uniformity can cure several ills that exist today and which are affecting the economy. (Paragraph No. 171).

Reply of Government

A close watch is being kept by the Ministry of Petroleum and Chemicals on the monthly production, imports and despatches of Kerosene, so as to ensure that imports are reduced to the minimum and shortages do not develop in any area. The monthly quota fixed for each State/Territory is adequate to meet normal requirements even during the peak season.

Distribution within the States is to be looked after by each State in the light of the different conditions at different places. The Central Control on prices is limited to supplies ex-Companies' Storage points. The Ministry of Petroleum and Chemicals is not in a position to investigate or lay down the charges recoverable by agents/retailers on their sales, as the operating conditions vary from place to place. No uniformity in the matter is possible as the quota of the various charges can be determined only by the local authorities on the basis of local factors. However, without attempting to lay down standard charges on an all-India basis, in some instances where the charges allowed appeared to be *prima facie* excessive, the State Governments were advised of the experience in the other States and where charges appeared to be low and the State Governments sought their upward revision, they were permitted to do so in their discretion. Thereafter, no complaints have been received on this score.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 62)

There are a few vital facts which have to be borne in mind in regard to the production of LPG.

(1) It is a modern type of fuel and economical to use. It saves the housewife a great deal of the chores inherent in the use of conventional domestic fuels like firewood, coal and kerosene, for there is no grime, smoke and dirt. It has, therefore, a greater attraction and should be easy to sell, specially in urban areas. In view of the difficulty of getting conventional fuels and the need especially to economise on the use of Kerosene, which is imported to a great extent, it is vital to popularise other forms of domestic fuels. LPG being cheaper than say electric hot plates, an all out drive for boosting its sales should be undertaken. The saving in foreign exchange to the extent that LPG can replace superior kerosene as a domestic fuel, will itself be a significant amount. Popularisation of the use of LPG will, therefore, be in the national interest.

(2) If more LPG is made, the cost of production would come down.

(3) If LPG is not made, the gases are wasted. At present most of the gases are used as refinery fuels (for which cheaper substitutes can be used) and the rest is just flared. (Paragraph No. 181).

Reply of Government

Noted.

Indian Oil Corporation have an ambitious programme for marketing of L.P.G. However, the bottleneck has been the availability of cylinders. The question of obtaining the right type of steel for the manufacture of cylinders has been discussed with the steelplants and useful result has been obtained. This will enable IOC to market L.P.G. on a much larger scale than hitherto.

Similarly, the marketing of L.P.G. at the other refineries has been increasing and will, it is expected, grow further with greater available facilities for distribution to domestic and industrial consumers.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 62-A)

The Committee feel that this is a conservative approach to the problem. Firstly, the Committee cannot appreciate why in a matter like this the help of a Government Department is taken to conduct a demand survey. A Government Department is hardly equipped for undertaking such a market survey. Secondly, it is not known why an assurance by the Assam Government has been laid down as condition precedent for increasing production. (Paragraph No. 184)

Reply of Government

The L.P.G. demand survey was conducted by Indian Refineries Limited (now the Refineries Division of the Indian Oil Corporation). The help of the Government Department was taken only to the extent of collecting factual and statistical data relating to a number of households, etc.

An assurance from the Assam Government was sought in the context of the proposal to appoint the Assam Gas Co., (a Government of Assam Undertakings), as IOC's LPG distributors in Assam.

Tenders received for the setting up of necessary facilities for the production of LPG at the Gauhati Refinery are expected to be finalised very shortly. Once the production starts, LPG production can be stepped up to meet the market demand.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 63)

The I.O.C. should accept the marketing of LPG as a challenge to its abilities of salesmanship and go ahead with its plans. Due to the pioneering efforts of Burmah Shell and the I.O.C.'s own efforts in the Eastern Region, L.P.G. has become popular with the public. It is the I.O.C.'s task now to forge ahead in a vigorous manner. The Committee are unhappy to note that each of the five refineries propose to convert only a small percentage of their potential to LPG. The Committee feel that the I.O.C. should expand its production. (Paragraph No. 185).

Reply of Government

There is no difficulty in increasing the production of L.P.G. at the public sector refineries to meet the rising demand, but this is dependent upon the availability of LPG cylinders. At the end of June, 1967, the IOC had only about 31,000 cylinders and 18,272 customers. Sales in June, 1967, therefore amounted to only 294 Kls, as against 159 Kls during June, 1966.

The difficulties in the way of a rapid expansion of sales are the non-availability of a suitable quality of steel in adequate quantity and restricted free capacity for the fabrication of LPG cylinders. Every effort is being made to establish the production of the requisite quality of steel at the steel plants in the country; and indigenous availability is being supplemented by imports to the extent possible. The Corporation has also taken vigorous steps for developing additional capacity for the fabrication of cylinders.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 65)

The Committee found that adequate attention had not been paid by the Marketing Division in regard to the procurement of steel plates in time for the storage tanks at Kanpur, Mugalsarai and Patna. Even according to the revised schedule, the pipeline should have been completed by April, 1965 and if the installations were to be completed simultaneously, it would have been necessary to make arrangements for the procurement of steel at least by January, 1964. Instead, the Marketing Division seems to have moved in the matter only in January, 1965. The H.S.L. were unable to make the supplies because the work did not get any top-priority treatment in the matter of steel supplies. This matter was realised only in late November, 1965 and the Ministry of Iron and Steel was approached for the issuance of sanction for high priority allotment of steel. The Iron and Steel Controller issued this sanction within a fortnight of the request by the I.O.C. The Committee feel that such a priority should have been obtained at least in May, 1965 when it was known that the supplies were likely to be delayed. That this was not done would indicate lack of vigilance on the part of the officers incharge of the Project. (Paragraph No. 190).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Further Information called for by the Committee

Please indicate the present position in regard to procurement of Steel Plates for storage tanks at Kanpur, Mughalsarai and Patna.

[*L.S.S. O.M. No.* 28-*PU*/68, *dated* 5-12-68]

Final Reply of Government

Erection of main storage tanks at Kanpur, Mughalsarai and Patna installations has already been completed and the tankages at these installations were commissioned on the dates mentioned against each Installation below :

Kanpur	31-3-1967
Mughulsarai	3-10-1966
Patna	1-10-1966

[*Ministry of Petroleum & Chemicals and Mines & Metals, O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 66)

The Committee cannot help remarking adversely about the I.O.C. and the Railways in the manner in which that two cases relating to the Kanpur and Allahabad Railway sidings have been handled. The initial selection of the sites both at Kanpur and Allahabad was done with the participation of the Railway authorities and the Railways should not have agreed to the proposals unless they had made a full analysis of all the problems involved in this regard. To have gone back on their original agreement after a considerable lapse of time was regrettable. From the facts made available, it appears that there had been no proper co-ordination between the I.O.C., and the Railways. If only the officials concerned in the IOC had discussed these matters personally with the Railway officials at the proper time and sorted out all the problems, these difficulties and consequential delays would not have arisen. It looks as if this matter was carried on by routine correspondence most of the time which was unfortunate. (Paragraph No. 193).

Reply of Government

At the outset, it may be stated that the commissioning of the Pipeline terminals at Allahabad and Kanpur was not put off for want of rail siding facilities. There has also been no dispute regarding the selection of sites for these terminals. A good deal of discussion, thought and coordination were, however, necessary to determine the extent of these facilities.

2. At Allahabad, it was at one stage thought that the provision of rail siding facilities for only 3 tank wagons daily may not be justifiable, the more so in view of the Railways' operating problems in moving this traffic from Subedarganj, the Yard serving the Pipeline terminal, to Stana *via* Allahabad and Naini. This very short lead involves the traffic passing through two important marshalling yards, Allahabad and Naini. The turn-round time for this short lead would normally have been quite high. On the former consideration alone, *i.e.* the meagre traffic, rail facilities at the Patna and Mughalsarai terminals were not provided.

3. The original proposal of having a rail siding was therefore, not pursued. In the meantime, a fresh appraisal was made of the problems by the Railways as well as by the IOC and it was found that by special arrangements, including the minimisation of the cost of rail facilities these facilities would appear to be justified. Once this decision had been taken, actual rail facilities were provided ahead of the target date.

4. The problems at the Kanpur (Panki) pipeline terminal were not quite similar, but needed much closed study of various alternatives. The rail siding could have taken off from the existing Kanpur Electric Supply Authority siding. A second proposal was to bring the siding from the Juhi marshalling yard into the pipeline terminal. This would have saved expenditure on setting up supporting lines and yard facilities at Panki station. A third proposal was to take off a siding from Panki station itself into the

terminal. A fourth proposal was to set up filling points adjoining the railway track and thereby save the expense of taking the rail track into the pipeline terminal. At Panki station itself, there were many locations from which to choose.

5. By a process of elimination and by actually surveying and estimating the cost of facilities under the various alternatives, the conclusion was reached that the best arrangement would be to provide loading facilities adjoining the rail track at Panki station. In all these studies, consultation with the Municipal Corporation, Kanpur State PWD, Electricity Board and others was necessary. Even in the Railways, on account of electrification works in progress on this section, the matter had to be investigated by several departments—Electrical, Signal, Civil Engineering, Transportation, Planning and the Commercial Departments. The Railways had also to weigh each proposal in the context of the developmental plans for rail facilities around Panki station, where many new industries, including a big fertiliser project, are due to come up. Finally, time was taken over land acquisition. But once the final plans were approved, the works progressed smoothly and were completed ahead of the schedule.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 27-11-67]

Recommendation (Serial No. 67)

If the Barauni Refinery had gone into production as scheduled there would have been no end to the difficulties in transporting products because of the delay in the Commissioning of the pipelines. Even as it is, there have been considerable difficulties in the matter of transport because of the shortage of tank wagons in Eastern India. In view of the vital importance of this project and the bearing it had on the completion of the Barauni Refinery, there is no justification for the delay in the completion of the installations and the Railway sidings at the four cities, in time. The Committee hope that greater care will be exercised by the top management in ensuring that the various departments under it work according to schedule. Where the completion of one project is inter-linked with another, synchronisation should be ensured so that the working of the I.O.C. is not hampered. (Paragraph No. 194).

Reply of Government

Noted.

It may be mentioned that the increased production from Barauni Refinery should not have by itself created any rail transport problem, as such increase would have correspondingly replaced movements from Calcutta. The requisite tank-wagons would have in that case been transferred from Calcutta base to Barauni. This would have meant a reduced lead for the traffic moving from Barauni, *vis-a-vis* similar movements from Calcutta.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 68)

The Committee are not happy over the delay in the completion of the Barauni-Haldia pipeline project also. The completion of the pipeline and the installations has been delayed, and there is hardly any purpose in finding excuses. The entire staff engaged for the construction of project have been there since the beginning and they have to be paid, whether usefully employed or not, for the entire period taken in the completion of the project. There have also been considerable difficulties in the movement of products from Barauni to Calcutta for want of adequate number of tank wagons. It is also well known that the I.O.C. has been incurring under recovery of freight for all the products moved from Barauni to Calcutta. If the pipeline had been constructed and products moved to Maurigram by this line considerable financial savings would have accrued to the I.O.C. though not particularly to the Marketing Division. The Marketing Division would have benefited from a quick and unhindered movement of products. In view of these advantages there was no justification for delaying the pipeline project. The Committee hope that it would be possible to complete this pipeline without further delay. (Paragraph No. 198).

Reply of Government

Noted. The pipeline and related facilities have since been completed but it has not been possible to commission the pipeline because of pending Court proceedings.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 69)

The Committee hope that the Marketing Division will take adequate steps in time to ensure that there is no difficulty in the movement of products from Cochin. The economics of a pipeline to Coimbatore should also be worked out. If this will solve the transport difficulty, early action should be taken to proceed with this project.

As regards the Cochin-Coimbatore, and the Madras-Bangalore pipelines the Committee were glad to hear that the pipes for the pipelines are now produced by the Hindustan Steel Ltd. Only pumps need to be imported from abroad. This being so, there should not be much difficulty in constructing the pipelines if they are found to be economically feasible. (Paragraphs No. 199-200).

Reply of Government

The I.O.C. has already arranged two tankers for moving the Cochin Refinery products to other ports on the east coast. Besides this, the Railways have provided enough tankwagons for moving the products by rail.

The feasibility and economics of pipelines for the movement of Cochin Refinery products are under study by the Indian Oil Corporation.

[*Ministry of Petroleum & Chemicals O.M.*, *No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 70)

It will be evident from the figures of profitability of the Pipelines Project that the Pipelines will be considerably profitable to the Pipelines Division, especially when the volume of products handled is the maximum possible. However, the Marketing Division does not derive any benefit in costs due to the pipelines. In view of the fact that the Marketing Division incurs considerable loss due to the location of Gauhati and Barauni Refineries, the Committee feel that the rates charged by the Pipelines Division should be less than the railway freight. In short, the financial advantages of the pipelines should be reflected in the accounts of the Marketing Division to some extent even though it might be argued that it is ultimately the Corporation that stands to benefit from this. (Paragraph No. 202).

Reply of Government

In the existing scheme of pricing of oil products, the cost of transport by rail is built into the ceiling price charged by the marketing companies, There is, therefore, no compelling reason to afford to these companies an additional benefit from out of the economies of pipeline transport. It is necessary first of all to ensure that the investment on the pipelines yields an adequate return. If and when this is assured, the recommendation made here can be considered.

[*Ministry of Petroleum & Chemicals O.M.*, *No.* 13/3/67/*IOC*, *dated* 11-9-67]

Recommendation (Serial No. 73)

If only the I.O.C. had realised its dues from the customers in time, it would not have been necessary to resort to such heavy overdrafts and incur such colossal expenditure on interest charges. While these interest charges were being paid by the Marketing Division they were inclined to look upon their debtors with a certain amount of indulgence and allowed them interest free credit. The financial management in the I.O.C. was far from satisfactory. They hope that the recent trends for the better will continue. (Paragraph No. 215).

Reply of Government

Efforts for improvement are being intensified.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC*, *dated* 11-9-67]

Further Information called for by the Committee

Please state the specific steps taken to implement the recommendations.

[*L.S.S. O.M. No.* 28-*PU*/68, *dated* 5-12-68]

Final Reply of Government

In the oil marketing trade, giving of credit and some time-lag in collection is inevitable. Such credit gets reflected in the working capital needs from Indian Oil Corporation. As has already been pointed out in reply to the detailed questionnaires of the Committee, Indian Oil Corporation's working capital is much less than the norm considered reasonable by the Oil Prices Enquiry Committee.

It is not the normal practice in the oil industry to charge interest on overdue outstandings. The general conditions of recession and scarce money which prevailed in the industry together with the increasing production of petroleum products in the country also made the grant of interest free credit more or less inevitable. However, efforts are always made to collect money in time by giving such inducements to customers as prompt payment rebate etc. Due to competitive reasons, it has not been practicable for Indian Oil Corporation to charge interest on overdue outstandings.

To reduce outstandings, Indian Oil Corporation has taken special steps like fixing definite targets for collection by the Branches and the field officers, review of specific outstandings from customers at periodical check up meetings by senior officers and institution of special drives for collection.

[*Ministry of Petroleum & Chemicals and Mines & Metals O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 75)

A suggestion has been made that the D.G.S. & D. should agree to decentralise the payments through their Pay & Accounts Officers at Bombay, Calcutta, Delhi and Madras instead of at Delhi alone. This would save the time in routing the bills through Delhi and also in answering objections raised by Pay & Accounts Officers. The Committee suggest that D.G.S. &D. should consider this matter urgently in order to decentralise payments preferably with effect from the next financial year. (Paragraph No. 226).

Reply of Government

Noted. The suggestion is being examined by the D.G.S.&D. in consultation with the Chief Pay & Accounts Officer (Department of Supply).

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 27-11-67]

Further Information called for by the Committee

Whether D.G.S. & D. have informed Indian Oil Corporation the results of examination to decentralise their payments through the Pay and Accounts Officers at Bombay, Calcutta, Delhi and Madras instead of at Delhi alone and if so, what is the present position?

[*L.S.S. O.M. No.* 28-*PU*/68 *dated* 5-12-68]

Final Reply of Government

This had been carefully examined by the Department of Supply in consultation with the Chief Pay & Accounts Officer, New Delhi, but in view of the various administrative difficulties, it has not been considered feasible to decentralise payments. M/s. Indian Oil Corporation are being informed of this decision by the D.G.S. & D.

[*Ministry of Petroleum & Chemicals and Mines & Metals, O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 78)

During the course of their evidence before the Committee, the officers of the I.O.C. made the following suggestions for improvement in regard to billing and payment for D.G.S.&.D. supplies :—

(1) *Delay in extension of contract by D.G.S. & D.*

An obligation should be imposed on the indentor/consignee that they should write to the D.G.S. & D. authorities for extension of contract well in time. Now-a-days mere confirmations are made by indentors after the supplies have actually been made, and payments are delayed till the D.G.S. & D. issues extension sanction after receipt of the confirmations.

(2) *Amendments to contracts*

The average time taken for issue of Amendments to contracts is between 6 to 8 weeks. In many cases the time taken was 6 to 8 months. This time lag should be reduced. If D.G.S. & D. do not issue the necessary amendments within a prescribed time limit, the Pay and Accounts Officer should be authorised to pay the bill against indemnity to be tendered by the I.O.C. The I.O.C. shall be bound to refund the amount to the P.&.A.O. if the necessary amendment is not issued at a later stage.

(3) *Cheques in Sales Tax*

At present the I.O.C. is required to forward a copy to the Gazette notification incorporating the changes in the Sales Tax alongwith each request for amendment to the Rate/Running contract. This procedure can be simplified. There is already a Sales Tax Cell in the D.G.S.&.D. who should be able to obtain a copy of the relevant Government notification and circulate it to all the Branches concerned in their office. The I.O.C. can merely quote the number and date of such notifications.

(4) *Supplies from alternate sources*

The normal source of supply is indicated in a contract but sometimes supplies have to be made from a different source due to non-availability of wagons, products etc. This, however, is to be provided by an amendment to the contract. As this does not affect the price of the product, there should not be any delay in issuing the amendment as soon as a request for it is received, as this is a mere formality.

(5) *Freight*

The contract provides for the payment of notional Railway freight from the normal source of supply of destination and on production of proof of cash receipt under which the freight was paid. The payment to Railways is however made through Railway Credit Notes and it becomes difficult for the I.O.C. to produce cash receipts in support of its claims. The Ministry of Finance may be requested to issue the necessary concurrence for passing the bills on the basis of certificate by the I.O.C. that the Railway freight charged in the bills was in fact paid to the Railways.

(6) *Emergent supplies*

In some cases supplies are affected without supply orders at the request of indentors/consignees under emergent circumstances. An obligation should be placed on the part of the indentors/consignees to issue a supply order without delay. This obligation should form part of the normal procedure laid down by the D.G.S.&.D.

The Committee feel that the above suggestions deserve favourable consideration by the D.G.S.&.D. They suggest that a Committee of officials of the D.G.S.&.D. including the Pay and Accounts Officer, and the I.O.C. should be constituted to go into the whole question of billing and payment, and recommend ways and means of simplifying the entire procedure in order to expedite both billing and payment. Efforts should be made to eliminate all cumbersome and unnecessary requirements and make the procedure streamlined and efficient. (Paragraph No. 234-35).

Reply of Government

The suggestions have been examined and the action taken or the views of Government on various points are indicated below:

1. *Delay in extension of contract by D.G.S.&.D.*

D.G.S.&.D. have issued strict instructions to the indentors asking them to send their confirmation or otherwise regarding extensions of contract period well in time, at least 1 month before the contract expires. On receipt of indentor's intimation, amendments will be issued by the D.G.S.&.D. within the shortest possible time.

2. *Amendments to contracts*

According to the D.G.S.&.D. the average time taken in the issue of amendments is between 2 to 4 weeks and even shorter if no back reference is necessary. If there is any delay or hold-up for any reason, I.O.C. can bring the same to the notice of the higher officers in the D.G.S.&.D., or the Department of Supply. The question of IOC producing indemnity bond would arise only where there is a valid reason for the hold-up of tankers, which cannot be sorted out within a reasonable time.

3. *Changes in Sales Tax*

According to the latest procedure, no amendments to the contracts are necessary and P&AO will pay sales tax as applicable to the contracts with IOC, if supplies are completed during the validity of the contracts. If extension is granted to the IOC with the standard denial clause, IOC has to approach the D.G.S.&.D. and Sales Tax is allowed if it is found that IOC is not to blame for delay in supplies.

4. *Supplies from alternate sources*

If the alternative source of supply does not change the price structure, there will be no delay in the issue of amendments, but when the alternative source affects price, a back reference becomes necessary and this delays the issue of the amendment.

5. *Freight*

In the case of POL supplies ex-IOC's inland refineries the contract provides for payment on notional rate freight from the normal source of supply to the destinations. Despatches ex-these refineries are made on freight prepaid or freight to pay basis. In the former case, IOC are to pay the freight while in the latter case, the freight is to be borne by the indentors. Final adjustment is therefore, necessary in both the cases on the basis of notional rate of freight. In view of IOC's inability to produce documentary evidence in support of their claim for freight (actual or notional) due to the fact that freight is paid through Railway Credit Notes, IOC's suggestion for acceptance of notional or actual freight on the basis of their accountants' certificate is being examined in consultation with the Chief Pay & Accounts Officer (Department of Supply) and the Ministry of Finance.

6. *Emergent Supplies*

Necessary action is being taken to issue strict instructions to the indentors to issue supply orders as expeditiously as possible.

The suggestion to set up a Committee to go into whole question of billing and payment and recommend ways and means of simplifying the entire procedure will be taken up after watching the progress in the matter in the next few months.

[*Ministry of Petroleum & Chemicals O.M.* 13/3/67/IOC, *dated*
27-11-67]

Recommendation (Serial No. 83)

The Committee wonder whether it is a wise policy to bring Accounts Officers of Government to the posts of Accounts Officers in the Branches of I.O.C. for a few years on deputation basis. By the time they get to know intricate problems of commercial accounting, specially of the petroleum industry, and did something practical to improve matters, they would be sent back to their parent services. Further, a deputationist would find it difficult to solve the problem of arrears or of ever increasing sales, like a person trained in commercial practices, in view of the fact that their experience is confined generally to non-commercial accounting in Government Offices. (Paragraph No. 245).

Reply of Government

Officers on deputation from Government have by and large worked very satisfactorily. It was found necessary to obtain the services of such officers because of the rapid expansion of the business of the I.O.C. and the difficulty of recruiting experienced and qualified personnel from the open market. The I.O.C. is now developing its own cadre of accounting specialists and, in course of time, may not require the services of deputationists.

[*Ministry of Petroleum & Chemicals, O.M. No.* 13/3/67/*IOC, dated* 11-9-67].

Recommendation (Serial No. 84)

The Committee feel that the functions of Financial Controller and Accounts Officer in the Branches should be bifurcated. For the post of Accounts Officers, experienced and qualified persons with sufficient training in dealing with accounts of petroleum Companies should be given preference. (Paragraph No. 247).

Reply of Government

For the post of Accounts Officers in the Head Office as well as in the branches, I.O.C. has several experienced and qualified persons, many of them with knowledge and experience of accounting in petroleum marketing companies.

As far as the I.O.C. is aware, in many public sector undertakings and commercial firms of repute including the foreign oil companies, the top financial officers have overall responsibility for financial and accounts matters; this is inevitable because the two functions are closely interlinked. In the I.O.C., the Chief Accounts Officer is primarily responsible for the proper maintenance of accounts and works under the overall control and direction of the Financial Controller. This arrangement has been found generally satisfactory.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67].

Recommendation (Serial No. 90)

The staffing pattern of the Branches does not appear to be uniform. The Committee recommend that the Head Office should work out norms for various categories of staff based on the experience of Branches and the staffing pattern of private companies. These norms should be linked to both volume of business and expenditure on staff compared to total sales value. Such norms should be applied in a uniform manner in all the Branches and constant efforts should be made to increase staff efficiency by comparing inter Branch performance and encouraging a keen sense of competition. The Head Office should also frequently review the position of staff in the Branches and ensure that staff productivity at all levels is maintained at a high level. For this purpose it might be useful to devise a mathematical formula whereby number and expenditure are related to sales and the result expressed as a ratio or a whole figure. (Paragraph No. 262).

Reply of Government

A direct correlation between the volume of sales and the staff employed may not always be possible, as this would not take into account the fact that problems of distribution of products vary from Branch to Branch and from product to product. The areas covered by the different branches are not uniform. Also, the Western Branch and the Eastern Branch have more Refineries and Port Installations within their jurisdiction and these two Branches despatch most of the supplies to the Northern Branch and a part of the supplies to the Southern Branch. Hence the staff needed in the Western and Eastern Branches is higher than in the Northern and Southern Branches.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC dated* 11-9-67].

Recommendation (Serial No. 104)

The Committee understand that expensive diaries are printed and distributed every year. While diaries and calendars are useful publicity media, there is no room for excessive expenditure on this account, even if the intention is to match the quality of the private oil companies. A look into the circulation list of houses journal could result in some economy. (Paragraph No. 294).

Reply of Government

Noted. The actual expenditure on diaries etc. was about Rs. 5.26 lacs, as against the estimated expense of Rs. 8.26 lacs. Calendars are issued to dealers at a subsidised rate and diaries are sold to dealers at full cost for use by them as a means of sales promotion, in line with the practice in the oil industry.

The actual circulation of the house journal is about 10,000. The circulation list includes IOC's employees, (in all the Divisions), the dealers and distributors and newspapers. This list is being constantly reviewed.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 108)

The Committee recommend that where the Life Insurance Corporation of India constructs new buildings which are to be leased for office accommodation, first preference should be given to Public Undertakings, and it is only after their needs have been met, that private firms should be rented accommodation. The rents to be charged from such public undertakings should be based on a formula to be worked out by the Government of India and the L.I.C. and not the market rent. This formula may take into consideration the value of the building and the city where it is located. This will save the necessity of each public undertaking trying to construct a building of its own. (Paragraph No. 300).

Reply of Government

It is understood that other things being equal, the L.I.C. would be glad to give preference to the Public Undertakings in leasing accommodation. The L.I.C. must, however, charge market rents for accommodation thus made available; the charging of any lower rents is not regarded by the L.I.C. as justified, consistently with the need that it (the L.I.C.) also run on commercial lines.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Recommendation (Serial No. 110)

Efforts should be made to locate all the I.O.C. offices in a city under the same roof. Proliferation of offices is not conducive to economy or efficiency. (Paragraph No. 302).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Further Information called for by the Committee.

What concrete steps have been taken in regard to locating all the IOC Offices in the city under the same roof?

(L.S.S. O.M. No. 28-PU/68, dated 5-12-68)

Final Reply of Government

The Indian Oil Corporation Limited have already taken concrete steps to locate its offices under the same roof. For this purpose, a multi-storeyed building at Janpath, New Delhi, has been hired from the Ministry of Works, Housing and Supply and it is programmed that all the Offices of the Indian Oil Corporation Limited located at different places in Delhi will be shifted to that building in stages by April, 1969.

[*Ministry of Petroleum & Chemicals and Mines & Metals, O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Recommendation (Serial No. 113)

The Committee would suggest that it might be examined how far it would be more economical for the I.O.C. to set up its own factories for manufacture of tin containers in centres where they are needed instead of making purchases from private firms. The requirements of tins and barrels would be very heavy and if economically viable units can be set up to supply the needs of tins and barrels of the I.O.C., there is no reason why profits on this account should not be retained by the I.O.C. itself. (Paragraph No. 330).

Reply of Government

Noted.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 11-9-67]

Further Information called for by the Committee.

Whether I.O.C. have considered setting up their own factories for manufacture of tin containers and barrels? What decision they have taken in the matter? (L.S.S. O.M. No. 28-PU/68, dated 5-12-1968).

Final Reply of Government

The Indian Oil Corporation have taken over the tin manufacturing plants of M/s. Burmah-Shell and Esso at Ernakulam, for the fabrication of kerosene tins. They had also proposed to set up a plant for the manufacture of drums and barrels at Madras for the distribution of Lubes, etc. Ex-Madras Refineries Limited. But the proposal has been rejected by the Government and their requirements of drums and barrels are to be met by the existing drums and barrels manufacturing unit in the private sector who will be allowed/persuaded to shift some portion of their capacity to Madras.

[*Ministry of Petroleum & Chemicals and Mines & Metals, O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 41A)

As on 31-5-66, the outstandings against the National Coal Developments Corporation was Rs. 52.12 lakhs. The average monthly supplies made to it by the Indian Oil Corporation Ltd. were to the tune of Rs. 8 lakhs. Some of the outstanding bills were as old as three and four years. What part the Eastern Branch Office of the I.O.C. had in allowing these arrears to accumulate need not be gone into here. In 1965 they woke up to the situation and made efforts to recover the arrears. They were unsuccessful. The matter was then taken up at the top Management level. On not achieving much success the I.O.C. threatened to stop supplies. As a result, a payment of Rs. 28 lakhs was made. Thereafter the payments again relapsed into unsatisfactory state. The present position appears to be that financial difficulties were standing in the way of the N.C.D.C. clearing the areas in time. According to the I.O.C., the procedure for payments adopted by the N.C.D.C. was so complicated that it was impossible to get payments within a period of 30 days after submission of bills, as stipulated in the terms of Agreement. The Committee regret that matters had come to such a sorry pass. (Paragraph 118(i)).

Reply of Government

Noted. The matter has been taken up with the Ministry of Steel & Mines.

[*Ministry of Petroleum & Chemicals O.M. No.* 13/3/67/*IOC, dated* 27-11-67.]

Further Information called for by the Committee.

The present position of outstanding payments from N.C.D.C. may be intimated. (L.S.S. O.M. No. 28-PU/68. dated 5-12-68).

Final Reply of Government

A sum of approximately Rs. 34.28 lakhs was outstanding from N.C.D.C. at the end of November, 1968. The value of supplies and collections during recent months have been as under :—

Rs. Lakhs

Month	Supplies	Collections
September. 1968 . .	6·82	11·05
October, 1968	10·20	6·93
November. 1968	15·78	11·14

[*Ministry of Petroleum & Chemicals, and Mines &Metals O.M. No.* 13/3/67-*IOC, dated* 12-3-1969]

Comments of the Committee

Please See Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

NIL

NEW DELHI;
April 9, 1969
Chaitra 19, 1891(*S*)

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(*Vide* reply ro recommendations to Sl.Nos. 3.6 and 7—page 3—4)

Statement showing the action taken on the various recommendations of the Retail Outlets Committee.

Recommendation at Para:—

11.3(1)	The Ministry of Industrial Development and Company Affairs (Department of Industrial Development) have been requested to take necessary action for developing indigenous capacity to wholly do away with the imported components.
11.3(2)	This is being examined by the Oil Prices Enquiry Committee.
11.3(3)	Oil Companies have been requested for Compliance.
11.3(4)	
11.3(5)	
11.3(6)	
11.3(7)	Indian Oil Corporation have been advised to take note of it.
11.3(8)	This is for the Oil Companies to take note of.
11.3(9)	No action called for.
11.3(10)	
11.3(11)	These recommendations have been brought to the notices of the various
11.3(12)	State Governments/Union Territory Administrations/Ministries and Depart-
11.3(13)	ments of the Govt. of India as well as the Oil Companies.
11.3(14)	
11.3(15)	
11.3(16)	This is being examined by the present Oil Prices Enquiry Committee.
11.3(17)	This has been brought to the notice of the various State Governments/Union
11.3(18)	Territory Administration for information and necessary action.
11.3(19)	This has been brought to the notice of the State Governments/Union Territory Administrations and the Ministry of Transport and Shipping (Roads Wing) for guidance.
11.3(20)	A copy of the R.O.C. Report has been forwarded to the Ministry of Transport and Shipping.
11.3(21)	The Oil Companies have been requested to comply with this recommendation.
11.3(22)	This has been communicated to all State Governments/Union Territory Administrations and the Indian Oil Corporation.
11.3(23)	This has been examined and it is found that the retail outlets do not appear to be a very suitable channel for sale of fertilizers or pesticides.

APPENDIX II

(*Vide report* to recommendation at Sl. No. 19—page—42)

Statement Showing the various items of Cost besides the buildings for and giveng reasors for the variations for the Bombay service stations.

	Arthur Road	*Annie Besant Rd.*	*Remarks*
Total cost	1,82,883.00	2,97,840.00	
Cost of equipment	48,000.00	45,000.00	On Annie Besant Rd. we have installed 2×5 ton hoists and at Arthur Rd. we have installed 1×5 ton and 1×7 ton hoist. Hence the difference in cost. All other equipment are the same.
Cost of Installation	22,690.00	12,000.00	At Arthur Rd. tanks are in masonry pit with a Tee beam in a centre.
Filling	1,090.00	500.00	Lesser filling had to be done at Annie Besant Rd.
Compound Wall	3,968.00	10,340.00	At Arthur Rd. 291 rift of wall had to be constructed; there was an existing compound wall on one side. At Annie Besant Rd. a length of 360 rft had to be constructed alongwith retailingwall on the rear where there was an open drain.
Building	55,000.00	1,52,000.00	The design of the kiosk & lubbay on Arthur Rd. is of the standard design made by Western Branch. The design of the kiosk, lubbay and canopy at Annie Besant Road is of special design with a large heavy canopy and spl. front display. The design involved heavy RCC work and hence costlier. The design was given by the architect appointed for this work.
Electrification	17,000.00	40,000.00	The electtric lights at Annie Besant Rd. were of special design by Phillips and extra lights 16 nos. had to be put in the canopy. At Arthur Rd. there is no canopy and lights provided are of standard design. Also there was a longer lead from the power point in AB Road.

	Arthur Road	*Annie Besant Rd.*	*Remarks*
Misc. Sanitation & water supply & washing ramp	7,535,00	4,310.00	At Arthur Rd. the level of the the drain was quite high hence the washing ramp had to be built higher than the normal washing ramp.
Driveway	17,600.00	23,500.00	At Annie Besant Rd. the area of the drive way is more than that of Arthur Road.

(Ministry of Petroleum & Chemicals O.M.No.13/3/67/IOC dated 11.9.67)

APPENDIX III

(*Vide* para 4 of Introduction)

Analysis of the action taken by the Government on the recommendations contained in the Thirty-Fifth Report of the Committee on Public Undertakings (Third Lok Sabha).

(*i*). Total number of Recommendations	123
(*ii*). Recommendations that have been accepted by Government(vide Sl. Nos. 1, 2, 3, 5, 6, 7, 10, 11, 14, 15, 16, 18, 20, 23, 24, 27, 28, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 49, 50. 51, 54, 55, 57, 58, 60, 61, 64, 71, 72, 74, 76,77, 79, 80, 81, 82, 85, 86, 87, 88, 89, 91, 92, 93, 94, 95, 96, 97. 98, 98A, 99, 100, 101, 102, 103, 105, 106, 107, 109, 111, 112, and 114	
Number	73
Percentage to total	59%
(*iii*). Recommendations which the Committee do not desire to pursue in view of Government's reply (vide Sl. Nos. 4, 8, 8A, 9, 11A, 12, 13, 17, 19, 21, 22, 25, 26, 28A, 29, 30, 30A, 30B, 31, 32, 33, 45, 46, 47, 48, 52, 53, 56, 58A, 59, 62, 62A, 63, 65, 66, 67, 68, 69, 70, 73, 75, 78, 83, 84, 90, 104, 108, 110, and 113	
Number	49
Percentage to total	40%
(*iv*). Recommendations in respect of which the reply of Government has not been accepted by the Committee (vide Sl. No. 41A)	
Number	1
Percentage to total	1%

LS LSS/69—28-4-69—GIPF.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI		33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Moti Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.,	11	37.	Bookwells, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15		MANIPUR	
29.	The English Book Store, 7-L, Connaught, Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23		AGENTS IN FOREIGN COUNTRIES	
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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