E. C. No. 330

# ESTIMATES COMMITTEE
# 1962-63

## THIRTY-FOURTH REPORT

(THIRD LOK SABHA)

## MINISTRY OF MINES AND FUEL

**Indian Refineries Ltd. New Delhi**
**(Reports & Accounts)**

LOK SABHA SECRETARIAT
NEW DELHI
*April, 1963/Chaitra, 1885 (Saka)*

*Price : Re. 0.75 nP.*

# LIST OF AUTHORISED AGENTS OF LOK SABHA SECRETARIAT

## ANDHRA PRADESH

1. G. R. Lakshmipathy Chetty & Sons, General Merchants & News Agents, Newpet, Chandragiri, Chittoor District (Andhra Pradesh).

## BIHAR

2. 'Jagriti', Bhagalpur-2.

## GUJARAT

3. Lok Milap, District Court Road, Bhavnagar.
4. The New Order Book Company, Ellis Bridge, Ahmedabad-6.

## MADHYA PRADESH

5. The National Law House, Near Indore Library, Opposite Old High Court Building, Indore.
6. Modern Book House, 286, Jawahar Ganj, Jabalpur-1.

## MADRAS

7. The Kalpana Publishers, Booksellers, Trichinopoly-3.

## MAHARASHTRA

8. The Imperial Book Depot, 266, Mahatma Gandhi Road, Poona.
9. The Popular Book Depot (Registered), Lamington Road, Bombay-7.
10. M/s. Sunderdas Gianchand 601, Girgaum Road —6 Near Princess Street, Bombay.
11. The International Book House, Private Ltd., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1
12. The International Book Service, Deccan Gymkhana, Poona-4.
13. Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.
14. The Good Companions, Raspura, Baroda.
15. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
16. Deccan Book Stall, Fergusson College Road, Poona-4.
17. The New Book Company (P) Limited, Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.

## MYSORE

18. Makkalapustaka Press, Balamandira, Gandhi Nagar, Bangalore-9.
19. People's Book House, Opp. Jaganmohan Palace, Mysore-1.
20. Pervaje's Book House, Koppikar Road, Hubli.

## ORISSA

21. The Cuttack Law Times Office, Cuttack-2.
22. Ekamra Vidyabhaban, Eastern Tower Room No.3, Bhuvaneshwar.

## PUNJAB

23. The English Book Depot 78, Jhoke Road, Ferozepore Cantt.

## RAJASTHAN

24. Information Centre, Govt of Rajasthan, Tripolia Jaipur City, Rajasthan.

## UTTAR PRADESH

25. Swastik Industrial Works, 59, Holi Street, Meerut City (U.P.)
26. A. H. Wheeler & Company (Private) Limited, 15, Elgin Road, Allahabad.
27. Law Book Company, Sardar Patel Marg, Allahabad.
28. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
29. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.

## WEST BENGAL

30. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.
31. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.
32. Thacker Spink & Company (1933) (Private) Ltd., 3, Esplanade East, Calcutta-1.
33. Firm K. L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-1

## CONTENTS

## ESTIMATES COMMITTEE

## (1962-63)

### CHAIRMAN

Shri H. C. Dasappa.

### MEMBERS

2. Shri Joachim Alva
3. Shri D. Basumatari
4. Shri Shree Narayan Das
5. H. H. Maharaja Pratap Keshari Deo
6. Shri Govind Hari Deshpande
7. Shri Arun Chandra Guha
8. Shri S. Hansda
9. Shri Ansar Harvani
10. Shri Kanhu Charan Jena
11. Shri Anand Chandra Joshi
12. Lt. Col. H. H. Maharaja Manabendra Shah of Tehri Garhwal.
13. Shri Jashvant Mehta
14. Shri N. Sreekantan Nair
15. Shri Ananda Nambiar
16. Shri A. Nesamony
17. Shri Tika Ram Paliwal*
18. Shri Panna Lal
19. Shri Naval Prabhakar
20. Shri K. Rajaram
21. Dr. K. L. Rao
22. Shri Rameshwar Sahu
23. Shrimati Jayaben Shah
24. Shri Diwan Chand Sharma
25. Shri Vidya Charan Shukla
26. Shri Brij Raj Singh†
27. Shri Tekur Subramanyam
28. Shri G. G. Swell
29. Shri K. K. Warior
30. Shri Balkrishna Wasnik.

### SECRETARIAT

Shri N. N. Mallya, *Deputy Secretary.*

---

*Elected w.e.f. 19th August, 1962 *vice* Shri Shivram Rango Rane resigned.

†Elected w.e.f. 15th November, 1962 *vice* late Shri B. J. Singh on 8-9-62.

# INTRODUCTION

I, the Chairman. Estimates Committee, having been authorised by the Committee, present this Thirty-Fourth Report on the Ministry of Mines & Fuel—Indian Refineries Ltd., New Delhi.

2. A general examination of the published Annual Reports and Accounts of the Indian Refineries Ltd. for the year ending 31st March, 1961 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings which took the evidence of the representatives of the Ministry of Mines & Fuel and the Indian Refineries Ltd. on the 12th and 13th December, 1962. The Report was adopted by the Sub-Committee on the 21st March, 1963 and finally approved by the whole Committee on the 25th March, 1963.

3. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix IV).

4. The Committee wish to express their thanks to the officers of the Ministry of Mines & Fuel and the Indian Refineries Ltd. for placing before them the material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Indian Refineries Ltd.

H. C. DASAPPA,
*Chairman,*
*Estimates Committee.*

NEW DELHI;
*April* 3, 1962
*Chaitra,* 13, 1885 (S).

## INTRODUCTORY

**Demand in the country for petroleum products.**

At the commencement of the First Plan period practically the entire demand of the country for petroleum products was met by imports except for a very insignificant indigenous output of M/s Assam Oil Company at Digboi, the only refinery in the country, which amounted hardly to about 5 per cent of the requirements. By 1957, three more refineries, namely, S.V.O.C., Burmah Shell and Caltex with a throughput of 3·8 million tonnes had been commissioned in the private sector. The actual production of petroleum products, however, increased from 3·80 million tonnes to 5·665 million tonnes by 1960. The total imports in that year amounted to about 2 million tonnes. The demand in the country in 1966 is estimated to go upto 16 million tonnes of which, the indigenous production is expected to contribute 11½ million tonnes.

**Constitution.**

2. The Indian Refineries Ltd. was incorporated under the Companies Act, 1956 on 22nd August, 1958 with its Head Office at New Delhi. It was set up to construct, operate and manage the oil refineries at Nunmati and Barauni. The Company is at present wholly Government owned with an authorised capital of Rs. 30 crores.

**Background.**

3. The circumstances leading to the setting up of the Company are briefly as follows:—

The Industrial Policy Resolution of April, 1956 specified that the future development of mineral oil will be the exclusive responsibility of the State. Therefore, to meet the rapid increase in the demand for petroleum products in the country and to bridge the increasing gap between the demand for products and the indigenous refining capacity, Government decided to establish additional refining capacity in the public sector.

In pursuance of the Industrial Policy Resolution and consequent on the discovery of crude oil reserves near Naharkatiya oil-fields, Government decided to set up two oil refineries in the public sector—one at Nunmati in Assam and the other at Barauni in Bihar.

**Main objectes.**

4. Article 3 of the Memorandum of Association enables the Company "to refine all kinds of petroleum and other crude oil products and for that purpose to purchase or otherwise acquire, assemble, install, construct, equip, maintain, operate and own any or all kinds of refineries gas works, factories, installations, plants, workshops, laboratories, pipelines etc. in so far as the same may pertain to or be useful in the conduct of the business of the Company".

**Projects.**

5. The Company has at present the following Units and Projects under its control:—

(a) Nunmati Oil Refinery.

(b) Barauni Oil Refinery.

(c) Product Pipeline Projects.

In addition the Company has also been recently entrusted with the preliminary work relating to two new projects the Lubrication Oil Project and a refinery in South India etc.

**Various agencies concerned with oil and petroleum products.**

6. At present three separate agencies *viz.* The Oil & Natural Gas Commission, The Indian Refineries Ltd. and The Indian Oil Company Ltd. in the public sector are concerned with oil and petroleum products in the country. Broadly speaking the Oil & Natural Gas Commission deals with the exploration of oil and its production, the Indian Refineries Ltd. with oil refining and the Indian Oil Company with the marketing of petroleum products. During the evidence, the Secretary of the Ministry of Mines & Fuel agreed with the suggestion that it would be desirable to have one organisation for both refining and marketing of petroleum products. Such a merger would not only lead to better coordination and understanding between the two wings of the same industry but would also result in economy in overheads. The Managing Directors of the I.R.L. and the I.O.C. also shared the views expressed by the Secretary of the Ministry.

The Secretary of the Ministry was, however, averse to the suggestion of merging the O.&N.G.C. also in the same organisation as the main function of the Commission was the exploration of oil and its production. He felt that it would not be correct to lump it with commercial bodies like the I.R.L. and the I.O.C.

7. During discussion it has transpired that the third oil refinery at Koyali in Gujarat would be run by the O.& N.G.C. The reason given was that the Commission felt that where it had found oil as a result of its own efforts and expenditure, it should be enabled to reap the benefits from refining also. Apart from securing returns on the sale of crude oil, the Commission ought to be entitled to certain profits or return on refining as its finances which were also spent on infructuous exploration would thereby be strengthened.

The Managing Director of the I.R.L. stated that organisationally it would be better if all the oil refineries were put under one company as it would be convenient in overcoming a number of administrative problems like utilisation of staff etc. of the I.R.L. for Gujarat Refinery also.

He added that the I.R.L. was lending its technical 'know-how' to the O. & N.G.C. for the purpose of building up the Koyali Oil Refinery.

The Committee understand that in Italy there is only one organisation in the public sector *viz.* E.N.I. which through its subsidiaries deals with all activities relating to exploration, refining and distribution of oil. The activities relating to both production and distribution of petroleum products are managed by one organisation also in the case of the well known concerns like Burmah Shell and ESSO.

**Integrated Organisation suggested.**

8. *The Committee feel that the existence of separate agencies for the various operations of the oil industry in the public sector viz. exploration production, refining and marketing is neither conducive to economy nor to efficiency. It is very essential for the rapid development of this complex industry in the public sector that there should be the utmost coordination and integration between the three wings. An integrated organisation on the pattern of E.N.I. of Italy, which acts more or less as a holding company for a large number of other subsidiary companies engaged in different operations has obvious advantages of pooling of resources, technical 'know-how', experience, research, training etc. As already stated, the Secretary of the Ministry and the Managing Directors of the I.R.L. and the I.O.C. were agreed on the desirability of combining the two operations of refining and the marketing of oil. The proposal by the O.&N.G.C., which is principally engaged on the exploration of oil, to run a refinery at Koyali in Gujarat is an indication of the possibilities and the recognition of the need to integrate the three operations. The Committee, therefore, recommend that with a view to achieving economy, efficiency and coordination as also to eliminate duplication of effort and wasteful expenditure the question of merging these agencies under one organisation may be examined by Government at an early date. The working results of each of the three different operations viz., exploration, production, refining and marekting can be assessed by keeping separate accounts for the three wings of the integrated organisation..*

**Refinery in South.**

9. There is a proposal to set up a fourth oil refinery in the South. The Government have appointed the Indian Institute of Petroleum as Consultants for the conduct of a Techno-economic survey and the suitability of alternative port locations in the South for a refinery. Their report is still awaited. During evidence the Secretary stated that it was proposed to set up a separate company for this refinery as it would not be entirely owned by Government. Negotiations were going on with a private foreign company for participation in it, the details of which have yet to be worked out. He added that the Government which would have a majority share holding in the company,

desired to take advantage of the foreign equity capital to pay for the foreign exchange costs of the refinery. Further the Government considered it necessary to have separate 'know-how' for this refinery as they had not enough trained men in the country.

. *The Committee appreciate the reasons for seeking minority foreign participation in the share capital of the proposed fourth refinery in the South. They hope that majority participation on behalf of Government in this refinery would be provided under the integrated organisation suggested by them in para 8.*

## II

## OIL REFINERIES

### A. *Nunmati Oil Refinery:*

(a) **Agreement with Rumania.**

On the 20th October, 1958, an agreement was concluded for the construction of the Nunmati Oil Refinery, between the Government of India and the Government of the Rumanian People's Republic. This agreement stipulated, amongst other things. that the refinery will have a capacity of 0·75 million metric tonnes per year; that a Supply and Technical Assistance Contract will be concluded between M/s 'Industrial export' of Bucharest. the State Enterprise for foreign trade on the one hand and the Indian Refineries Ltd. on the other, for long term credit of Rs. 5·3 crores, at an interest of 2·5 per cent and for completion of the repayment in seven years.

11. A Supply and Technical Assistance Contract was entered into on 17th August, 1959 between M/s 'Industrial export' of Bucharest and the Indian Refineries Ltd. with the object of spelling out the responsibility of both the parties with regard to (i) the designing of the refinery, (ii) the supply of equipment and materials, (iii) technical assistance to be given by the Rumanians in the construction, erection and operation of the refinery (iv) the guarantees for the performance of the plant etc.

(b) **Time Schedule.**

12. According to the Inter-Government Agreement a 24 months period was provided for the construction of the refinery. This period was to commence from the date of acceptance by the Indian Refineries Ltd. of the technical designs prepared by the Rumanians. A brief agreement regarding the acceptance of designs was concluded on 22nd October, 1959 which stipulated that the refinery construction was to be completed by the last quarter of 1961*.

**Delay in the Commissioning of various units.**

13. The Committee were informed that at the end of December, 1961, only the Crude Distillation Unit was ready. The Coking Unit and the Kerosene Refinery Unit which were originally scheduled to be commissioned from the 10th February 1962 and the 15th February, 1962 respectively were ready to go into operation in April, 1962. It was stated that the delay in the commissioning of these units was due to the shortage of certain materials of foreign supply which in the end had to be procured from indigen-

---

* "At the time of factual verification of the report, the Ministry has stated that there was no stipulation in the brief agreement signed on 20-10-1959 about the completion of refinery by the last quarter of 1961 but such a stipulation was made in the Supply and Technical Assistance Contract."

ous sources. There was also delay in the arrival of certain equipment from abroad.

14. The Committee were further informed that during the testing of the units, certain mechanical defects arose, the rectification of which took quite some time. As a result, the building up of the full rated capacity of the refinery which was scheduled to be achieved by the end of May 1962, was delayed by two months. The Refinery operated on full throughput from 28th July to 6th August, 1962 and thereafter on reduced throughput owing to lack of storage space for products as a result of low off-take. The Refinery had to be shut down completely from 7th September to 13th October, 1962 owing to various reasons, such as, lack of sotrage space, corrosion problems in one of the columns, and repairs and modifications. The Crude Distillation Unit was restarted from 14th October, 1962 and from early November, 1962, the Refinery is stated to be working without any interruption but not at full capacity because of difficulties in movement of finished products from the Refinery. During evidence it was explained that this kind of teething trouble was not unusual and had generally been encountered in other refineries also. In the case of Nunmati refinery it took a slightly aggravated form as there was some error of judgment in the initial testing of these units. For some inexplicable reasons hydraulic testing was resorted to due to which certain moisture was left in the unit which ultimately led to its corrosion.

15. *While the Committee agree that teething troubles are not uncommon in industrial undertakings, they feel that in the case of Nunmati refinery it had been unduly aggravated by the serious mistake in carrying out initially hydraulic testing. It appears that the Crude Distillation Unit of the Refinery was commissioned in haste. The Committee hope that efforts would now at least be made to bring the refinery to its rated capacity. They also suggest that extra-care may be exercised in the initial testing of the units in the other refineries.*

**(c) Location of Refinery.**

16. The Committee understand that a Refinery Location Committee was appointed by Government in 1956 to suggest a suitable location for a refinery to refine the Naharkatiya crude oil. It suggested three sites, the order of preference being Calcutta, Barauni and Gauhati. The first refinery was set up at Nunmati in Assam because of the insistance of the Government of Assam. The Selection Committee for the site of the refinery had recommended Nunmati as the best possible site in the Gauhati-Amingaon area from the point of view of availability of sufficient area of land and other auxiliary facilities required for the construction of the refinery. The other expectation was that the refinery would foster ancillary industries in that area. During the visit of a Study Group of the Estimates Committee to the refinery in July 1962, the Managing

Director informed the Committee that the setting of the refinery inland at Nunmati as opposed to a coastal location like Calcutta had involved an extra expenditure of about Rs. 60 lakhs in the movement of materials from Calcutta to Nunmati. Besides a national loss of about Rs. 90 lakhs annually was also anticipated by way of freight under-recoveries on the movement of products to destinations outside Assam.

17. During evidence, the Managing Director stated that due to heavy floods in Brahmputra river, the production in the refinery had also been affected partially. He added that if the location of the refinery was to be based on technical grounds, it should not have been located at Nunmati on account of the difficulty in transporting the finished products from there. It was stated that this and other difficulties had stood in the way of working the refinery to its full throughout resulting in a loss of Rs. 70 lakhs during the last year.

18. *As regards the location of the Oil Refinery, the Committee find that there were alternatives which were preferable to Nunmati. As already pointed out the order of preference recommended by the Refinery Location Committee was Calcutta, Barauni and Gauhati. It would apear that not enough thought was given to balance the advantages and disadvantages of each location. The Committee hope that Government will take adequate precautions and benefit by the difficulties experienced at Nunmati before they finally decide on the location of the refineries in future.*

19. The original and revised pattern of production of the Nunmati Oil refinery is as follows.

**(d) Pattern of Production.**

| *Product* | (In tonne per year) *Original* | *Revised* |
|---|---|---|
| 1. Gasoline | 160,200 | 150,000 |
| 2. Aromex | 36,000 | 39,300 |
| 3. Superior Kerosene | 104,000 | 57,000 |
| 4. Inferior Kerosene | 59,700 | 45,000 |
| 5. High Speed Diesel | 119,000 | 165,000 |
| 6. Light Diesel Oil | 64,500 | 93,300 |
| 7. Fuel Oil | 113,200 | 101,000 |
| 8. C | 39,000 | 45,000 |
| 9. Gases & Losses | 54,400 | 54,400 |
| Total | 750,000 | 750,000 |

**Changes in the pattern of production.**

20. It will be seen that the pattern of production in the refinery has undergone substantial changes. Explaining the reasons for the changes in the pattern of production, the Managing Director stated that this was principally due to a change in the specification of crude oil available from

Naharkatiya oilfields. Oil in that place occurs in a number of pools and the crude oil varies in composition from pool to pool. As the crude oil was now slightly heavier, the production of Motor spirit and Kerosene had been somewhat less in the refinery. There was, however, increase in production of some of the heavier products like Furnace Oil or Light Diesel Oil. This change in the pattern of production would adversely affect the economics of the refinery though there would be no change in the design of the refinery. He further stated that in view of this change the estimated loss in the value of production would be about Rs. 30 lakhs over a total production yield of Rs. 10 crores annually *i.e.* about 3 per cent. Efforts would, however, be made to make up this loss by increasing the throughout of the refinery.

21. *The Committee regret to note that changes had to be made in the pattern of production of the refinery due to change in the specification of the crude oil. They understand that the changes in the characteristics of crude oil are not uncommon and should have been taken into account at the time of preparation of project report for the refinery by the Consultants and before deciding the original pattern of production. The Committee hope that at least hereafter every care will be taken to see that there is no further revision in the pattern of production of the refinery s such revisions re bound to affect in the long run the economics of the refinery.*

**(e) Supplies of Crude Oil.**

22. The annual requirements of the crude oil by the refinery for its full rated capacity is 7·5 lakh tons. This supply would be made from Naharkatiya through the crude oil pipeline. The laying and operation of the crude oil pipeline was the responsibility of Oil India Ltd. in which the Government of India and the Burmah Oil Company had an equal partnership in the ratio of 50·50. The pipeline was originally expected to be completed by the 31st October, 1961* but was actually completed on the 3rd March, 1962. t was stated that the main reason for the delay in the construction of the pipeline was due to the unusually heavy rains in Assam in 1961. Since delay was anticipated in the construction of the pipeline by due date, arrangements were made to receive crude oil by Railway tank wagons at the refinery in order to build up sufficient stocks for the testing/commissioning period and until the commencement of the piped deliveries of crude oil. The total crude oil received through rail tank wagons was about 82,588·17 metric tons on which railway freight at a special rate of Rs. 50·72 per ton, as against the rate of Rs. 21·65 per metric ton for movement by pipeline had to be paid. The additional amount spent on rail transportation was thus Rs. 24,00,854·00. As supplies of crude oil

*At the time of factual verification the Ministry intimated that the date was 1st December 1961 and not 31st October 1961.

through tank wagons had to be resorted to because of the delay in the commissioning of the crude oil pipeline, the company had claimed re-imbursement of the additional expenditure in transportation of crude oil from Oil India Ltd. *The Committee are informed that The Oil India Ltd. had agreed to the re-imbursement of these claims to I.R.L. They suggest that when projects are interlinked, efforts should invariably be made by the authorities concerned to complete them in accordance with the time scheduled as otherwise financial and other difficulties are likely to be encountered which may ultimately affect the economics of these projects.*

B. *Barauni Oil Refinery*

**(a) Agreement with U.S.S.R.**

23. The Barauni Oil Refinery is being set up with the technical assistance of USSR for processing two million tons of crude oil per year. According to the agreement entered into between the Governments of India and the USSR on the 28th September, 1959. the Government of USSR agreed to give a credit upto 22·50 million new roubles (about Rs. 11·91 crores) at 2·5 per cent of interest per annum repayable in 12 years with the provision that any further amounts in excess of this amount and not exceeding 11·25 million new roubles (Rs. 5·95 crores) will also be met by the Soviet Government from the 337·50 million new roubles credit in terms of the Indo-Soviet Agreement of September 12, 1959. The total estimated cost of the Refinery is Rs. 40·77 crores.

24. In pursuance of the above agreement, a contract was concluded with M|s Tiajprom-export, Moscow on the 3rd December, 1959 for the detailed analysis of the Naharkatiya crude oil samples, the preparation of a detailed project report and the Working Drawings of the Refinery. The project report was received in the last week of December, 1960 and finally accepted in modified form in April, 1961. Another contract was signed on the 16th June, 1961 for the supply of 38,075 tonnes of refinery equipment and materials from USSR valued at Rs. 13·50 crores, for the deputation of Soviet specialists and interpreters and for the industrial-technical training of Indian technicians in the USSR.

**(b) Pattern of Production.**

25. The Barauni Refinery will process 2 million tons of crude oil per year. Its design is such that it could be expanded to 3 million tons capacity at a later stage with additional materials and equipment. The original and the revised pattern of production of the Refinery is as follows:—

| S. No. | Product | As per original product pattern | Revised product pattern |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. | Aviation Gasoline | Tons/year 10,000 | Tons/year 10,000 |

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| 2. | Motor Gasoline | 349,500 | 371,900 |
| 3. | Av. Turbine Fuels | 188,500 | 188,500 |
| 4. | Superior Kerosene | 155,000 | 155,000 |
| 5. | Inferior Kerosene | 47,100 | 50,700 |
| 6. | High Speed Diesel | 376,000 | 376,000 |
| 7. | Light Diesel Oil | 145,600 | 156,000 |
| 8. | Jute Batching Oil | 90,000 | .. |
| 9. | Furnace Fuel Oil | 178,400 | 221,770 |
| 10. | Motor Oil } Lubricants | .. | } 46,000 |
| 11. | Industrial Oil } Lubricants | .. | |
| 12. | Bitumen | 120,000 | 107,400 |
| 13. | Coke | 72,500 | 78,000 |
| 14. | Liquified Petroleum Gas | 20,000 | 10,000 |
| | TOTAL FINISHED PRODUCTS | 1,752,600 | 1,771,200 |
| 15. | Fuel used in the Refinery | 204,400 | 183,900 |
| 16. | Losses | 43,000 | 44,900 |
| | TOTAL | 2,000,000 | 2,000,000 |

**Revision in the pattern of Production.**

26. The Indo-Soviet Agreement dated the 28th September, 1959, provided amongst others, for the supply of equipment for the manufacture of Jute Batching Oil. On that basis the detailed project report received from the Soviet authorities in December, 1960, contemplated a production of 90,000 tonnes of Jute Batching Oil. But the cost of production of JBO at Rs. 297·6 per ton was found to be appreciably higher than its current selling price of Rs. 246 per ton. In view of this and also because by that time adequate capacity to meet the internal demand of JBO had already been established in the country, it was decided that its manufacture should be substituted by lubricants for which the country was almost wholly dependent on import. As a result of this decision, some changes in the yields of other products were made.

27. The Committee were told that even the revised pattern of production at Barauni was likely to be altered as a result of the change in the characteristics of crude oil as was

**the case at Nunmati. A sample of the currently offered crude had been sent to the USSR for fresh analysis and a re-assessment of the product pattern would be made based on that analysis.**

28. *The Committee have already commented on the revision in the pattern of production at Nunmati. These remarks apply equally in the case of Barauni. They are further constrained to observe that proper consideration was not given by the authorities of the question of the manufacture of Jute Batching Oil which had since been substituted by Lubricants when the project report for the refinery was still under preparation by the Russian Consultants. They, however hope that the future demand in the country of the petroleum products will be duly taken into consideration at the time of the further revision of the pattern of production of the refinery.*

**(c) Selection of site for the Refinery.**

29. A site for the location of the refinery at Barauni in Bihar was selected in September, 1959 with the assistance of specialists. A major contract for the levelling and grading of the Refinery site was awarded in March, 1960. Two other major contracts—one for all the mechanical engineering works and the other for all civil engineering works were awarded in November, 1961. The work on the refinery construction was still in progress. The work, however, has received a slight set back because of the fine sand and clay encountered in the soil at a depth of 6 to 7 feet in some places. This has necessitated the redesigning of the major foundations which on the basis of the present estimates is likely to be of the order of Rs. 20 lakhs. The first stage of completion originally programmed for the end of February 1962 has been delayed by about 6 months.

30. During evidence, the Managing Director stated that the Government desired that the refinery should be located on the north Bank of the river Ganges. The Site Selection Committee was asked to examine possible sites in that area. It was also told by the Bihar Government that they had no other site available in the South of the river and the Committee could go 10 to 15 miles to the North if they so desired. In view of this the Committee had to restrict the choice to the three or four sites which the Bihar Government themselves had selected.

31. The Managing Director also stated that the location of the refinery at the present site had added about Rs. 2·17 crores extra to the cost of the refinery made up as follows:—

| | |
|---|---|
| Earth work | Rs. 1.27 crores |
| H avi r Foundation | Rs. 0.20 ,, |
| On Seismic consideration | Rs. 0.70 ,, |
| Total | Rs. 2.17 Crores. |

Of this amount the location of the refinery on the north bank of the river necessitated an extra expenditure of Rs. 76 lakhs on earth work and Rs. 20 lakhs on heavier foundations. This could have been avoided if the refinery had been sited elsewhere. It transpired during evidence that the Russians had recommended further investigations for locating other possible sites along the alignment of Nahorkatiya—Barauni Crude Oil pipeline and were not happy over the present site.

32. *The experience at Barauni underlines the imperative need for a complete technical investigation of the site before locating a unit of this nature. The Committee feel that while the area or the region where a particular unit should be located may be broadly indicated after a consideration of the various factors, the actual selection of the site should be decided entirely on technical grounds. In this case if the decision about location was taken only on technical grounds the extra expenditure of approximately Rs. 96 lakhs, would have been saved and the difficulties and delays experienced could possibly have been avoided.*

*The Committee, therefore, recommend that definite criteria should hereafter be laid down by Govrnment for the selection of sites for all public undertakings.*

**(d) Time Schedule.**

33. A statement showing the original and revised schedules of the completion of various units of the Barauni Refinery is given below:—

| Stage/plant | Original schedule | First revised schedule | Second revised schedule | Third revised schedule |
|---|---|---|---|---|
| First Stage: (1 million tons distillation capacity) | October, 1962 | End of December, 1962 | February, 1962 | Fourth quarter of 1963 (including Kerosene Refinrry Unit) |
| Second Stage: (Another one million tons distillation capacity) | April 1963 | April 1963 | July, 1963 | Second quarter of 1964 |
| Third Stage: | | | | |
| (a) Kerosene Units | January, 1964 | January, 1964 | January, 1964 | .. |
| (b) J.B.O. Units | January, 1964 | January, 1964 | .. | .. |
| (c) Lubricants | .. | April, 64 | April, 64 | Third quarter of 1964 |

34. It will be seen that full throughout of 2 million tonnes per year of the Barauni refinery will be completed in three stages. On the present indications, the first stage of the refinery is likely to be completed by the fourth quarter of 1963, the second stage by the second quarter of 1964 and the third stage by the third quarter of 1964. It will be noted that there has been considerable changes and delay in the original schedule of the completion of the various units of the refinery. This delay and change in the schedule were attributed to the following reasons:—

(a) Change in the delivery dates of equipment from December, 1961 to 1st half of 1962.

(b) Redesigning of the major foundation of the refinery due to the appearance of fine sand and clay in the soil at the depth of 6 to 7 feet at some places which resulted in the delay of 4 to 5 months.

(c) Heavy rainfall in the first week of October, 1962 which caused a set back of about 6 weeks in the completion of schedules.

During evidence, the Managing Director stated that on the basis of the progress hitherto achieved in the construction of the Refinery, it should be possible to commission all units according to the latest revised schedule. *The Committee hope that every effort will now be made to complete all the stages of the refinery in accordance with the latest time schedule as the delays in such cases invariably increase the estimated costs of the projects and puts off production.*

**(e) Engineering Staff.**

35. The Committee understand that there are 121 civil engineers and other technical staff who are at present employed in the construction of the refinery. The representative of the Company stated that some of them would be required permanently by the refinery. As regards the others they hoped to transfer some of them to the Gujarat refinery or employ them in new projects. *The Committee hope that the experience of these personnel in the construction of the refinery will not be allowed to go to waste and every effort will be made to employ them in the new refineries.*

C. *General*

**(a) Supply of Crude Oil.**

36. The Committee were informed that crude oil was supplied to the I.R.L. by the Oil India Ltd.—a company in which Government of India holds 50 per cent shares. The crude oil produced by this company is sold only to two customers *viz.*, Government of India for the use of the Indian Refineries Ltd. (2·75 million tonnes) and the Assam Oil Co. Ltd. (0·25 million tonnes approximately), making a total of 3 million tonnes in all. Clause 8 of the agreement entered into between the Oil India Ltd. and the Government on 27th July, 1961 which provides the formula

for pricing the crude oil supplied to both the customers is given below:—

(i) The price of crude oil would be based upon the c.i.f. price of Middle-East Crude oil of equivalent quality at Calcutta, *i.e.*, the f.o.b. Middle-East price plus ocean freight, insurance etc., the f.o.b. price to be kept within a range of between Rs. 57 and Rs. 63 and adjustments to be made if it goes below or above these figures.

(ii) On this c.i.f. price of Middle-East Crude a certain discount is to be given by Oil India Ltd.

(iii) This discount is to be so calculated that it would give Oil India Ltd., a net return of 10·8 per cent on its paid-up capital (which is Rs. 28 crores), after payment of all taxes including taxes payable on dividends.

The cost of production (including Royalty) and transport by Pipeline are estimated in this Clause at Rs. 48 per ton. Providing for these costs, the price formula provides after deduction of taxes for a return of 10·8 per cent net on the paid up capital of Rs. 28 crores.

The formula and the cost of production are based upon a total off-take of 3 million tons a year.

**(b) Price of the Crude Oil.**

37. The agreement further provides that the price for the crude oil supplied from 1st January, 1962 onwards, would every year be subject to such adjustment so as to ensure a minimum dividend of 9 per cent and a maximum of 13 per cent. in the paid-up capital of Oil India Ltd.

It was stated that at present the I.R.L. was paying a provision price of Rs. 72·79 per ton for its supplies of crude oil. Since this price formula, referred to above was based on a total offtake of 3 million tons by both the the I.R.L. and Assam Oil Company and the actual offtake during the year 1962 is estimated to be about 5 lakhs tons only, a proportionately higher price would have to be paid to the Oil India in order to ensure the minimum dividend of 9 per cent. In addition to the price of crude oil, the I.R.L. has to pay Sales Tax at about Rs. 12 per ton to the Assam Government.

**Prices paid by the other Refineries.**

38. The price (c.i.f.) of crude oil paid by other refineries in the private sector is as under:—

Burmah Shell—Bombay—
Iranian crude—Rs. 64·3 per tonne.

ESSO—Bombay—
Aimco crude—Rs. 63·3 per tonne.
Safania crude—Rs. 50·8 per tonne.
Caltex, Visakhapatnam—Rs. 67·5 per tonne.

**Besides a sum of Rs. 7 per tonne was paid on account of landing charges, wharfage, transport into the tanks of the refineries etc.**

It will thus be seen that even at present the I.R.L. is paying about Rs. 84 per tonne for the indigenous crude oil compared to about Rs. 71 to 74 per tonne paid by the refineries in the private sector for the crude oil imported by them. During evidence the Managing Director stated that there had been a decision that the ex-refinery price for the products of Nunmati Refinery would be slightly higher than the ex-refinery price for those of the Bombay refineries which would substantially cover the additional price of Rs. 12 or 13 paid by the Nunmati Refinery for its crude oil. This would not affect the consumers who would pay the same price for the products of all the refineries.

**Delay in the finalisation of price of the crude oil.**

39. As stated above the price and the terms and conditions at which Naharkatiya crude oil is supplied to the I.R.L. is provisional. As to the delay in finalising the price, it was stated that some differences of opinion had arisen between the two companies regarding the following:—

(i) guarantee of supplies of a minimum quantity of crude oil by Oil India Ltd.

(ii) the reduction in the price of crude oil if it falls below the required specification during any given period.

40. Regarding (i) above, the I.R.L. have pointed out that Oil India Ltd. must guarantee the minimum supplies of 2·75 million tonnes per year of crude oil in order to feed the Nunmati and Barauni refineries to their rated capacity. Oil India Ltd. found it difficult to give such a guarantee in view of certain unpredictable factors, like drying of wells etc. They have been insisting that they could supply to I.R.L. only what the Oil-fields were capable of producing.

As regards (ii), the I.R.L. have asked that the price must be related to the quality of crude oil supplied and when the quality is substantially below specifications, the price must be suitably reduced. This has been resisted by Oil India Ltd. on the ground that there is no such stipulation in the previous agreement executed by them with the Government. But as a result of several discussions they are not agreeable to negotiate the price with I.R.L. to minimise any losses due to variation in the quality suffered by either party. The I.R.L. have also requested the Government to finalise a stable and reasonable price for the crude oil which may not be subject to wide fluctuations and related to the offtake each year.

41. *The Committee are surprised that although Nunmati Oil Refinery had gone on stream over a year ago,*

*the terms and conditions including the price at which the Naharkatiya crude oil will be sold has not yet been finalised between the parties concerned. They hoped that an early decision will now be taken in the matter having regard to the price of crude oil paid by the refineries in the private sector.*

**(c) Reqirements of Crude Oil.**

42. The crude oil available in the Naharkatiya and Moran Oil fields is at present estimated at about 44·5 million tonnes which is just sufficient to feed the Nunmati and Barauni Oil refineries for a period of 15 years. It is understood, that if as projected, the present capacity of the two refineries is increased from 2·75 million tonnes to 4 million tonnes per year, the supplies would last only for about 11 years. This would mean that unless new oil fields were located or the crude oil was imported from other countries, the refineries would close to operate after 11 years. The Committee were given to understand that some new oil fields have already been located in the Sibsagar areas of Assam. *They urge that vigorous efforts should be made by the Government to locate and explore new oil fields if the future needs of crude oil for these two refineries are to be ensured.*

**(d) Bye-Products.— (i) Petroleum Coke.**

43. According to the revised pattern of production of the two refineries, the Nunmati and Barauni refineries are expected to produce about 45,000 tonnes and 78,000 tonnes of petroleum coke per year respectively. The coke when calcined could be put to various industrial uses. As to the calcining of coke and the manufacture of electrodes therefrom at Nunmati by the I.R.L., it was stated that the whole project was estimated to cost about Rs. 4 crores. The Government, therefore, took the view that it would not be possible to undertake the establishment of a plant of that nature at the same time as the construction of the refinery at Nunmati. Such plant could only be set up after a year or so of the refinery coming on stream.

44. The Committee were informed that the coke produced by the Nunmati Oil Refinery is at present being sold for calcination to a private party by the I.O.C. as agents of I.R.L. at Rs. 124 per tonne f.o.b. Gauhati. It is understood that the price of the calcined coke is Rs. 320 per tonne. The contract with the private party is for an initial period of 7 years subject to extension by mutual agreement. Thus there is a difference of Rs. 196 per tonne in the price at which petroleum Coke is sold to the private party and the market price of the coke when calcined. After excluding the manufacturing costs of about Rs. 70 per tonne, it would appear that there is a good enough margin of profit in the business.

45. As regards the petroleum coke from the Barauni refinery, it has already been decided to calcine it for the manufacture of pastes for the aluminium industry and for other

uses. Towards this end negotiations are in progress with the Soviet authority for preparation of a project report and the supply of equipment for this project, out of the balance of credit available from the Barauni Refinery agreement. The Soviet authorities have indicated in discussion that they would be willing to assist on this project but a formal reply is still being awaited.

46. *The Committee are glad to note that in the case of Barauni, Government have rightly decided to calcine petroleum coke itself. Considering the margin of profit in calcining coke, they feel that Government could well have taken upon itself the processing of petroleum coke at Nunmati also. It was not a wise decision to have entered into an agreement for the selling of the petroleum coke to a third party. They trust that the Refineries themselves would calcine the coke produced by them in future.*

**(ii) Utilisation of Gas.**

47. The Nunmati and Barauni Refineries will produce 54,400 tons and 10,000 tons of gases per year respectively. As per project report of the refineries, the gases are to be consumed as fuel inside the refineries. At Nunmati, a project for making about 6,000 tons of liquid petroleum gas per year is visualised. Some gas from Nunmati is also proposed to be supplied to India Carbon Co. for fuel purpose. It was stated that the availability of gas at Nunmati was such as was unlikely to be able to support any economical petro-chemical industry. The proper and efficient untilisation of gases at Barauni for the production of synthetic rubber, methanol acrylonitrite fibre, methyle ethyle ketone, carbon etc. is, however, under study by a Committee of experts from the French Institute of Petroleum whose report was expected by the end of January, 1963.

48. *The Committee feel that the whole question of setting up of petro-chemical industries and the proper utilisation of gases of the refineries needs urgent and careful consideration by Government since a number of industries based on petro-chemicals can be set up in the country. Even at present a considerable amount of foreign exchange can be saved on the import of petro-chemicals. It is possible to set up steam-cracking units for the manufacture of organic chemicals and other products in the neighbourhood of oil refineries. The Committee trust that early action will be taken in the matter by Government. They further recommend that the question of utilisation of gases should be taken up simultaneously with the setting up of the refineries in future.*

**(c) Expansion of Oil refining capacity in the country.**

49. A statement showing actual import of petroleum products during the years 1959, 1960, and 1961 is placed at Appendix I. The statements showing the quantity together with the value of expected indigenous production as well as the estimated imports of various petroleum pro-

ducts during the next four years are also placed at Appendix II. It will be seen that the estimated demand of the country in 1966 will be of the order of 16 million tonnes of petroleum products whereas the estimated indigenous production will be of the order of about 11½ million tonnes thus leaving an estimated deficit of about 4½ million tonnes. The Secretary of the Ministry informed the Committee that the Government had already made an announcement to the effect that 51 per cent of the refining capacity would be in the public sector, that is, if 16 million tons of refining capacity is to be developed in the country by 1966, the Government would like to have slightly more than 8 million tonnes in the public sector. At present, the private sector refineries have about 7·45 million tons of refining capacity. The rest of the capacity would have to be developed in the public sector by 1966. Towards this end it is proposed to increase the capacities of the Nunmati and Barauni Refineries from 2·75 million tons to 4 million tons and also to set up two more refineries, one in Gujarat and the other in South India. The Managing Director also confirmed this.

50. *It will be seen that Nunmati refinery took over 3 years to go into production after entering into an agreement in 1958 and Barauni Refinery will take more than 3 years at least to go on stream after the agreement with Russians, which was entered in September 1959. The Committee do not understand why there was so much delay in proceeding with the expansion of the existing refineries and setting up new ones. The Committee trust that the proposals regarding the expansion of capacities of the two public sector oil refineries viz. Nunmati and Barauni, as well as of setting up of the other two refineries will be finalised without any loss of time so that by 1966, the country would be able to reach the targetted production capacity.*

**(f) Townships.**

51. There is a proposal to construct townships at Gauhati and Barauni for the employees of the two refineries at an estimated cost of Rs. 1·21 crores and Rs. 3·44 crores respectively. While the township at Nunmati will have 637 units for about 80 per cent of the total number of its employees, the township at Barauni will provide residential accommodation for 100 per cent of the staff of the Barauni refinery. During evidence the Managing Director stated that the construction of township at the Barauni was going on according to schedule. At Gauhati a beginning had just been made as they had great difficulties in levelling and cutting the hill site at the site of the township. He also added that the I.R.L. had decided to charge rent for the houses at the rate of 5 per cent of the salary of its employees while fixing the rent they had taken into account the practice prevailing in the oil industry.

52. *The Committee note that at present there is no uniformity in the matter of charging rent of the houses*

*built by the various public undertakings. They feel that as far as possible a uniform pattern should be followed in this regard by all the public undertakings to prevent any dissatisfaction amongst the staff of the other public undertakings on this account. The Committee suggest that the desirability of laying down a uniform policy on this subject, may be conisdered by Government.*

**(g) Russian Hostel at Barauni.**

53. It is understood that one 100-roomed hostel has been cons'ructed at Barauni for Russian experts at a cost of about Rs. 22 lakhs. The Committee were informed that as soon as the Russian experts left, the hostel would be used as a hostel for the trainees of the training centre to be es'ablished there shortly. On an enquiry whether it was not possible to convert the hostel into residential flats it was stated that such conversion would involve a large amount of money to be spent on it. The Secretary of the Ministry and the Managing Director, however, agreed that it was worthwhile considering whether it could be made use of in some other way. *The Committee trust that the matter would be given due consideration and suitable steps would be taken to put this hostel to appropriate use, after the Russians leave the place.*

**(h) Equipment.**

54. The Indo-Rumanian and Indo-Soviet Agreements for the establishmen' of Nunmati and Barauni refineries respectively, envisaged the supply of complete plants and machineries required for the two refineries. It was stated that by and large the equipment was being received from Rumania and Russia in accordance with the programme for the completion of the refineries. There had, however, been cases where the equipment required at a later stage was received earlier and *vice-versa.* Further the company also encountered difficulties in the clearance of consignments at the Calcutta port due to defective marking. In such cases the company had been making representations to the suppliers for remedial action but the response had not been very encouraging. During evidence the Managing Director stated that the suppliers had agreed to remedy the position in future. *The Committee were informed that the Government of India had recently appointed a Consular officer at Odessa Port in the USSR to assist the company for proper marking and shipment etc. They hope that there will not be any difficulty in future in the proper shipment of equipment etc. for the Barauni refinery.*

**Shipment Equipment.**

55. In the contract for the supply of equipment and materials for the Barauni refinery it is laid down that the equipment will be shipped in both Russian and Indian vessels in the ratio of 50 : 50. The Committee were informed that 70 per cent of the cargo received from USSR was being shipped in Russian ships and only 30 per cent in Indian.

ships. The equipment which still remained to be shipped from USSR was only 30 per cent. As to the utilisation of Indian vessels for the shipment of the equipment to the extent of 50 per cent as laid down in the agreement it was stated that representations had been made to the Soviet authorities who had promised to make efforts to remedy the situation. During evidence, the Managing Director stated that lately there had been some improvement in the situation and the Russians had agreed to make greater use of Indian ships. He also added that he had received some complaints to the effect that only bulkier articles were being shipped through Indian ships which had been brought to the notice of the Ministry of Transport and Communications.

56. *The Committee consider that once an agreement regarding the utilisation of Russian and Indian vessels in the ratio of* 50 : 50 *for the transport of equipment, had been entered into, it should have been fully implemented. They hope that while transporting the remaining* 30 *per cent of equipment from USSR, it would be ensured that overall ratio for the utilisation of Indian vessels would be reached.*

*D. Product Pipeline Projects and Lubrication Oil Project:*

**(a) Gauhati Siliguri Pipeline Project.**

57. The Company has been entrusted with the following product pipeline projects:—

(a) Gauhati-Siliguri (270 miles).

(b) Calcutta-Barauni-Delhi (950 miles).

After meeting the requirements of Assam State, it is estimated that about 6,54,000 tons oil products per annum will have to be transported out of Assam for distribution beyond Siliguri. In order to economise on transportation costs and to secure assured movements of products, a techno-economic study for laying a product pipeline from Gauhati to Siliguri was undertaken by M/s. Bechtel Corporation of the U.S.A. As a result of this study, the Government of India have approved the Gauhati-Siliguri project in principle and M/s. Bechtel Corporation have been entrusted with the preparation of detailed engineering designs. This project will use an 8" pipeline over a length of 270 miles and is expected to be completed by the end of June, 1963 and commissioned by December, 1963. The cost of the project which will deal with an initial throughput of 5,30,000 tons of products per year is estimated at Rs. 600 lakhs (including Rs. 130 lakhs of foreign exchange). An additional sum of Rs. 20 lakhs will be required in 1966 when the increased movement consignment on the proposed expansion of the Nunmati Refinery from 0·75 million tonnes annually to one million tonnes is scheduled to commence.

58. The Government of India entered into another agreement with E.N.I. of Italy (a State-owned concern) on the 29th August, 1961. Under this agreement the E.N.I. agreed to supply plant, equipment and technical services for petroleum refining industries upto a total of 95 million Italian Lires. This credit covers, among other schemes, the laying of product pipelines from Barauni to Delhi and Barauni to Calcutta and the setting up of a Lubricating Oil Plant of 1,00,000 tonnes capacity. Accordingly, the preparation of project reports and tender documents for these schemes had been entrusted to M/s Snam Progrette, a subsidiary of E.N.I.

**(b) Calcutta Barauni-Delhi Pipeline Project.**

59. During evidence, the Managing Director stated that the project report for the product pipelines had been received and certain conclusions had been arrived at on the technical aspects of the project. At present the question of financing the construction of the project was under discussion with the Government which would cost about Rs. 25 crores. out of which the foreign exchange component was estimated at about 45 per cent.

**(c) Lubrication Oil Project.**

60. The project report for a lubricating oil plant of 1,00,000 tonnes capacity per year has also been received from E.N.I. by the company and is under consideration. It has been recommended in the report that a Lubricating Oil Plant can be set up either at Bombay or attached to any other refinery that may be set up in South India. During evidence, the Managing Director stated that they were thinking of connecting this plant with the fourth refinery to be set up in South India.

61. As to why the execution of the product pipeline projects were entrusted to the I.R.L., it was stated that Indian Refineries Ltd., with its engineering organisation which was experienced in sizeable construction work, would be able to deal better with these projects from the very stage of preparation of project studies and tender documents. It was also felt that it would be conducive to better administration and better coordinated action if both the product pipelines were made the responsibility of I.R.L. During evidence the Managing Director stated that it was not contemplated to hand over the Product Pipelines to I.O.C. and that the I.R.L. would continue to bear the cost of the pipelines.

*The Committee trust that every effort would be made to complete these projects in accordance with the time schedule.*

## III

## GENERAL MATTERS

(A) *Capital:*

62. The authorised capital of the company is Rs. 30 crores. On 31st March, 1962 its paid-up capital was Rs. 17·10 crores and loan capital Rs. 8·95 crores. The Company is wholly owned by Government of India.

**Financial participation by the State Governments.**

63. The Committee were informed that the Government of India had since decided to allow the State Governments financial participation to the extent of 15 per cent. of the equity capital investment involved in the refinery projects located within each State.

As to the reasons for this decision, it was stated that originally the Assam and Bihar Governments offered to provide land free of cost and power and water supply at reasonable rates. Later it was found that the cost of land required for the refineries would strain the resources of the State Governments to a considerable extent. It was, therefore, held that it would not be correct to insist on the State Governments to provide land free of cost. Further, as a measure of providing greater emotional satisfaction to the States as well interesting them in establishing industrial enterprises, they were allowed to participate in the capital structure of the company. It was stated that a substantial part of the proposed financial participation would be covered by the cost of land provided by the State Governments.

64. *The Committee do not feel happy about the policy adopted by Government in this matter. It is not unusual for a State Government to offer land free of cost for the location of a public undertaking because it is to the advantage of the State that it should be so located and in fact such an offer might act as one of the factors in deciding their location in that State. It is hardly necessary to point out that it is highly inappropriate to alter the position of a free grant of land into financial participation by the State Governments in lieu of the price of that land particularly after an undertaking has actually been set up in that State. It might lead also to similar claims for financial participation by the State Governments in respect of other public undertakings wherever they had offered land free of cost. The Committee recommend that Government should now take a firm decision whether or not they will allow the State Governments to go back on their earlier offers in this regard.*

**B. *Cost of Production:***

**65. It was stated that no estimate of the cost of production of various petroleum products were prepared and included in the project report of the Nunmati Refinery. In the case of Barauni Refinery the cost of production of the various products has been included in the project report. The Secretary of the Ministry and the Managing Director of the company could not give any reasons as to why the cost of production in the case of Nunmati refinery was not included in its project report. During evidence, the Managing Director stated that until they had worked the Nunmati Refinery at a full throughput for a sufficiently long period, no correct figures of the cost of production of various petroleum products could be worked out. He added that the cost of production of the Barauni Refinery would compare very favourably with that of the private sector refineries. The costs in the case of Nunmati were bound to be slightly higher as it was a smaller refinery.**

66. *The Committee are surprised to note that the cost of production of the various products in the Nunmati Refinery was neither worked out by the Rumanians nor insisted upon by Government.. It is not clear how the Government satisfied itself about the economics of the working of the refinery in the absence of such vital information. The Committee trust that the provision of such information will be ensured by Government in all project reports in future.*

C. *Payment of Advance Rent for hiring Office Accommodation:*

67. The company paid a sum of Rs. 3,44,131 on the 25th October, 1961, to the United Indian Periodicals Private Ltd. as advance to cover the rent for four years from 1st January, 1962, for securing 6,828 sq. ft. of office accommodation in the Link House, New Delhi. The rental has been charged at the rate of Rs. 1·25 per sq. ft. less 16 per cent. in consideration of the advance rent paid to the proprietors.

68. Explaining the circumstances leading to this advance, the Managing Director stated that on receipt of an intimation from the Directorate of Estates that the company was not eligible for the allotment of any Government accommodation they were on the look-out for other alternative accommodation as the earlier accommodation in the State Bank Building was not suitable for the company. The company also issued an advertisement but no suitable offers were received. Later the proprietors of Link House made an offer of office accommodation in that building, which was at that time under construction. In that offer, besides quoting the rate for the different floors they made a condition of an advance payment of rent to help them in the completion of the building which was expected to be ready by October, 1961. It was stated

that the payment of advance rent was, however, permissible under the Delhi Rent Control Act. After making suitable investigations, the company negotiated with the United India Periodicals Private Ltd. and a lease agreement was executed with the firm. As a safeguard, the company also secured an agreement from the Proprietors of the Link House either to obtain a refund of the balance of the advance rent, or to retain the right of subletting the premises in the event of the I.R.L. vacating the premises before the expiry of four years. The lease of the premises can be terminated by three months' notice.

69. *The Committee do not feel happy about the Company advancing a sum of about Rs. 3½ lakhs for renting the office accommodation as such a procedure does not seem to be normal. In this connection reference is also invited to the report of the Committee on Heavy Electricals Ltd., wherein the Committee have recommended the desirability of constructing a building for the use of all public undertakings in Delhi.*

## IV

## ORGANISATION AND ADMINISTRATION

A. *Board of Directors*:

70. The company is managed by a Board of Directors, all of whom are appointed by the President. The Board at present consists of ten Directors including a Chairman and a Managing Director. The Managing Director is the Chief Executive of the company responsible for implementing the plans and policies and the management of all the projects entrusted to the company. Of the ten Directors, three are non-officials and seven officials. **(i) Composition.**

71. At present all Directors with the exception of the Managing Director on the Board are working part-time. It was stated that as a general rule, persons having wide knowledge and experience in various fields of activities likely to be beneficial in the conduct of the affairs of the company are appointed as Directors. During evidence it transpired that none of the Directors had any experience or special knowledge of the oil industry. Discussing the desirability of appointing more full-time functional or technical Directors on the Board, the Secretary of the Ministry stated that they had at present foreign consultants who could advise them on all technical matters. The Managing Director of the I.R.L. also stated that in due course of time, when their employees gained experience, it would be possible to consider them for appointment as technical Directors on the Board. They had, therefore, no need for technical Directors just at present although the need might arise at a later stage. The Secretary assured that they were not averse to putting technical people on the Board. They would certainly be appointed as Directors as and when these technicians came up to a certain level. **(ii) Appointment of full-time Directors.**

72. *In this connection, the Committee would draw attention to para 33 of their 33rd Report (Second Lok Sabha) on Hindustan Steel Ltd. and para 28 of 86th Report (Second Lok Sabha) on the State Trading Corporation of India wherein they recommended that for better administration more full-time Directors should be appointed on the Board of public undertakings and each of them entrusted with responsibility for certain departments. The Committee have in para 8 already recommended the setting up of an organisation for dealing with the three wings of the oil industry in the public sector. They feel that after the*

*integrated agency for the exploration, refining and marketing of oil has been set up, it would be necessary to appoint more full-time Directors as the magnitude of operations of the company would increase considerably. Such functional and technical Directors could be drawn from amongst the officers of the company who had distinguished themselves in the service of the industry and who could be entrusted with the responsibility of manning the various departments of the company.*

**(iii) Changes in the Managing Directorship of the Company.**

73. There have been frequent changes in the Managing Directorship of the company. The first Managing Director served the company for about two years. Then after an interim arrangement for about two months the present incumbent took over office as Managing Director. It was stated that the first Managing Director had to relinquish the appointment as he was promoted as Chairman of the Hindustan Steel Ltd., with a higher pay of about Rs. 500 per month.

74. *The Committee consider that frequent changes of Managing Director are not conducive to the efficient working of the company and building up of a good management team. It is not proper to change early the Managing Director of a company simply because in another appointment, on promotion or otherwise he earns a higher pay. It leads to wastage of experience of a particular individual at a time when he has just setttled down to his duties and gathered sufficient experience of the affairs of the company. A more rational view would be to allow the higher pay of the promotion post rather than to transfer him to it. The Committee recommend that in order to strengthen the Board of Directors, the Managing Director of a company should normally hold the appointment for periods not less than three years in the company. In the Committee's view such a step will enable the incumbent to fully implement the plans and programmes entrusted to him, will ensure continuity of his knowledge and experience and improve the general efficiency of the company.*

**(iv) Chairman of the Board.**

75. The Chairman of the company presides over the meetings of the Board and under Article 97 of the Articles of Association of the company reserves for consideration and approval of Government certain matters. He has no executive functions as such to perform in the company. The Committee were informed that he had been provided with free accommodation at Delhi so that he might be available for consultation and general guidance to the company.

76. *The Committee note that in a number of public undertakings like the Neyveli Lignite Corporation Ltd., the National Mineral Development Corporation Ltd., the Indian Oil Company Ltd., etc., the Chairman is the Chief Executive combining in himself the duties of Chairman and the*

*Managing Director. The Committee would suggest that Government may examine whether the same pattern may not be adopted in this case also. They have discussed this matter in detail in their Thirty-Second Report (Third Lok Sabha) on the N.C.D.C. Ltd; Ranchi.*

B. *Staff*:

77. The total staff strength of various categories of staff at the Headquarters of the company and the two oil refineries was about 2,059 on the 31st December, 1962. During evidence the representative of the company stated that the staff strength of the company had been determined after studying the set up of all the private sector refineries in India. They had prescribed certain standards and set some norms for staffing the different operations of the refinery including maintenance, laboratory work, power house, water supply, etc. The staff strength which is subject to continuous detailed scrutiny, is at present being determined through job evaluation by an Industrial Engineer and it is proposed to evolve certain standards for future staff requirements. The study is expected to be completed within the next nine to twelve months.

*From the above it appears that no proper assessment about the requirements of the staff had so far been made by the company. The Committee recommend that the assessment of the staff requirements of the company should now be completed without any delay. In this context they would also invite a reference to para 209 of their Thirty-Second Report (Third Lok Sabha) on N.C.D.C. Ltd., where in they have recommended the establishment of a Personnel Commission for the recruitment etc., of officers in public undertakings.*

C. *Training*:

78. The Inter-Governmental Agreements for the construction and operation of the Nunmati and Barauni Oil refineries entered into by the Government of India with the Government of Rumanian People's Republic and the Government of U.S.S.R. respectively provided an obligation on the part of the supplier to train Indian technicians in designing, erection, operation and maintenance of the respective refineries. Accordingly, for the Nunmati refinery 53 Indian Engineers were trained in Rumania for periods varying from 4 to 15 months during the year 1959-60. For the Barauni Refinery, the company had sent about 88 engineers to the U.S.S.R. for training. The period of training of these trainees varied from 6 to 12 months. The company had also availed of the training facilities offered by the National Iranian Oil Company and sent one Mechanical and one Chemical Engineer to Abadan for training for a period of three months in the year 1959. Two Engineers and three technicians had also been sent to U.K. for training in the operation and repairs of refinery instruments.

Establishment of a Training Centre at Gauhati.

79. The Committee understand that the company is shortly establishing a training centre at Gauhati under the charge of a full-time Training Officer. This training centre will cater to the future requirements of craftsmen and operational personnel of the company. During evidence the Managing Director stated that the scheme had been finalised and efforts were being made to recruit a suitable Training Officer for the purpose. It was also stated since they were facing difficulty in finding a suitable training officer they had submitted a proposal to the Government to seek the services of a foreign expert for a period of two years under the U.N. Expanded Programme of Technical Assistance. At the same time they were making every effort to start the training centre before the foreign expert arrived in India.

80. *The Committee are rather surprised to note that no serious efforts have been made by the company to organise training schemes for its employees till recently although the Nunmati Oil Refinery went on stream w.e.f. 1st January, 1962 and the Barauni Refinery is expected to commence production by the fourth quarter of 1963. They trust that no further time will be lost in starting the centralised training centre at Gauhati. The Committee also suggest that proper coordination should be maintained with the training schemes of other private undertakings* viz., *Burmah Shell, ESSO, Caltex, with a view to take full advantage of experience in the same field.*

Training in the Designing of Refineries.

81. The Committee were informed that no Indian Engineers were associated at the time of preparation of the design of the refineries as such an arrangement was not approved or considered feasible by the foreign collaborators at the time when the designs of the refineries were under preparation. Some senior Indian Engineers were, however, sent for exchange of views on designs and clarifications of design, data, etc. During evidence it transpired that no formal request had been made to the collaborators in this respect although under the terms of the Inter-Governmental Agreements, the collaborators were required to train the Indian technicians in designs, etc. The Secretary and the Managing Director could not advance any valid reasons for this ommission. The Managing Director, however, stated that for the Gujarat Refinery Project they had been able to secure from the Russians the whole of the norms and standards adopted for the refinery design.

82. *The Committee feel that the question of training has been tackled in a very casual manner from the beginning. The company it would seem, failed to seize the opportunity of training their Engineers in the designing of refineries when the agreements with the foreign Consultants had clearly provided for such training. The Committee cannot*

*over-emphasise the necessity for such training especially when the present policy of the Government in the matter of expansion of oil refining capacity in the country is that atleast* 51 *per cent. of the refining capacity should be in the public sector.*

D. *Research*:

83. At present the Indian Institute of Petroleum which has been set up temporarily in Delhi by the Council of Scientific and Industrial Research about three years ago, is conducting research and training in refining and product utilisation in the petroleum industry. During evidence it was stated that the Institute would be finally located at Dehra Dun. The Institute has two main divisions, the Refining and Petrochemical Division and the Product and Testing Division. Under an agreement with the Institute Francais due Petrole of France, technical cooperation has been secured in setting up the Indian Institute of Petroleum.

84. *The Committee understand that O. & N.G.C. is also contemplating to set up a Research Institute for research and development of petroleum products with U.N. assistance. The Committee feel that it would be better and more advantageous if there is unified research on petroleum. They, therefore, suggest that the desirability of having only one Institute for the purpose may be considered by Government at an early date as such a step would be conducive to the efficient development of the industry as a whole.*

NEW DELHI;
*April* 3, 1963.
*Chaitra* 13. 1885 (*Saka*).

H. C. DASAPPA,
*Chairman,*
*Estimates Committee.*

# APPENDIX I

(*Vide* para 49)

*Statement showing actual Import of Petroleum Products, during the years* 1959, 1960 *and* 1961.

Quantity in '000 tonnes
Value in lakhs of rupees

| Products | 1959 | | 1960 | | 1961 | |
|---|---|---|---|---|---|---|
| | Quantity | Value | Quantity | Value | Quantity | Value |
| Light Distillates . . . . . | 108,967 | 325·01 | 116,465 | 326·85 | 111,543 | 310·93 |
| Kerosenes including ATF . . . | 1,259,611 | 2,199·38 | 1,215,411 | 1,966·15 | 1,397,014 | 2,186·64 |
| Diesels . . . . . . | 310,450 | 485·36 | 298,708 | 412·27 | 417,952 | 569·33 |
| Lubricating Oils . . . . . | 212,065 | 959·26 | 214,833 | 1,143·27 | 294,985 | 1,432·67 |
| Bi tumen . . . . . . | 6,202 | 14·98 | 16,217 | 39·50 | 13,228 | 32·46 |
| Heavy Ends . . . . . | 67,044 | 150·36 | 132,978 | 154·49 | 213,408 | 145·40 |
| Others Products . . . . . | 52,322 | 89·33 | 36,623 | 59·05 | 27,368 | 42·25 |
| TOTAL . . . | 2,016,661 | 4,223·68 | 2,031,235 | 4,101·58 | 2,475,498 | 4,719·68 |

## APPENDIX II.

(*Vide* para 49)

***Statements showing the quan y and value of indigenous Products and the estimated imports of various petroleum products during the next four years.***

1962

Figures in '000 Tonnes / Value in lakhs of rupees

| | Light Distillates | Kerosenes | Diesels | Lubricating Oils | Bitumen | Heavy Ends | Other products | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Estimated Demand . . | 1076 | 2669 | 2328 | 327 | 417 | 2678 | 90 | 9585 |
| 2. Estimated Local Production . | 1206 | 1168 | 1787 | 24 | 367 | 1903 | 85 | 6540 |
| 3. Value of Local Production . | 2653 | 1997 | 2448 | 144 | 1101 | 1408 | 136 | 9887 |
| 4. Estimated deficits (1—2) . | (+)130 | (—)1501 | (—)541 | (—)303 | (—)50 | (—)775 | (—)5 | (—)3045 |
| 5. Value of Deficits requiring imports . . . . . | 286 | 2567 | 741 | 1818 | 150 | 574 | 8 | 5572 |

NOTE: 1. Estimated demands exclude refinery fuel.
2. Light distillates include Motor Spirit, Aviation Spirit, Solvents, LPG, Nephtha and refinery gas.
3. Heavy Ends include Furnace Oil, Hot Heavy Stock and JBO.
4. Other Products include Wax, Petroleum Coke, Aromex, Mineral Turpentine, Vaporising Oil, etc.
5. Value of products based on 1962 weighted average C.I.F. prices.

1963

Value in lakhs of rupees

| | Light Distillates | Kerosenes | Diesels | Lubricating Oils | Bitumen | Heavy Ends | Other Products | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Estimated Demand . . | 1173 | 2978 | 2630 | 364 | 461 | 3036 | 106 | 10748 |
| 2. Estimated Local Production . | 1521 | 1410 | 2209 | 25 | 452 | 2292 | 164 | 8073 |
| 3. Value of Local Production . | 3346 | 2411 | 3026 | 150 | 1356 | 1696 | 262 | 12247 |
| 4. Estimated Deficits (1—3) . | (†)348 | 1568 | 421 | 339 | 9 | 744 | (†)58 | 2675 |
| 5. Value of Deficits requiring imports . . . . | 766 | 2681 | 577 | 2034 | 27 | 551 | 93 | 5011 |

NOTE :

1. Estimated demands exclude refinery fuel.
2. Light distillates include Motor Spirit, Aviation Spirit, Solvents, LPG, Naphtha and refinery gas.
3. Heavy Ends include Furnace Oil, Hot Heavy Stock and JBO.
4. Other Products include Wax, Petroleum Coke, Aromex, Mineral Turpentine Vaporising Oil, etc.
5. Value of products based on 1962 weighted average C.I.F. prices.

## 1964

Figures in '000 Tonnes
Value in lakhs of rupees

| | Light Distillates | Kerosenes | Diesels | Lubricating Oils | Bitumen | Heavy Ends | Other Products | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Estimated Demand | 1328 | 3324 | 2976 | 404 | 509 | 3443 | 137 | 12121 |
| 2. Estimated Local Production | 1892 | 1729 | 2652 | 48 | 505 | 2465 | 283 | 9574 |
| 3. Value of local Production | 4162 | 2957 | 3633 | 288 | 1515 | 1824 | 453 | 14832 |
| 4. Estimated Deficits (1—2) | (+)564 | 1595 | 324 | 356 | 4 | 978 | (+)146 | 2547 |
| 5. Value of Deficits requiring imports | 1241 | 2728 | 444 | 2136 | 12 | 724 | 234 | 4569 |

**Note** :

1. Estimated demands exclude refinery fuel.
2. Light distillates include Motor Spirit, Aviation Spirit, Solvents, LPG, Naphtha and refinery gas.
3. Heavy Ends include Furnace Oil, Hot Heavy Stock and JBO.
4. Other Products include Wax, Petroleum Coke, Aromex, Mineral Turpentine, Vaporising Oil, etc.
5. Value of products based on 1962 weighted average C.I.F. prices.

1965

Figures in '000 Tonnes
Value in lakhs of rupees.

| | Light Distillates | Kerosenes | Diesels | Lubricating Oils | Bitumen | Heavy Ends | Other Products | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Estimated Demand . . | 1624 | 3711 | 3376 | 450 | 562 | 3912 | 200 | 13835 |
| 2. Estimated Local Production . | 2249 | 2234 | 3221 | 71 | 588 | 2788 | 222 | 11373 |
| 3. Value of Local Production . | 4948 | 3820 | 4413 | 426 | 1764 | 2063 | 355 | 17789 |
| 4. Estimated Deficits (1—2) . | (+)625 | 1477 | 155 | 379 | (+)26 | 1124 | (+)22 | 2462 |
| 5. Value of Deficits requiring imports . . . . | 1375 | 2526 | 212 | 2274 | 78 | 832 | 35 | 4356 |

NOTES :

1. Estimated demands exclude refinery fuel.
2. Light distillates include Motor Sipirit, Aviation Spirit, Solvents, LPG, Naphtha and refinery gas.
3. Heavy Ends include Furnace Oil, Hot Heavy Stock and JBO.
4. ther Products include Wax, Patroleum Coke, Aromex, neral Turpentine, Vaporising Oil, etc.
5. Value o pro ucts sed on 1962 weighted average CIF. prices.

**1966**

Fi ures in '000 Tonnes
Value in lakhs of rupees

| | Light Distillates | Kerosenes | Diesels | Lubricating Oils | Bitumen | Heavy Ends | Other Products | Total |
|---|---|---|---|---|---|---|---|---|
| 1. Estimated Demand . . | 2283 | 4145 | 3837 | 500 | | 4450 | 331 | 16166 |
| 2. Estimated Local Production . | 2301 | 2301 | 3288 | 216 | 588 | 2841 | 222 | 11757 |
| 3. Value of Local Production . | 5062 | 3935 | 4505 | 1296 | 1764 | 2102 | 355 | 19019 |
| 4. Estimated Deficits (1—2) . | (+)18 | 1844 | 549 | 284 | 32 | 1609 | 109 | 4409 |
| 5. Value of Deficits requiring imports . . . . | 40 | 3153 | 752 | 1704 | 96 | 1191 | 174 | |

NOTE :

(1) Estimated demands exclu refinery fuel.
(2) Light distillates include otor Spirit, Avi tion Spirit Solvents, LPG, NaPhtha and refinery gas.
(3) Heavy Ends include Furnace Oil, Hot Heavy Stock and JBO.
(4) Other Products include Wax, Petroleum Coke, Aromez Mineral Turpentine, Vaporising Oil, etc.
(5) Value of products ba on 1962 weighted average C.I.F. prices.

# APPENDIX III

*Summary of Conclusions/Recommendations.*

| S. No. | Reference to para No. of the Report | Summary of Conclusions/Recommendations |
|---|---|---|
| 1 | 2 | 3 |
| 1 | 8 | The Committee feel that the existence of separate agencies for the various operations of the oil industry in the public sector, *viz.*, exploration, production refining and marketing is neither conducive to economy nor to efficiency. It is very essential for the rapid development of this complex industry in the public sector that there should be the utmost coordination and integration between the three wings. An integrated organisation on the pattern of E.N.I. of Italy, which acts more or less as a holding company for a large number of other subsidiary companies engaged in different operations has obvious advantages of pooling of resources, technical 'know-how', experience, research, training, etc., The proposal by the O. & N.G.C., which is principally engaged on the exploration of oil, to run a refinery at Koyali in Gujarat is an indication of the possibilities and the recognition of the need to integrate the three operations. The Committee, therefore, recommend that with a view to achieving economy, efficiency and coordination as also to eliminate duplication of effort and wasteful expenditure the question of merging these agencies under one organisation may be examined by Government at an early date. The working results of each of the three different operations *viz.*, exploration, production, refining and marketing can be assessed by keeping separate accounts for the three wings of the integrated organisation. |
| 2 | 9 | The Committee appreciate the reasons for seeking minority foreign participation in the share capital of the proposed fourth refinery in the South. They hope that majority participation on behalf of Government in this refinery would be provided under the integrated organisation suggested by them in para 8 of the Report. |

| 1 | 2 | 3 |
|---|---|---|
| 3 | 15 | While the Committee agree that teething troubles are not uncommon in industrial undertakings, they feel tha in the case of Nunmati Refinery it had been unduly aggravated by the serious mistake in carrying out initially hydraulic testing. It appears that the Crude Distillation Unit of the Refinery was commissioned in haste. The Committee hope that efforts would now at least be made to bring the refinery to its rated capacity. They also suggest that extra-care may be exercised in the initial testing of the units in the other refineries. |
| 4 | 18 | As regards the location of the oil refiniery, the Committee find that there were alternatives which were preferable to Nunmati. As already pointed out the order of preference recommended by the Refinery Location Committee was Calcutta, Barauni and Gauhati. It would appear that not enough thought was given to balance the advantages and disadvantages of each location. The Committee hope that Government will take adequate precautions and benefit by the difficulties experienced at Nunmati before they finally decide on the location of the refineries in future. |
| 5 | 21 | The Committee regret to note that changes had to be made in the pattern of production of the refinery due to change in the specification of the crude oil. They understand that the changes in the characteristics of crude oil are not uncommon and should have been taken into account at the time of preparation of project report for the refinery by the Consultants and before deciding the original pattern of production. The Committee hope that at least now here after every care will be taken to see that there is no further revision in the pattern of production of the refinery as such revisions are bound to affect in the long run the economics of the refinery. |
| 6 | 22 | As supplies of crude oil through tank wagons to Nunmati refinery had to be resorted to because of the delay in the commissioning of the crude oil pipeline, the laying and operation of which was the responsibility of the Oil India Ltd., the I.R.L. had claimed re-imbursement of the additional expenditure in transportation of crude oil from the Oil India Ltd. The Committee are informed that the Oil India Ltd. had agreed to the re-imbursement of these claims to I.R.L. They suggest that when |

| 1 | 2 | 3 |
|---|---|---|
| | | projects are interlinked, efforts should invariably be made by the authorities concerned to complete them in accordance with the time schedule as otherwise financial and other difficulties are likely to be encountered which may ultimately affect the economics of these projects. |
| 7 | 28 | The Committee have already commented on the revision in the pattern of production at Nunmati. These remarks apply equally in the case of Barauni. They are further constrained to observe that proper consideration was not given by the authorities to the question of the manufacture of Jute Batching Oil which had since been substituted by Lubricants when the project report for the refinery was still under preparation by the Russian Consultants. They, however, hope that the future demand in the country of petroleum products will be duly taken into consideration at the time of the further revision of the pattern of production of the refinery. |
| 8 | 32 | The experience at Barauni underlines the mperative need for a complete technical investigation of the site before locating a unit of this nature. The Committee feel that while the area or the region where a particular unit should be located may be broadly indicated after a consideration of the various factors, the actual selection of the sife should be decided entirely on technical grounds. In this case if the decision about location was taken only on technical grounds the extra expenditure of approximately Rs. 96 lakhs, would have been saved and the difficulties and delays experienced could possibly have been avoided. The Committee, therefore, recommend that definite criteria should hereafter be laid down by Government for the selection of sites for al public undertakings. |
| 9 | 34 | The Committee hope that every effort will now be made to complete all the stages of the Barauni refinery in accordance with the latest time schedule as the delays in such cases invariably increase the estimatedcos of the projects and put off production. |
| 10 | 35 | The Committee hope that the experience of civil engineers and technical staff of the Barauni refinery, in the construction of the refinery will not be allowed to go to waste and every effort will be made to employ them in the new refineries. |

| 1 | 2 | 3 |
|---|---|---|
| 11 | 41 | The Committee are surprised that although Nunmati Oil Refinery had gone on stream over a year ago, the terms and conditions including the price at which the Naharkatiya crude oil will be sold has not yet been finalised between the parties concerned. They hope that an early decision will now be taken in the matter having regard to the price of crude oil paid by the refineries in the private sector. |
| 12 | 42 | The Committee were given to understand that some new oil fields have already been located in the Sibsagar areas of Assam. They urge that vigorous efforts should be made by the Government to locate and explore new oil fields if the future needs of crude oil for these two refineries are to be ensured. |
| 13 | 46 | The Committee are glad to note that in the case of Barauni Government have rightly decided to calcine petroleum coke itself Considering the margin of profit in calcining coke, they feel that Government could well have taken up on itself the processing of petroleum coke at Nunmati also. It was not a wise decision to have entered into an agreement for the selling of the petroleum coke to a thrid party. They trust that the refineries themselves would calcine the coke produced by them in future. |
| 14 | 48 | The Committee feel that the whole question of setting up of petro-chemical industries and the proper utilisation of gases of the refineries needs urgent and careful consideration by Government since a number of industries based on petro-chemicals can be set up in the country. Even at present a considerable amount of foreign exchange can be saved on the import of petro-chemicals. It is possible to set up steam-cracking units for the manufacture of organic chemicals and other products in the neighbourhood of oil refineries. The Committee trust that early action will be taken in the matter by Government. They further recommend that the question of utilisation of gases should be taken up simultaneously with the setting up of the refineries in future. |
| 15 | 50 | It will be seen that Nunmati Refinery took over three years to go into production after entering into an agreement in 1958 and Barauni Refinery will take more than three years at least to go on stream after the agreement with Russians which was entered in September, 1959. The Committee do not understand why there was so much delay in proceeding with the expansion of the existing refineries and setting up new ones. The Committee trust that the proposals regarding the |

| 1 | 2 | 3 |
|---|---|---|
| | | expansion of capacities of the two public sector oil refineries *viz.* Nunmati and Barauni, as well as of setting up of the other two refineries, will be finalised without any loss of time so that by 1966 the country would be able to reach the targetted production capacity. |
| 16 | 52 | The Committee note that at present there is no uniformity in the matter of charging rent of the houses built by the various public undertakings. They feel that as far as possible a uniform pattern should be followed in this regard by all the public undertakings to prevent any dis-satisfaction amongst the staff of the other public undertakings on this account. The Committee, suggest that the desirability of laying down a uniform policy on this subject, may be considered by Government. |
| 17 | 53 | The Committee trust that the matter would be given due consideration and suitable steps would be taken to put the Russian Hostel at Barauni to appropriate use after the Russians leave the place. |
| 18 | 54 | The Committee were informed that the Government of India had recently appointed a Consular Officer at Odessa Port in the USSR to assist the company for proper marking and shipment etc. They, hope that there will not be any difficulty in future in the proper shipment of equipment etc. for the Barauni Refinery. |
| 19 | 56 | The Committee consider that once an agreement regarding the utilisation of Russian and Indian vessels in the ratio of 50:50 for the transport of equipment, had been entered into, it should have been fully implemented. They hope that while transporting the remaining 30% of equipment from USSR, it would be ensured that overall ratio for the utilisation of Indian vessels would be reached. |
| 20 | 61 | The Committee trust that every effort would be made to complete the two Product Pipeline Projects and Lubrication Oil Project in accordance with the time schedule. |
| 21 | 63-64 | The Committee were informed that the Government of India had since decided to allow the State Governments financial participation to the extent of 15% of the equity capital investment involved in the refinery projects located within each State. |

| 1 | 2 | 3 |
|---|---|---|
| | | As to the reasons for this decision, it was stated that originally the Assam and Bihar Governments offered to provide land free of cost and power and water supply at reasonable rates. Later it was found that the cost of land required for the refineries would stain the resources of the State Governments to a considerable extent. It was, therefore, held that it would not be correct to insist on the State Governments to provide land free of cost. Further, as a measure of providing greater emotional satisfaction to the States as well interesting them in establishing industrial enterprises, they were allowed to participate in the capital structure of the company. It was stated that a substantial part of the proposed financial participation would be covered by the cost of land provided by the State Governments. |
| | | The Committee do not feel happy about the policy adopted by Government in this matter. It is not unusual for a State Government to offer land free of cost for the location of a public undertaking because it is to the advantage of the State that it should be so located and in fact such an offer might act as one of the factors in deciding their location in that State It is hardly necessary to point out that it is highly inappropriate to alter the position of a free grant of land into financial participation by the State Governments in lieu of the price of that land particularly after an undertaking has actually been set up in that State. It might lead also to similar claims for financial participation by the State Governments in respect of other public undertakings wherever they had offered land free of cost. The Committee recommend that Government should now take a firm decision whether or not they will allow the State Governments to go back on their earlier offers in this regard. |
| 22 | 66 | The Committee are surprised to note that the cost of production of the various products in the Nunmati Refinery was neither worked out by the Rumanians nor insisted upon by Government. It is not clear how the Government satisfied itself about the economics of the working of the refinery in the absence of such vital information. The Committee trust that the provision of such information will be ensured by Government in all project reports in future. |

| 1 | 2 | 3 |
|---|---|---|
| 23 | 69 | The Committee do not feel happy about the Company advancing a sum of about Rs. 3½ lakhs for renting the office accommodation as such a procedure does not seem to be normal. In this connection reference is also invited to the report of the Committee on Heavy Electricals Ltd., wherein the Committee have recommended the desirability of constructing a building for the use of all public undertakings in Delhi. |
| 24 | 72 | The Committee would draw attention to para 33 of their 33rd Report (Second Lok Sabha) on Hindustan Steel Ltd. and para 28 of 86th Report (Second Lok Sabha) on the State Trading Corporation of India wherein they recommended that for better administration more fulltime Directors should be appointed on the Board of public undertakings and each of them entrusted with responsibility for certain departments. The Committee have in para 8 already recommended the setting up of an organisation for dealing with the three wings of the oil industry in the public sector. They feel that after the integrated agency for the exploration, refining and marketing of oil has been set up, it would be necessary to appoint more full-time Directors as the magnitude of operations of the company would increase considerably. Such functional and technical Directors could be drawn from amongst the officers of the company who had distinguished themselves in the service of the industry and who could be entrusted with the responsibility of manning the various departments of the company. |
| 25 | 74 | The Committee consider that frequent changes of Managing Director are not conducive to the efficient working of the company and building up of a good management team. It is not proper to change early the Managing Director of a company simply because in another appointment, on promotion or otherwise he earns a higher pay. It leads to wastage of experience of a particular individual at the time when he has just settled down to his duties and gathered sufficient experience of the affairs of the company. A more rational view would be to allow the higher pay of the promotion post rather than to transfer him to it. The Committee recommend that in order to strengthen the Board of Directors, the Managing Director of a company should normally hold the appoint- |

| 1 | 3 | 3 |
|---|---|---|
| | | ment for periods not less than three years in the company. In the Committee's view such a step will enable the incumbent to fully implement the plans and programmes entrusted to him, will ensure continuity of his knowledge and experience and improve the general efficiency of the company. |
| 26 | 76 | The Committee note that in a number of public undertakings like the Neyveli Lignite Corporation Ltd., the National Mineral Development Corporation Ltd., the Indian Oil Company Ltd., etc. the Chairman is the Chief Executive combining in himself the duties of Chairman and the Managing Director. The Committee would suggest that Government may examine whether the samepattern may not be adopted in this case also. They have discussed this matter in detail in their Thirty Second Report (Third Lok Sabha) on the N.C.D.C. Ltd., Ranchi |
| 27 | 77 | It appears that no proper assessment about the requirements of the staff had so far been made by the company The Committee recommend that the assessment of the staff requirements of the company shluld now be completed without any delay. In this context they would also invite a reference to para 209 of their Thirty Second Report (Third Lok Sabha) on N. C. D. C. Ltd., where in they have recommended the establishment of a Personnel Commission for the recruitment etc. of officers in public undertakings. |
| 28 | 80 | The Committee are rather surprised to note that no serious efforts have been made by the company to organise training schemes for its employees till recently although the Nunmati Oil Refinery went on stream w.e.f. 1st January, 1962 and the Barauni Refinery is expected to commence production by the fourth quarter of 1963. They trust that no further time will be lost in starting the centralised training centre at Gauhati. The Committee also suggest that proper coordination should be maintained with the training schemes of other private undertakings *viz.* Burmah Shell, ESSO, Caltex, with a view to take full advantage of experience in the same field. |
| 29 | 82 | The Committee feel that the question of training has been tackled in a very casual manner from the beginning. The company, it would seem, failed to seize the opportunity of training their Engineers in the designing of refineries when the agreements with the foreign Consultant had clearly provided for such training. The Committee cannot over-emphasize the necessity for such training especially when the present policy of Government in the matter of expansion of oil refining capacity in the country is that atleast 51 of the refining capacity should be in the public sector. |

| 1 | 2 | 3 |
|---|---|---|
| 30 | 83—84 | The Indian Institute of Petroleum which has been set up by the Council of Scientific and Industrial Research about three years ago, is at present conducting research and trining in refining and product utilisation in the petroleum industry. The Committee understand that O.&N.G.C. is also contemplating to set up a Research Institute for research and development of petroleum products with U.N. assistance. The Committee feel that it would be better and more advantageous if there is unified research on petroleum. They, therefore, suggest that the desirability of having only one Institute for the purpose may be considered by Government at an early date as such a step would be conducive to the efficient development of the industry as a whole. |

## APPENDIX IV

(*Vide* Introduction)

*Analysis of the recommendations contained in the Report*

Classification of recommendations :—

A. Recommendations for improving the organisation and working :

S. Nos. 1, 10, 16, 17, 24, 25, 26, 27, 28 and 29.

B. Miscellaneous :—

S. Nos. 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23, and 30.

## DELHI

34. Jain Book Agency, Connaught Place, New Delhi.

35. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

36. Atma Ram & Sons, Kashmere Gate, Delhi-6.

37. J. M. Jaina & Brothers, Mori Gate, Delhi-6.

38. The Central News Agency, 23/90, Connaught Circus, New Delhi.

39. The English Book Stall, 7-L, Connaught Circus, New Delhi.

40. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

41. Lakshmi Book Stores, 42, M.M. Janpath, New Delhi.

42. Kitab Mahal (W.D.) (Private) Ltd. 28, Faiz Bazar, Delhi.

43. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.

44. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.

45. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.

46. People's Publishing House, Rani Jhansi Road, New Delhi.

47. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

48. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.

49. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

50. Hind Book House, 2, Jan Path, New Delhi.

51. Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.

## MANIPUR

52. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

## AGENTS IN FOREIGN COUNTRIES

### U.K.

53. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED AT THE PARLIAMENTARY WING OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.